Falling Through The Cracks: Uganda’s Small Farmers and Trade Policy

by Aileen Kwa
Preamble

This paper is written as a discussion paper within the framework of the project “EcoFair Trade Dialogue. New Directions for Agricultural Trade Rules” (www.ecofair-trade.org).

The EcoFair Trade Dialogue is an international project carried out by the Heinrich Böll Foundation and MISEREOR in cooperation with the Wuppertal Institute. The overall aim of this project is to enrich the debate on the reform of the current regime of global agricultural trade through the development and advancement of forward looking guidelines and instruments, taking the concepts of ‘food sovereignty’ and ‘sustainable agriculture’ as reference points. Since the beginning of 2005 the EcoFair Trade Dialogue has brought together a group of 11 ‘experts’ on agriculture and trade issues from around the world, the so-called Expert Panel, to exchange views, work intensively together and make innovative and feasible proposals for a profound reform of the international agricultural trade regime. During 2006, a series of stakeholder dialogues in different regions of the world were conducted to bring additional expertise to the process, and ground the group’s proposals in local and regional experiences. The main outcome of a two years first phase of the project was the report “Slow Trade – Sound Farming. A Multilateral Framework for Sustainable Markets in Agriculture” (2007), which emerged from an extensive consultation and exchange process that took place across all continents.

This discussion paper is one out of several “implementation papers” that are based on the perspectives and proposals contained in the “Slow Trade – Sound Farming” report.

The author would like to thank the communities in Kamuli and Mpala for sharing their experiences with her. Many thanks are also due to Misereor’s partners in Uganda, especially staff of the Agency for Integrated Rural Development (AFIRD) and Caritas Kampala, who made the scoping mission in July 2007 possible; government officials from various ministries including agriculture, trade and foreign affairs; civil society groups including SEATINI, ACTADE, Oxfam, ActionAid, CDI and Deniva; Rural Community in Development (RUCID), the various branches of Caritas and other Misereor partners for making the November workshop possible; the vision and dedication of Sabine Dorlöechter-Sulser, Alicia Kolmans and Mute Schimpf of Misereor; the many conversations with Hartmut Brandt; Darlan Marti and Yash Tandon of the South Centre for valuable insights; and many others in Kampala and Geneva who willingly shared their time and thoughts which greatly enriched the paper. The author of course bears all responsibility for any errors in the paper. As this is a discussion paper of a
preliminary character, comments and contributions to the discussion are expressly sought. Please send them to aileenkwa@yahoo.com.
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Foreword

This paper sets out to explore the trade policy context within which Uganda’s small farmers operate. The story of the genesis of this project sheds light on the political conjuncture we are in, and may help chart the path ahead.

In the wake of the collapse of the World Trade Organisation (WTO)’s fifth Ministerial Conference in Cancun, in 2003, Heinrich Boell and Misereor decided to convene a panel of experts working on trade and agricultural policies to explore alternative policies that would actually work for small farmers. The EcoFair Trade panel members met for two years over a series of both internal and public meetings, and their final deliberations are captured in their report “Slow Trade – Sound Farming: A Multilateral Framework for Sustainable Markets in Agriculture”. This report was launched in early 2007.

This paper is a component of the second phase of the EcoFair Trade Dialogue project and a follow-up to the “Slow Trade – Sound Farming” report. It intends to explore alternative agricultural trade policies that work for small farmers and sustainable rural development, looking at the concrete case of Uganda, a Least Developed Country in East Africa. In doing this, it should help to understand whether and which of the “Slow Trade – Sound Farming” reform proposals are relevant and realistic in order to achieve sustainable markets in agriculture.

Uganda was chosen also because of Misereor’s on-going work there. For the past twelve years, the organization had worked with local partners (AFIRD, HOCADEO, Caritas, Kabale, Caritas Kampala, SAMADI, PARUDA and RUCID) promoting sustainable and organic agricultural production methods. A household survey was conducted in 2005 to evaluate ten years of Misereor’s work and its impact. It was found that the extension efforts had been a very positive intervention, with real welfare gains at the household level. However, farmers in Uganda which have not been supported remain very vulnerable both to poverty and food insecurity. There was thus an interest to look into the broader policy context within which small farmers operate.

At the same time that Misereor was going through these deliberations, I became interested in Uganda’s trade policy and small farmers. In mid 2006, talks in the WTO had collapsed once again. Many of us who had been working on the WTO over the course of years knew that the model of trade pushed by the institution promoting liberalized borders (for some but not for others) and an emphasis on production for exports, is not a sustainable model for the majority of farming populations around the world, nor for the environment. The faltering WTO talks opened slivers of political space which had not been there before, for alternative
policies to be aired and discussed with government representatives, even if only tentatively.

In the final phase of writing this report, myriad countries throughout the developing world have been suffering the effects of high prices on imported foods. This is forcing many policy-makers to rethink their reliance on imports to meet their food security needs.

All in all, it is becoming increasingly apparent, both at the local level, and the international level, that the policies in trade, promoted by the multilateral institutions (WTO and the Bretton Woods Institutions) are simply not working. The same template of policies are now being aggressively pushed onto countries in the context of the Economic Partnership Agreements (EPA) negotiations which Uganda and other ACP (African, Caribbean and Pacific) countries are negotiating with the European Union. The problems this neo-liberal model poses for small farmers in Uganda and what we want to build in its place is the subject of this paper.

Aileen Kwa
June 2008
Executive Summary

Even though Uganda has been enjoying an impressive gross domestic product (GDP) of over 5% annually, farmers remain in a precarious situation, with poverty rates falling than rising and then falling again, only in a spate of the last eight years. Most farming families – over 80% of the population – have a subsistence existence. The impressive GDP rates do not seem to have touched their lives.

The daunting problems faced by farmers are captured in Section 1 of the paper. The issues raised here were related to us during our field visits. They include the difficulties farmers have in accessing domestic markets; their disappointments with the elusive export markets; low farmgate prices and exploitation by middlemen; the difficulties in accessing credit; the lack of farm inputs, equipment and post-harvest facilities; the challenge of AIDS; land insecurity; inadequate access to health services and drugs; the changing weather patterns; and the threat of supermarkets that import the same products local farmers produce etc.

The story of Uganda’s policy making in agriculture and trade begins in Section 2, which recounts the main features of the structural adjustment process the country has undergone since 1992. Farmers have been most affected by the dismantling or privatization of the marketing boards. Overnight, without the support of these marketing boards, the cooperatives also collapsed. Marketing structures which the government had supported disappeared. Price supports and input subsidies were also abolished. The agricultural sector has not yet recovered, and since then, has remained underdeveloped.

The second tranche of “structural adjustment” is implemented today through the government’s Poverty Eradication Action Plan (PEAP) policy framework, and the Plan for the Modernisation of Agriculture (PMA). The PEAP and PMA prioritise exports, particularly in the new lucrative sectors of fish, floriculture and horticulture. There is an explicit policy within PEAP not to support domestic industries since this creates inefficiencies, the costs of which are borne by the poor. Uganda’s investment policy is also explored in this section. Most worrying is its lack of regulation of supermarkets. There are no zoning policies, limits on the number that can be set up, nor any regulation requiring investors to purchase a certain proportion of their products from local producers.

Section 3 looks into the export and import trends of the country. Research in 2007 showed that the new export sectors – fish, floriculture and horticulture – are rivaling the export earnings of the traditional sectors – coffee, tea and tobacco. However, these new sectors do not employ large numbers of people as compared to the traditional exports. The Section also explores the threats of food import
Surges which took place when these prices were still low. Surges have occurred in milk, cereals including wheat, rice, maize, vegetables, fruits, fruit juices, sugars, margarine, non-alcoholic beverages, oilseeds and even in cotton. The UN’s Food and Agriculture Organization (FAO), documents a total of 93 import surges between 1982 and 2003. These trade trends have not served small farmers well: imports stole markets away from local farmers; at the same time, Ugandan farmers have been badly burnt by the volatile export markets of the past decade and the half; farmers have difficulties meeting the standards of export markets; and the concentration of these markets, for example in horticulture, has increasingly made access difficult. Exports which are resource-intensive also raises issues of sustainability – are these exports in the long-term interest of the country? Will the big exporting farms utilize more than their fair share of resources, leaving subsistence farmers further impoverished?

Section 4 explores the impact of Uganda’s membership at the World Trade Organisation and the likely effects of the Doha Round on Uganda. The WTO has had its most profound impact as an international norm setter advocating the lowering of tariffs, and making illegal certain important import governance measures. The WTO has also done the global community a signal disservice by legitimizing the dumping of agricultural produce from the US and EU into developing country markets. In the past decade and the half, this has contributed to the decimation of farmers’ livelihoods, local economies and agro-industries throughout the developing world. Assessments of the Doha Round concluded that Uganda, as with most African countries will face losses, not gains since the small farmers are unable to benefit from market access opportunities.

The Section also explores the impact of the recently initialed ‘interim’ Economic Partnership Agreement between the East African Community (EAC) and the European Union (EU). The EPA is much more aggressive than the WTO as it brings the majority of tariff lines down to zero. This could lead to increased food imports from the EU, especially in processed foods, deindustrialization, and lost opportunities for local agricultural and industrial sectors to develop. Real regional integration i.e. dependence on regional production within the EAC is unlikely to develop under EPA conditions. The next stage of EPA negotiations, including services, investment, competition, government procurement and intellectual property will further curtail the policy space of Uganda, this time in ‘beyond the border’ policies. These negotiations will touch on the country and region’s domestic regulation. The EU wants its companies to be given the same treatment as Ugandan companies and for any regulation constraining the freedom of European companies to be removed.

Uganda’s Membership in the East African Community (EAC) and in the Common Market for Eastern and Southern Africa (COMESA) are also examined. EAC countries have agreed to a common external tariff (CET). By 2010, the CET rates
are 0%, 5% and 25%. Only 58 tariff lines diverge from this structure – less than 1% of total tariff lines. COMESA has decided to implement the same tariff structure by 2008. Within the EAC, all tariffs are in the process of being eliminated. The section basically questions EAC and COMESA’s regionalism objectives, and asks if the open regionalism model that is being put in place will bring development to these countries.

Another aspect of the trade regime that is dealt with is that of intellectual property. A draft Plant Variety Protection (PVP) bill has already been passed by Uganda’s cabinet in early 2007. It now awaits parliamentary approval. The draft bill weighs on the side of breeders rights i.e. it provides monopoly rights to companies that have paid for National Agricultural Research Organisation’s (NARO) research into new plant varieties. Whilst the exact details of the draft have not been disclosed, it is likely that farmers will not be able to save these hybrid seeds, exchange them or use them to breed new varieties. This completely disrupts the culture of exchanging seeds. In time, it would place increasingly large amounts of genetic resources under the monopoly of corporations. Since hybrid seeds have to be stable and homogenous, the increasing use of these seeds will reduce local biodiversity. Lastly, it propagates a model of farming that is financially unsustainable for small farmers. This is particularly worrying today as input costs are skyrocketing. Farmers will have to go back to the market to buy seeds for each planting season, as well as the chemical inputs that are supposed to be used together with these seeds.

Section 5 deals with decision-making in Uganda’s trade policies. There is clearly insufficient public knowledge and debate on trade issues so that major decisions affecting people’s livelihoods are made by government bureaucrats or at the highest political level without the knowledge of the majority. Government ministries are also heavily funded by donors. In the case of the EPA negotiations, this has led to conflicts of interests as the EU funds Uganda’s negotiators to negotiate with the EU itself. The chapter also recounts the pressures put on Uganda’s negotiators at the WTO when they take positions not in keeping with those of the most powerful players at the WTO.

Section 6 concludes that Uganda’s small farmers seem to have fallen through the cracks of policy-making. Whilst policy makers pay lip-service to small farmers’ interests, the policies they have put in place – liberalization and exports – will not help the poor. The effects of the current trade policies have been import surges – at least up until the price hikes of 2008; volatile prices for small farmers exporting on the world market, with many losing out when prices crashed or when there were no buyers; shrinkage of the manufacturing sector; the loss of opportunities for real regional integration; and wider income gaps between the rich and poor.
Finally, **Section 7** closes with recommendations for new trade policies that could work for Uganda’s small farmers at the national, regional and international levels. At the national level, the recommendations include reinvigorating and creating local markets; the governance of imports; regulation of supermarkets; providing an enabling environment for the growth of agro-processing industries; the mainstreaming of sustainable agriculture; reinforcing peoples’ land rights and land security; assessing the role of non-traditional crops; the need for a food security policy; the strengthening of farmers’ groups and cooperatives as well as the rebuilding of marketing boards; the use of supply management instruments; increasing Uganda’s budget allocation to agriculture; the importance of holding companies accountable to the damage they cause; the promotion of local seeds; and critically, the building of democratic decision-making processes.

At the regional level, it is important for countries in East Africa to reexamine their objectives for regional reintegration and rethink their current strategies. It is likely that a more discriminatory engagement in terms of trade policies with the outside world would go much further in facilitating broad-based development in the region.

At the multilateral level, the most important change is for the multilateral trade system to unhinge itself from mandatory trade liberalization rules, and instead take on the role of regulating countries’ extra-territorial responsibility in the sense of ensuring that countries’ domestic trade policies do no harm to others. Urgent action is required in ending dumping practices, as well as the regulation of multinational corporations. The multilateral trade system also has a role to play in the revival of commodity agreements, so as to stabilise prices.

Finally, the EcoFair Trade Dialogue proposals are assessed for applicability in the Ugandan context. The report *Slow Trade – Sound Farming* offers valuable insights for Uganda and this report is in agreement with close to all its proposals.
1 The agricultural sector in Uganda and the situation of small farmers

1.1 Characteristics and challenges

Agriculture in Uganda is central to the lives of people and to the country’s economy. Its importance is primarily underscored by the fact that it is the main source of employment for its population of 30.9 million. 69% of the labour force was employed in agriculture-related activities in 2003, as compared to 23% in services and 8% in industry. 1 86% of the population lives in the rural areas. Even those in the urban centers not engaged daily in agricultural work, have family or land in the countryside and are constantly aware of the trends taking place in the sector.

It is estimated that about 70% of the agricultural sector is subsistence in nature. 2 25% is semi-commercial, and only 5% is purely commercial. Most families therefore produce for domestic consumption, and some have commercial crops on the side. Agriculture is largely looked upon as a way of life, and subsistence agriculture remains the predominant form of livelihood in the country. 3 The country has a good natural resource base – with fertile soils and adequate rainfalls in most areas. Rainfall patterns allow for two cropping seasons in most of the country, apart from the drier northeastern region. Rains however, are becoming erratic in recent years. Farming is largely done without fertilizers, farm work is mostly done manually, and crops are rain fed.

Despite the fact that the sector accounts for 40% of the country’s Gross National Product (GNP), it has received very little support from the government in recent years. Uganda has been a keen student of the Bretton Woods Institutions and its foreign donors. Its macroeconomic policies have focused on the following: 1) stable inflation 2) increasing credit to the private sector 3) enhancing the international competitiveness of exports. A major goal of Uganda’s external partners has been the stabilization of inflation – keeping it no more than 5% - as well as tight monetary policies. The growth rate has been quite strong. It was a

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2 Subsistence farming does not exclude the marketing of surpluses. However, it does mean that people primarily consume what they produce.
robust 5.9% in 2004 and was at about 5.3% in 2005/6. It is projected to be 7% for 2008. However, inflation is also up, rising to 9.5% in April 2008, in large part due to rising food prices.

Poverty levels as conventionally measured by income declined from 56% in 1992, to 35% in 2000, but took a turn for the worse, rising to 38% by 2003, according to figures from the Ugandan National Household Survey (UNHS). The latest UNHS 2005/6 registers a drop in poverty levels to 31% of the population or 8.4 million. Given the significance of coffee exports to the economy, it is possible that the recent increase in commodity prices has contributed to this.

There are many aspects of poverty. Access to health care remains a major challenge. Life expectancy was only 43.1 years in 2002 and it has increased to 49 years by 2005. Child and maternal mortality rates are high – in 2002, mortality rates for children under five was 141 per 100,000 births, and maternal mortality at 880 per 100,000 births. Drugs are often not available, and there is an absence of qualified health staff. AIDS remains a major issue, although adult prevalence rates have declined from about 18% in the early 1990s to 6.5% in 2005. Lately, however, there has reportedly been an increase in prevalence rates.

Provision of quality education is also a major issue. Since introducing the policy of universal primary education, enrolment has increased. Whilst primary school enrolment was only 62.3% in 1992, it rose to 86% for girls and 87% for boys in recent years. However, the drop-out rate is also very high. Some challenges include high levels of absenteeism by teachers; high teacher-student ratios; inadequate books and materials; lack of school meals etc.

Holding back economic growth and contributing to poverty is also the high reproduction rate. Uganda has the third highest population growth rate in the world, at 3.4% a year. The average Ugandan woman gives birth to almost seven children in her lifetime.

The agriculture sector faces a large number of constraints: land insecurity, limited access to support services such as crop and veterinary extension services;

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6 AfDB/OECD 2005 ibid.
7 “A Brief on the Findings of the UNHS”, http://www.ubos.org/SUMMARY%20FINDDINGS%20FOR%20UNHS%202005-06.pdf
8 AfDB/OECD 2005 ibid.
9 World Bank web.worldbank.org/WEBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/EGANDAEXTN/0,,menuPK:374947etc etc
inaccessibility of food processing technology; inadequate infrastructure such as electricity and water; lack of market information; difficulties accessing markets so that produce often goes to waste in the countryside etc.

Land insecurity, is one of the key problems that has was repeatedly raised by farmers during the field visits undertaken in the preparation of this study. According to the Village Census by the Ugandan Ministry of Finance, Planning and Economic Development (MFPED) in 2002, land sizes are diminishing, especially amongst the poor. On average, each family has slightly over 3 acres of land. The better-off are increasing their acreage. However, the poorest see their land holdings shrinking to less than about half an acre.

Graph: Changes in Land Ownership from 1993-2002 amongst Households


The 1998 Land Act was intended to enhance land and tenure security. In theory, it should have provided squatters the opportunity to attain certificates of occupancy, or those occupying customary land to acquire ownership certificates. However, in reality, the institutional support on the ground is simply not available to make this a reality. There is a severe shortage of land offices, and it also costs people more than most can afford to register for a title. As a result, getting land titles remains a privilege for the better off, rather than those in real danger of being evicted.

An example that illustrates the constraints with regard to infrastructure is the lack of access to electricity. Only 3% of Ugandan rural households and 8% of urban areas have access to grid electricity. The rest rely on biomass for energy sources (mainly wood for cooking). The per capita electricity consumption is one of the lowest in the world – at 62 kWh/year (compared to 300 in India, 580 in China and
11,000 in the USA). This raises challenges e.g. when people would like to enlarge their processing activities e.g. wet coffee processing; fish landing sites for preservation etc.

An important challenge with regard to trading and marketing for small farmers is access to price information, both on the domestic as well as the international market. Commodity producers for the international market need to know that there is a sure market for their products. Producers therefore require accurate information of current prices, as well as realistic forecasts of future prices. However, this kind of information is difficult for small farmers to access and the government has not gone far in facilitating farmers in this regard.

Much of the primary research and writing for this report took place before the global price hikes in food as of end 2007 and early 2008. From various reports in 2008, apart from the difficult region of Karamoja where there remains civil unrest and severe food shortages, the impact of the food crisis has been somewhat muted. As of mid-2008, food prices have increased, but not to the levels of the price hikes on the world market. One possibility is because prices of matooke, the primary staple in Uganda have not increased to the extent that wheat or maize world prices have. Nevertheless, urban consumers and the landless poor have been affected by increases in food prices of about 10 to 30%. In addition, the price increases in staples have apparently not affected prices in other food items. The International Fund for Agricultural Development also reported that in Uganda, producers are taking advantage of the higher prices and where possible, they are selling their high value food crops on the market such as matooke, whilst buying cheaper food such as maize or cassava flour for their own consumption. In comparison to other countries, Uganda’s farmers are less reliant on chemical fertilizers, and in this respect, are less affected by the 2008 spikes in fertilizer prices.

Small Farmers’ Experiences

The statistics showing poverty and the difficulties the rural population faces were echoed by farmers themselves in the stories they told of their lives during the interviews conducted by the author. These interviews took place in July 2007

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13 International Fund for Agricultural Development 2008 ibid.
when world food prices, although beginning to improve, were still low. The themes of their stories included:

i) Difficulties accessing markets. Because farmers are remote, and also because they sell in very small quantities, they are often cut off from the market. The government has not adequately facilitated farmers to access markets.

ii) Export markets particularly of ‘high value’ exports remained elusive. The government had been proactively promoting export crops without taking the final step of facilitating farmers to concretely obtain these overseas markets. Many farmers complained about their experiences with vanilla, aloe vera, okra and other crops. Some of these projects have also been encouraged by foreign aid agencies eg. USAID.

iii) Farmgate prices were still low in 2007. Often farmers were unable to recuperate the money they had invested. Many times, farmers were faced with losses. For example, several cases were cited by the Kakiri community: In maize, one farmer invested 200,000 shillings, but he reaped only 150,000 shillings when he sold his harvest. A sugar cane farmer said she harvested 5000 canes in 2007 and received 320,000 shillings. However, her costs amounted to 350,000 shillings.

iv) Exploitation by middlemen. A common complain was the exploitation by middlemen who colluded or took advantage of the financial difficulties farmers were facing so that they would lower farmgate prices. E.g. when they knew that a farmer had a child requiring urgent medical attention.

v) Difficulties accessing credit. Banks do not lend to small farmers. At the same time, private microfinancing institutions (MFIs) which are accessible to farmers tend to be exploitative, charging very high interest rates of 23-40% with very short repayment periods e.g. 3 days. Farmers felt that the government should be regulating these private MFIs.

vi) Lack of farm inputs. Even in July 2007, farmers found that inputs were already too expensive - wheelbarrows, hoes, seeds, wire mesh (to keep poultry) and fertilizers. The government used to provide input subsidies in the 1970s, 1980s and even early 1990s, e.g. the provision of seeds. According to World Bank conditionality however, subsidies had been removed.

vii) Lack of post-harvest facilities. More often than not, there are no post harvest storage or drying facilities at the village level, leading to high levels of wastage. Farmers also do not have the resources to acquire processing equipment. As a result, the quality of the final product suffers e.g. local rice is often broken and is sold with stones in the rice. The quality is therefore much poorer compared to imported rice.
viii) The challenge of HIV-AIDS. AIDS has had a huge impact on rural communities. It has led to a shortage of labour, the latter being particularly important given that agriculture is largely a hand and hoe system. Many farming families consist of grandparents having the sole responsibility of a number of AIDS orphans. Despite their hard labour, they find themselves unable to provide food for the entire family. The government is supposed to provide free anti-retrovirals to those with AIDS. However, in the rural areas, these drugs are not available and people find purchasing the drugs unaffordable.

ix) Land insecurity. Squatters find themselves evicted with a compensation that is so minimal it is inadequate for them to resettle on another plot of land. Alternatively, the landlord utilizes the surrounding land to the maximum, leaving the squatter with only the land on which his/her house is built. As a result of land insecurity, farmers find it difficult to make decisions about investing in the land. E.g. they cannot plant perennial crops or build facilities such as toilets on the land. There was a story of a farmer who built a toilet on his land and the landlord tore the structure down. (Access to clean toilets for workers is one of the conditions for attaining EurepGap certification). Also women do not own or inherit land.

x) Lack of access to basic social services. Farmers lamented that there is always a shortage of drugs in government hospitals. Drugs are only available in the private hospitals, but the private health care system is beyond the means of farmers.

xi) The collapse of marketing boards and cooperatives in the 1980s and 1990s. This has made it very difficult for small farmers to organize themselves to ensure that they get a share of the market and get decent prices. Cooperatives collapsed partly because of political reasons. The Museveni government saw cooperatives as a political threat. The World Bank also advised the government to dismantle the marketing boards. As these marketing boards fell apart, the cooperatives also fell into disarray since they were no longer guaranteed a buyer. The experience has been daunting. During this time, farmers felt that they were exploited by the marketing boards or managers of the cooperatives e.g. they were not paid for their produce. This experience seems to have left a deep and negative impression, making it difficult for people to re-establish and work within cooperatives. Despite the problems that did exist when the marketing boards and cooperatives were functioning, many farmers talk about those days with nostalgia since they had markets to sell to and the assurance of decent prices.

xii) Climate change. The seasons are no longer predictable. Agriculture is rain fed. Since rains are getting more sporadic, farmers have difficulties planning their planting and harvesting. The problem is compounded by the fact that they do not have storage facilities.
xiii) Inadequate Governmental Regulation Over the Quality of Products. There is very little government control over the quality of products sold on the market to farmers. For example, in animal feed, extension workers complained that there were high amounts of sawdust. Or seeds sold on the local market were found not to germinate.

xiv) Difficulties accessing water. Water is an issue - farmers have difficulties accessing clean and adequate amounts of water.

xv) Plant diseases. In recent years, plant diseases have plagued farmers, for example, the coffee wilt disease has wiped out coffee harvests. There is inadequate research and support to farmers in this regard.

xvi) Threat of supermarkets. The emergence of supermarkets has been cited as a threat to small farmers. For example, the South African owned chain Shoprite - the largest supermarket group in Africa, opened its second outlet in Uganda recently. It brings in imported chicken, eggs, fruit, potatoes, fruit juices. These are the same products that farmers in Uganda are struggling to sell. Small farmers are worried that they will lose their share of the domestic market with the rise of supermarkets.

xvii) Poor quality of education for children. Although the government has implemented compulsory primary education, the quality of the service provided in the schools has deteriorated as resources are stretched to the limit. There is a shortage of textbooks, tables, chairs, uniforms, lunch, and teachers do not get paid on time. Private schools offer much better quality education, but fees are high and farmers cannot afford private school fees.

xviii) Lack of Transport Facilities. The government abolished the public transport system in the early 1990s. Private transport is expensive and prices are non-standardised – the owner of the vehicle sets the price each time. Sometimes people cannot afford to travel the distance to see the doctor or to buy drugs. This is obviously a major problem when it comes to bringing goods to the market.

ixx) Youth – Difficulties in Finding their Place in Society. The young are often uninterested in staying on the farm. Many look for petty jobs in the cities – construction or brick building. In order to cope with the physical strain, they also resort to drugs. Drugs are a major problem amongst the youth.
2 Uganda’s Agricultural Trade and Investment Policies: What is the National Strategy and Vision?

2.1 Structural Adjustment Policies as a Blue Print

The Museveni administration took over a country wrought by civil strife in 1986. The IMF and World Bank had an influence over economic policy making since 1987. However, liberalization policies really took root from about 1992. Uganda’s budget during this time was largely dependent on external aid, although this is still the case today where up to 50% of the budget is provided by donors.14 With the World Bank and the IMF as the biggest lenders, these institutions exerted tremendous influence over its economic policies and essentially underwrote the country’s entire economic policy blueprint.

In agriculture, the structural adjustment policies demanded by the Bretton Woods institutions had a deep impact. State enterprises were privatized, severely scaled down or dismantled. Markets were opened, and state involvement in production and marketing was curtailed. In addition, interest rates and the financial system were also liberalized, making it more difficult for farmers to access credit.

According to Frederick Mwesigye, the Commissioner of Cooperative Development Department within Uganda’s Ministry of Tourism, Trade and Industry,

“The widespread adoption of market liberalization tied to (the) strong emphasis on export promotion, has led to a period of rapid economic growth. However this has also resulted in a situation in which domestic markets are exposed to the highly competitive global agricultural market.”15

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He goes on to explain that the structural adjustment policies “presented Uganda with some serious problems”. Before the structural adjustment process, cooperatives in Uganda had already existed for many decades. From 1946 – 70, cooperatives grew in many sectors. Whilst certainly not perfectly run, by many accounts, the cooperatives were relatively successful in agricultural marketing. They were the collection agents of farmers’ produce and they played a critical function given the small quantities produced by each of a large number of farmers. However, during the years of political turmoil in the 1970s and 1980s, many cooperatives became insolvent. Dissolving the marketing boards as part of the structural adjustment exercise was the last straw. As Mwesigye sums, “the marketing structure collapsed”.

Before the liberalization process, the state had played a significant role in production and marketing. It was involved from the farmer, through to the processing level, and up to the export level. The government fixed prices for those in the marketing chain. Even though these prices were sometimes below market prices, it meant that farmers had a certain amount of security. They were also insulated against price fluctuations – a common phenomenon in commodity trade. The government also provided financing for export commodities, and was responsible for quality assurance and production credit.

In Mwesigye’s assessment, “The agricultural markets have remained underdeveloped despite liberalization and the cooperative movement weakened after liberalization. There are still inadequate storage facilities and other market infrastructure especially in the rural areas. Trade finance and production credit are not easily accessible by small traders and rural producers because they are considered to be too risky by commercial banks…The quality of commodities declined except at the export point, where quality certification is often required. There is lack of a transparent system of price discovery and instruments to mitigate risks in the commodity trade”.

The box below outlines the changes that resulted from the liberalization process in the milk sector, and the impact on small dairy farmers.
Impact of Liberalisation - The Dairy Sector

Prior to structural adjustment and liberalization, dairy farmers sold their milk to the Uganda Dairy Corporation (UDC) through their cooperatives. In fact, farmers were required to sell their milk through cooperatives, with only a few exceptions where they were allowed to sell it to a small number of licensed traders. Dairy farmers also had access to farm inputs at subsidized rates through the Uganda Farm Supplies – a government parastatal. The cooperatives bulked milk from the small farmers, and they owned and ran milk collecting and cooling centres. They also negotiated better prices with the UDC and guaranteed credit to their members from the Uganda Farm Supplies Ltd. Farmers were given fairly stable prices throughout. The UDC helped to stabilize these prices by minimizing the price difference between the wet and dry seasons. Farmers also received subsidized veterinary services.

These supports to farmers fell apart with liberalization. The Uganda Dairy Corporation (UDC) was dismantled. The Dairy Corporation Ltd. was formed and the market was completely opened to new traders and investors. Anyone who wanted to could buy milk, process and distribute it. At the same time, the services previously provided by the government disappeared. Farmers no longer have access to subsidized veterinary services, or inputs, nor the luxury of guaranteed and stable prices. As a result of private traders buying from farmers directly, the cooperatives fell into disarray.

For about a year after liberalization, competition between the DCL and the private traders increased and demand for milk rose rapidly. Farmers reaped higher prices, and also increased their milk production (by cross-breeding with ‘exotic’ breeds). However, the situation could not be sustained. After about a year, farmers found that they were faced with surplus milk production which the traders did not want to buy.

Up to around the year 2000, farmers were guaranteed a market for their milk. Whilst the UDC had the obligation to purchase milk from farmers, the new Dairy Corporation Ltd (DCL) does not. Its purchasing decisions are based on its commercial interests, and like the private traders, the DCL buys milk at prices which they have set themselves.

Even as there was surplus production, the collection and cooling facilities that cooperatives used to run were not being upgraded. This meant that milk that was not sold quickly went to waste. In addition, prices were no longer regulated. This combined with surplus production and a liberalized market led unsurprisingly to very low farm gate prices for milk (a litre of milk can be cheaper than half a litre of mineral water). As of 2006, the prices farmers received were both unstable and also lower than prices prior to liberalization. The private milk buyers also commonly default on their payments.

The quality of milk has also deteriorated in the liberalized environment. The UDC, as the main procurer of milk had run its operations according to certain quality standards. This was not too
difficult since they bought the milk from cooperatives and was responsible for processing and marketing. In the current environment, private traders buying and selling milk often do not have the necessary knowledge, technical expertise, professional competence and integrity to handle milk for human consumption. As a result, there has been an increase in milk adulteration and contamination.


2.2 The Poverty Eradication Action Plan (PEAP) and the Plan for the Modernisation of Agriculture (PMA)

Uganda came up with a country strategy on poverty, known as the Poverty Eradication Action Plan (PEAP) in 1997. Since 2000, the World Bank and the IMF have asked other developing countries to prepare Poverty Reduction Strategy Papers (PRSPs) similar to Uganda’s PEAP. The PEAP also became Uganda’s PRSP.

The PEAP, the blueprint of the government’s economic policies is essentially neo-liberal in character. It sets itself the goals of “guid(ing) public action to eradicate poverty, defined as low incomes; limited human development and powerlessness”. Its strategy includes rolling back state involvement in the economy; the opening up of domestic markets; and an emphasis on exports. According to the latest PEAP,

“It is not government’s policy to protect domestic industry. Domestic protection stifles export-led growth because it induces producers to focus on the local market, and the firms / farms make little or no efforts to develop capacity to compete in export markets. This in turn causes welfare loss for the domestic consumer, who inevitably faces higher prices for the goods he/she is buying.” 19

“The maximum benefit to farmers will come from exported agriculture, because production for the domestic market tends to drive prices down and hence passes the gains on to urban consumers” 20 The PEAP 2004/5 adds, “Consequently, Government’s agricultural strategy is focusing on the production and processing

19 Ministry of Finance, Planning and Economic Development 2004 ibid. p. 49
20 Ministry of Finance, Planning and Economic Development 2004 ibid. p. 23
of agricultural exports, both traditional exports such as coffee and cotton and non-traditional exports such as horticulture, vanilla and honey."  

Significantly, the other aspect of the country’s agricultural policy is the elimination of a large portion of its subsistence farmers. The Plan for the Modernisation of Agriculture (PMA), the implementation arm of the PEAP for the agricultural sector has as its goals the transformation of subsistence agriculture to commercial agriculture. According to the PMA, “More and better commercial agriculture means that rural poverty can start to be eradicated”. According to Mwesigye, the policy is to “steadily (decrease) the percentage of subsistence farmers from the current 82% to 40% within 25 years, and at the same time (increase) commercial farmers from the current 5% to at least 20%”. Clearly there are some contradictions in this policy since the government does not seem to have factored in the employment issue for subsistence farmers who are supposed to be phased out.

As a result of rolling back state involvement, the entire agricultural sector only receives between 3.4% -4% of the national budget. As such, it is not surprising that agricultural services to farmers remain thin and for the majority of farmers, non-existent. According to the 2005 Ugandan Poverty Status Report, only 14% of Ugandan households reported that they had received the services of extension workers.

2.3 Investment Policy

Uganda’s open investment climate has not attracted many foreign investors due to infrastructural bottlenecks – the lack of access to electricity, the poor state of transport facilities, as well as the long distance and poor quality of roads to the closest port in Mombasa, Kenya. Nevertheless, investment into the country has risen from $127 million in 1996-2000 to $204 million between 2001 -2005 to $307 million in 2006. The figures also reflect a relatively small economy.

Various agencies, including UNCTAD, are pushing the country towards a more open investment climate. A couple of new Bills are in the pipeline. As of early 2007, a new Investment Bill has been prepared, but by end 2007 had yet to be adopted by both the Cabinet and Parliament. The draft Investment Bill, if adopted, would explicitly open all sectors of the economy to foreign direct investment, but the Cabinet would have the power to restrict foreign direct investment (FDI) in

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21 Ministry of Finance, Planning and Economic Development 2004 ibid. p. 33
22 www.pma.go.ug
23 Mwesigye F 2006 ibid.
specific sectors in the future. The present Investment Act restricts FDI in farming although this restriction has not been enforced.\textsuperscript{25}

The new investment climate would also lift restrictions on foreign lease of agricultural land and access by foreign investors to domestic credit. Foreigners are allowed to lease land for between 49 to 99 years. Access to land is facilitated through the Uganda Investment Authority. The PEAP (2004/5) also states that the government will seek to ensure that large-scale investors in farming face a conducive business environment eg. “improved functioning of the land market should make it possible for people to buy large areas of land for commercial production, conditional on land use policy at the district level, while also ensuring that existing property rights are not disturbed”.\textsuperscript{26}

It remains to be seen if the property rights of the poor will be observed. Many farmers are fearful that they will be thrown off the land – with minimal compensation, in order to make land available to foreign investors.

The other area of concern is the free entry of supermarkets and the lack of regulation in terms of number, location or any local purchasing requirements. As stated earlier in the paper, small farmers are weary that these supermarkets, which are already bringing in imported produce that Ugandan farmers are struggling to find markets for, will take over an ever growing portion of the local market.

With the relaxation of investment rules vis-a-vis agriculture, and the opening up of the market completely within the East African Community, fears have also been expressed that the big farms in Kenya may find it attractive to come to Uganda to set up industrial farms in the country, taking advantage of the better climatic and soil conditions in Uganda.\textsuperscript{27}

The negative impact of foreign investment may not be so apparent now because of the still rather thin inflow of investors. Yet with steadily increasing FDI, particularly as there is now growing interest in Uganda’s oil and gas, there should be much more careful regulation if small farmers are to have land and water security, and access to the domestic market to sell to.

\textsuperscript{26} Ministry of Finance, Planning and Economic Development, 2004 ibid. p. 57.
\textsuperscript{27} Personal communication with a staff member of Magigye, a local company engaged in agro-processing, July 2007.
3 Uganda’s Agricultural Trade Trends under its Current Policies

3.1 Trends in Exports

Growth in exports of agricultural commodities in the recent years has been quite substantial. According to FAO figures, exports increased by 24% from US$653 million in 2004 to US$811 million 2005. In 2003 and 2004, export earnings increased by 14% and 22% respectively.

The three traditional export crops – coffee, cotton and tea – made up 28% of Uganda’s merchandise exports in 2004/5, and were the main sources of income for about 17% of the population. Of these three products, coffee was the largest contributor, accounting up to 25% of merchandise export revenues. It is the main source of income for 11% of the population. This is followed by cotton, which makes up 5% of the merchandise exports and income for 5% of the population. Tea follows, with 4% of merchandise exports and accounts for the income of 1% of the population. Coffee prices have risen in the past few years. Between 2004 and 2006, prices jumped quite dramatically. From exports of US$168 million in 2004, exports amounted to US$245 billion in 2006.

According to the Business Monitor Review, exported coffee volumes rose by 30% in 2007, one of the largest year-on-year expansions in physical output over the last two decades. Prices are expected to continue rising in 2008. In contrast, tea and cotton prices remained low in 2007, although there are now signs of price increases.

Whilst coffee is important, during the era of low coffee prices, which has been the scenario until the last two years, policy makers have been strongly encouraging farmers to get involved in non-traditional exports, including fish, horticulture, floriculture, vanilla etc. According to Uganda’s Diagnostic Trade Integration Study (DTIS), income from fish supports some 266,000 households, equivalent to 1.2 million people, or 4% of the population. Those engaged in fishing include the fishers, boat owners and crew and those employed in the fish processing factories.

They have higher incomes than those engaged in manufacturing as well as those involved in agricultural export crops.\textsuperscript{31}

According to a recent report by the Business Monitor International, fish exports are now on the decline with the value and volume of exports falling by 14\% and 13\% respectively in 2007. Signs of overfishing in Lake Victoria is now becoming increasingly evident.\textsuperscript{32}

After fish and gold, floriculture has emerged as the third largest non-traditional export earner. Floriculture exports employ around 6000 people, and the international export of horticulture around 2,900 people. The horticulture sector has not grown as quickly due to high transport costs as well as competition with the much bigger industry already operating in Kenya, and the cheaper labour available in Ethiopia. In addition, Uganda’s climate does not favour cultivation of the many high value horticulture crops demanded in Europe. The horticulture sector is currently dominated by exports of bananas to Kenya, as well as small amounts of pineapples and melons. According to experts, there is potential to increase the horticulture exports to Kenya, the Democratic Republic of Congo and Sudan.\textsuperscript{33}

Table: Composition of Exports (US$\text{m})

<table>
<thead>
<tr>
<th></th>
<th>94/95</th>
<th>95/96</th>
<th>96/97</th>
<th>97/98</th>
<th>98/99</th>
<th>99/00</th>
<th>00/01</th>
<th>01/02</th>
<th>02/03</th>
<th>03/04</th>
<th>04/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>456.6</td>
<td>404.4</td>
<td>365.6</td>
<td>268.9</td>
<td>306.7</td>
<td>186.9</td>
<td>109.6</td>
<td>85.3</td>
<td>105.5</td>
<td>114.1</td>
<td>144.5</td>
</tr>
<tr>
<td>Cotton</td>
<td>3.3</td>
<td>13.2</td>
<td>28.6</td>
<td>11.4</td>
<td>10.8</td>
<td>22.5</td>
<td>14.1</td>
<td>18.0</td>
<td>16.9</td>
<td>42.8</td>
<td>41.3</td>
</tr>
<tr>
<td>Tea</td>
<td>11.8</td>
<td>12.5</td>
<td>21.3</td>
<td>35.6</td>
<td>22.7</td>
<td>31.9</td>
<td>35.9</td>
<td>26.9</td>
<td>29.5</td>
<td>39.3</td>
<td>33.1</td>
</tr>
<tr>
<td>Tobacco</td>
<td>--</td>
<td>--</td>
<td>8.6</td>
<td>10.8</td>
<td>22.9</td>
<td>22.4</td>
<td>27.6</td>
<td>32.3</td>
<td>39.9</td>
<td>36.2</td>
<td>36.2</td>
</tr>
<tr>
<td>\textit{Sub-total}</td>
<td>471.7</td>
<td>430.1</td>
<td>424.1</td>
<td>326.7</td>
<td>363.1</td>
<td>263.7</td>
<td>187.3</td>
<td>162.4</td>
<td>191.7</td>
<td>232.4</td>
<td>255.1</td>
</tr>
<tr>
<td>Fish Products</td>
<td>17.0</td>
<td>37.5</td>
<td>34.6</td>
<td>28.0</td>
<td>47.6</td>
<td>24.8</td>
<td>66.6</td>
<td>107.5</td>
<td>111.4</td>
<td>118.1</td>
<td>169.6</td>
</tr>
<tr>
<td>Gold $^\dagger$</td>
<td>--</td>
<td>35.2</td>
<td>110.5</td>
<td>25.5</td>
<td>27.9</td>
<td>39.4</td>
<td>58.5</td>
<td>56.7</td>
<td>48.2</td>
<td>58.5</td>
<td>71.3</td>
</tr>
<tr>
<td>Flowers</td>
<td>--</td>
<td>--</td>
<td>5.3</td>
<td>6.8</td>
<td>7.2</td>
<td>8.3</td>
<td>13.2</td>
<td>15.9</td>
<td>17.0</td>
<td>27.2</td>
<td>31.7</td>
</tr>
</tbody>
</table>

\textsuperscript{31} Diagnostic Trade Integration Study 2006, ibid.
\textsuperscript{32} Business Monitor International 2008 “Uganda: Growth Banking on Export Expansion and FDI Inflows”, May.
\textsuperscript{33} Diagnostic Trade Integration Study 2006, ibid.
Uganda’s top export destinations are its neighbours and the EU. The table below provides a breakdown of Uganda’s top ten export destinations and products. The exports are predominantly agricultural, but the box, organized by country, also provides information on the industrial products exported to these countries by Uganda.

**Table: Export Destinations, 2004**

<table>
<thead>
<tr>
<th>By regional grouping (share of total exports)</th>
<th>Top ten export destinations and products</th>
<th>Share of total exports</th>
<th>Top export items</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union 29.4%</td>
<td>Switzerland 16.4%</td>
<td>coffee, gold, cotton</td>
<td></td>
</tr>
<tr>
<td>COMESA 26.8%</td>
<td>Kenya 11.6%</td>
<td>tea, electricity</td>
<td></td>
</tr>
<tr>
<td>Other Europe 16.7%</td>
<td>Netherlands 9.2%</td>
<td>flowers, fish, coffee</td>
<td></td>
</tr>
<tr>
<td>Asia 8.0%</td>
<td>Belgium 5.2%</td>
<td>Fish, coffee, tobacco</td>
<td></td>
</tr>
<tr>
<td>Other Africa 5.7%</td>
<td>United Arab Emirates 5.0%</td>
<td>Gold, fish, cotton</td>
<td></td>
</tr>
</tbody>
</table>

Note: 1/ Most of the recorded gold exports are re-exports from DRC, although there are three gold mines in Uganda.
<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
<th>Country</th>
<th>Percentage</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East</td>
<td>5.6%</td>
<td>United Kingdom</td>
<td>4.4%</td>
<td>Coffee, cotton, survey instruments*</td>
</tr>
<tr>
<td>North America</td>
<td>2.8%</td>
<td>DRC</td>
<td>4.3%</td>
<td>maize flour, metal products</td>
</tr>
<tr>
<td>South America</td>
<td>0.1%</td>
<td>Rwanda</td>
<td>3.7%</td>
<td>metal products</td>
</tr>
<tr>
<td>Rest of World</td>
<td>0.8%</td>
<td>France</td>
<td>3.4%</td>
<td>Fish, tobacco</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sudan</td>
<td>3.4%</td>
<td>Coffee, beer, cement</td>
</tr>
</tbody>
</table>

*Survey instruments are re-exported items.

In line with the vision of increasing exports in the PEAP and PMA, the government has put in place a “Strategic Exports Programme” (SEP). SEP identifies 9 sectors and commodities which are perceived to be strategic exports. These include coffee, cotton, tea, livestock, fish, horticulture, Irish potatoes, ICT (information and communication technology) and commodity trading and risk management. A total of Shs. 52.5 billion or about US$30.6 million has been provided to promote the production, processing and marketing of these strategic exports.

Exports have played a major role in boosting the incomes of the rural poor in Uganda. However, equally, the rural poor have been subjected to the fickle trends in commodities markets, and have paid a heavy price. The support provided by the government has been far from sufficient to overcome the challenges the large number of subsistence farmers face in entering the export market. Even Uganda’s Diagnostic Trade Integration Study (June 2006) written by a range of agencies including the Bretton Woods institutions warns,

“Export growth contributes to overall economic growth, which in turn is the key to reducing poverty as evidenced by experiences world-wide as well as in Sub-Saharan Africa (SSA). However, the benefits of high growth – including those from export growth – may not reach some of the poorest households. This is underlined by the finding of the recent Uganda Poverty Assessment Report (World Bank) of growing inequality in the country, including between rural and urban areas”.

The following are only a couple of examples illustrating the difficulties farmers have with the export market, either in terms of fluctuating prices as in the case of

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vanilla, or the limited production capacity available as in the case of the African Growth Opportunity Act (AGOA) and cotton, so that the market access opportunities are not well utilized:

**Vanilla’s Golden Promise that Turned to Dust**

In the field visits undertaken in the preparation of this study, the vanilla experience was often raised. Many small farmers were encouraged by government officials to plant vanilla. This was around 2002–2003 when the world price of vanilla was at an all time high, and a kilogramme of vanilla in Uganda fetched up to US$90 – US$100. From exporting only 0.2 tons in 1995, Uganda exported 132 tons in 2003, about 25 million dollars worth of vanilla. With such high prices, however, new entrants came onto the world market. Synthetic vanilla substitutes were also created. Prices plunged and small Ugandan farmers who had been encouraged and lured by the quick cash had their hands burnt. Some had employed more workers, and had also displaced their food crops in favour of vanilla. There is still a market for vanilla today. However, the farmgate prices in 2007 were about US$ 4 per kg. or most small farmers, the challenge is in getting their small amounts of produce to the market – this requires organization and a willingness to work together.

**Cotton and the AGOA Experiment which Collapsed**

When the US preferential trade programme AGOA came into effect in 2000, countries such as Uganda had the opportunity to export textiles and garments to the US. However, instead of organizing the AGOA factories to source internally, the major “AGOA factory” in Uganda, a foreign company Tri-Star imported yarn from the US. As such, the country missed out on the opportunity to develop the local cotton industry. Despite receiving Ugandan government support, Tri-Star lacked luster and eventually collapsed.

### 3.2 Trends in Imports

Uganda is a landlocked country. Transport costs are very high because of the lack of a well-functioning railway system. The highways and roads connecting Kampala to the closest port Mombassa (in Kenya) are in a state of disrepair, as are also the roads within Uganda itself. As such, the country has a ‘natural’ buffer against imports, compared to other countries in the region that are more easily accessible. Nevertheless, imports are still making their way into the country.

On balance, the country imports significantly more merchandise products than it exports, with imports accounting for over US$1.6 billion a year, and exports of
over US$600 million. The bulk of the country’s imports are of manufactured goods.

Overall, Uganda is a net agricultural exporter, but it is a net food importer. Agricultural imports totaled about US$316 million in 2005, and agricultural exports amounted to US$417 million that year. Its agricultural exports are mainly in non-food products such as tea, coffee and also tobacco. In the recent years, fish has become a major export item, which according to the Diagnostic Trade Integration Study hit 170 million in 2004/5.\(^{35}\) (This figure differs from the International Trade Centre figures, which reported Uganda’s fish exports as amounting to 138 million in 2005).\(^{36}\) The country’s agricultural imports, on the other hand, are mainly of food products.

**TABLE: Uganda’s Agricultural Exports and Imports, and Its Food Exports and Imports 2000-2005, in 1000US$**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Ag Exports</strong></td>
<td>260407</td>
<td>139963</td>
<td>252328</td>
<td>115616</td>
<td>359509</td>
<td>417029</td>
</tr>
<tr>
<td><strong>Total Ag Imports</strong></td>
<td>133955</td>
<td>65675</td>
<td>154228</td>
<td>224768</td>
<td>283700</td>
<td>316321</td>
</tr>
<tr>
<td><strong>Total Food Exports</strong></td>
<td>20194</td>
<td>23624</td>
<td>32343</td>
<td>18104</td>
<td>61482</td>
<td>78388</td>
</tr>
<tr>
<td><strong>Total Food Imports</strong></td>
<td>111191</td>
<td>57280</td>
<td>135126</td>
<td>190750</td>
<td>238908</td>
<td>268906</td>
</tr>
</tbody>
</table>

Source: [www.faostat.fao.org/site/342/default.aspx](http://www.faostat.fao.org/site/342/default.aspx)

The following two tables illustrate the main commodities the country imports and exports. Complaints by small farmers that food imports are entering the domestic market via supermarkets and other outlets are confirmed by these import statistics. The main items where import surges have occurred in the recent years include milk and milk products, wheat, rice, maize (not including sweet corn), unmilled cereals other than wheat, rice, barley and maize (where there has been a 100% import surge between 2004 – 2005), vegetables, fruit, sugar, beverages,

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\(^{35}\) Diagnostic Trade Integration Study (DTIS) 2006, Uganda. Vol. 1.

margarine, oilseeds and cotton. Imports of maize, rice, wheat and other cereals accounted for about half of the country’s total food imports in 2004.

According to farmers, most if not all of these products are already being domestically produced. For some items such as sugar, the import surge might have been due to low domestic production. However, in most cases, the need is to reorganize the internal market so that the products that small farmers can and do produce, actually get to the markets.

TABLE: Imports and Exports of Selected Agricultural Commodity Groups 2004

<table>
<thead>
<tr>
<th>Cereals</th>
<th>Maize (US$ ‘000)</th>
<th>Wheat (US$ ‘000)</th>
<th>Barley (US$ ‘000)</th>
<th>Maize (US$ ‘000)</th>
<th>Rice (US$ ‘000)</th>
<th>Wheat (US$ ‘000)</th>
<th>Cereals (US$ ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley</td>
<td>461</td>
<td>13847</td>
<td>72963</td>
<td>-</td>
<td>10435</td>
<td>2026</td>
<td>14457</td>
</tr>
<tr>
<td>Pluses, Potatoes and Fruit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pluses</td>
<td>13624</td>
<td>Potatoes 1</td>
<td>Apples 298</td>
<td>Bananas -</td>
<td>Pineapples -</td>
<td>Potatoes 6</td>
<td>Apples -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Bananas 850</td>
</tr>
<tr>
<td>Oilseeds</td>
<td>Soybeans -</td>
<td>Sunflower seeds 78</td>
<td>Sunflower seed cake 38</td>
<td>Soybean oil 1973</td>
<td>Cotton seed 136</td>
<td>Soybean seed 118</td>
<td>Sunflower seed cake -</td>
</tr>
<tr>
<td>Meat, Milk, Tobacco, Wine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meat</td>
<td>63</td>
<td>Milk 1920</td>
<td>Tea 62</td>
<td>Tobacco 2007</td>
<td>Wine and Vermouth 1569</td>
<td>Meat429</td>
<td>Milk 166</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### TABLE: Increased Spending on Food Imports 2001 – 2005, US$ ‘000
(Where available, the bound and applied (actual) tariff rates are included\(^{37}\))

<table>
<thead>
<tr>
<th>Product Group</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk and milk products (other than butter and cheese)</td>
<td>1150</td>
<td>2434</td>
<td>2717</td>
<td>1940</td>
<td>2138</td>
</tr>
<tr>
<td>Applied tariff: 60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bound tariff: 80%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td>25751</td>
<td>34747</td>
<td>54671</td>
<td>72963</td>
<td>90153</td>
</tr>
<tr>
<td>Applied tariff: 60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bound tariff: 80%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rice</td>
<td>12223</td>
<td>10902</td>
<td>13146</td>
<td>17746</td>
<td>17454</td>
</tr>
<tr>
<td>Applied tariff: 50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bound tariff: 80%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maize (not including sweet corn, unmilled)</td>
<td>2079</td>
<td>9683</td>
<td>17131</td>
<td>13847</td>
<td>6680</td>
</tr>
<tr>
<td>Applied tariff: 25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bound tariff: 80%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cereals, unmilled (other than wheat, rice, barley and maize)</td>
<td>22</td>
<td>755</td>
<td>869</td>
<td>5278</td>
<td>10820</td>
</tr>
<tr>
<td>Applied tariff: 25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bound tariff: 80%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vegetables (fresh, chilled frozen), Roots and tubers</td>
<td>1663</td>
<td>2985</td>
<td>5797</td>
<td>14389</td>
<td>17693</td>
</tr>
</tbody>
</table>

\(^{37}\) Bound tariffs are the tariff levels that countries have committed themselves to at the WTO. They are not supposed to apply tariffs above these bound rates. Applied tariffs are the actual tariffs levels countries utilize.
Bound tariff: 80%

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruit and nuts</td>
<td>259</td>
<td>228</td>
<td>389</td>
<td>599</td>
<td>807</td>
</tr>
<tr>
<td>Fruit juices</td>
<td>268</td>
<td>505</td>
<td>639</td>
<td>854</td>
<td>1213</td>
</tr>
<tr>
<td>Sugars, molasses and honey</td>
<td>22802</td>
<td>14691</td>
<td>13574</td>
<td>20834</td>
<td>25335</td>
</tr>
<tr>
<td>Margarine and shortening</td>
<td>1422</td>
<td>1813</td>
<td>1713</td>
<td>3281</td>
<td>4541</td>
</tr>
<tr>
<td>Non-alcoholic beverages, n.e.s</td>
<td>102</td>
<td>252</td>
<td>362</td>
<td>811</td>
<td>1702</td>
</tr>
<tr>
<td>Oilseeds</td>
<td>658</td>
<td>460</td>
<td>9396</td>
<td>5324</td>
<td>11650</td>
</tr>
<tr>
<td>Cotton</td>
<td>18</td>
<td>29</td>
<td>100</td>
<td>8</td>
<td>20</td>
</tr>
</tbody>
</table>


To be more precise about import surges, the FAO documents that between 1982 and 2003, Uganda registered 93 incidents of import surges. This is based on calculations that a surge is a 30% increase in volume over and above a previous three year average. The exact breakdown of the sectors and years during which this 30% import surge has taken place is documented in Annex 1. Between 2000 – 2003, 16 cases of import surges have been registered in the following commodities and with the following frequency: bovine (1x); butter (2x); cheese (1x); coarse grain (2x); maize (2x); ovine / sheep (1x); palm oil (1x); pigmeat (1x); poultry meat (1x); skim milk powder (1x); sugar (1x); tomato paste (1x); whole milk powder (1x).

The FAO has also documented the rice import surge in Uganda since 1993. According to their statistics, average annual imports increased from 4,000 tons between the years 1980 – 1993 to about 37,000 tons in 1994 – 2003. During the latter period, domestic production also increased from 50,000 tons in 1993 to 77,000 tons in 2003. Whilst it would be difficult to estimate the extent to which domestic production would have increased if not for the massive imports, analysts do believe that imports played a major role in negatively impacting domestic rice production.38

Even though cereals make up almost half of Uganda’s food imports, the statistics show that in fact on balance, there is no cereals shortage in the country. The rising imports of rice and wheat (these are not traditional staples in the country) arise

from demand mainly by the urban population and illustrate changing dietary preferences.

Table: Uganda Food Balance Sheet 2006 (January-December) (‘000 tonnes)

<table>
<thead>
<tr>
<th></th>
<th>Cereals</th>
<th>Pulses</th>
<th>Roots and Tubers</th>
<th>Matoke (plantains)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability</td>
<td>2,657</td>
<td>767</td>
<td>8,050</td>
<td>9,391</td>
</tr>
<tr>
<td>Stocks Drawdown</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Production</td>
<td>2,657</td>
<td>767</td>
<td>8,050</td>
<td>9,391</td>
</tr>
<tr>
<td>Utilisation</td>
<td>2,584</td>
<td>767</td>
<td>8,050</td>
<td>9,391</td>
</tr>
<tr>
<td>Food</td>
<td>2,051</td>
<td>711</td>
<td>5,744</td>
<td>4,404</td>
</tr>
<tr>
<td>Feed and other uses</td>
<td>261</td>
<td>0</td>
<td>2,126</td>
<td>4,987</td>
</tr>
<tr>
<td>Seed</td>
<td>39</td>
<td>56</td>
<td>180</td>
<td>0</td>
</tr>
<tr>
<td>Export</td>
<td>233</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Import Requirement</td>
<td>73</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Commercial import</td>
<td>73</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>


In constructing the table, FAO makes a number of assumptions: The estimated population is 27.36 million; over 85 % of the calorie intake in Uganda is typically derived from cereals, roots and tubers, pulses, oil-seeds, and plantains. The balance comes from an assortment of fish, meat, eggs, milk, etc; the average per caput/annum consumption of food used in this exercise is as follows: cereals 75 kg; pulses 26 kg; roots and tubers 210 kg; Matoke (plantains) 161 kg. These figures are not norms based on any nutritional standards but have been derived from estimated apparent consumption in recent years. These estimates are used in the absence of more reliable data on consumption norms; allowance has already been made for post-harvest losses; matoke (plantain), cassava and maize are used to a significant extent for feed and other purposes such as industrial use; estimates for exports, particularly of maize, are computed from several sources; imports usually include rice and small amounts of wheat.
Where do the imports come from? The table below, organized by country, shows the imports of both agricultural and merchandise products. Asia is a major source of food imports, such as palm oil, as is also the US for maize, maize flour and vegetable oils.

### Table: Sources of Imports, 2004

<table>
<thead>
<tr>
<th>By regional grouping (share of total imports)</th>
<th>Top ten import sources and products</th>
<th>Share of total imports</th>
<th>Top import items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia 28.9%</td>
<td>Kenya 12.5%</td>
<td>Cement, medicament, salt</td>
<td></td>
</tr>
<tr>
<td>COMESA 25.2%</td>
<td>South Africa 9.3%</td>
<td>metal products, sugar cane/beet, trucks</td>
<td></td>
</tr>
<tr>
<td>European Union 18.2%</td>
<td>Japan 8.2%</td>
<td>trucks, automobiles, cement clinkers</td>
<td></td>
</tr>
<tr>
<td>Other Africa 9.3%</td>
<td>India 8.1%</td>
<td>medicaments, cereals</td>
<td></td>
</tr>
<tr>
<td>North America 7.1%</td>
<td>United States 6.9%</td>
<td>maize, maize flour, vegetable oils</td>
<td></td>
</tr>
<tr>
<td>Middle East 7.1%</td>
<td>China 6.9%</td>
<td>batteries, electrical equipment, footwear</td>
<td></td>
</tr>
<tr>
<td>South America 2.0%</td>
<td>UK 5.6%</td>
<td>unused postage, used clothing, books</td>
<td></td>
</tr>
<tr>
<td>Other Europe 1.5%</td>
<td>UAE 1/ 5.4%</td>
<td>computer parts, electrical equipment, trucks</td>
<td></td>
</tr>
<tr>
<td>Rest of the world 0.7%</td>
<td>Malaysia 4.5%</td>
<td>palm oil, animal and vegetable fats, machinery</td>
<td></td>
</tr>
<tr>
<td>Germany 2.4%</td>
<td></td>
<td>telephonic equipment, used clothing</td>
<td></td>
</tr>
</tbody>
</table>


Note: top import items are according to HS6 code. 1/ These items imported from UAE are transshipments.

### 3.3 Consequences for Small Farmers, Rural Development and Food Security

Uganda’s trade policies – the promotion of exports, especially in non-traditional sectors, and the lack of regulation and consequent large volumes of food imports - do not serve small farmers’ interests for the following reasons:
Frequency and Volume of Food Imports

The frequency and volume of food imports in the past decade and a half are taking up the very markets that Ugandan farmers themselves are desperately trying to access.

It may be that with the very high food prices in 2008, food imports will decrease. However, this will have to be seen. Needless to say, in the era of high prices, reliance on imports is financially unsustainable for the people and the country as a whole.

The FAO figures of food import surges cited earlier should be read keeping in mind that these figures probably understate the actual harm that has been caused. As stated earlier, FAO calculates an import surge as a 30% increase in volume over previous years. Other studies have shown that import surges of up to 7-8% can already have the effect of wiping out local economies.40

Even as food imports have flooded the local market, the gains expected – accessing export markets – have been difficult for small farmers for the reasons cited below.

Volatile Commodity Prices

Most Ugandan farmers have been involved in the export of agricultural produce, such as coffee and they have benefited at certain times. However, most farmers have also been burnt by falling and volatile commodity prices and the complete lack of regulation of these prices on the world market.

As of 2006, Uganda’s traditional exports, coffee and tea, saw real world prices fall by 77 and 44 % from their 1977-79 values. Cotton and tobacco prices also dipped by 58 and 33 % from their 1977-79 values.41 These figures already account for the slight increase in commodity prices in 2006. Non-traditional crop prices are also fickle, as illustrated by the case of vanilla. Such erratic prices affect small farmers, as most do not have the financial wherewithal to withstand the huge price fluctuations. In 2007 and 2008, prices of coffee have increased further. There are, however, no guarantees that these prices will not plummet again at some point in the future.

40 This is documented by ActionAid in their import surge study in Nepal, where a 7-8% surge in rice imports from India led to a decline in domestic rice production, the crippling of the local economy and even the closure of up to one third of the local rice mills in certain districts (Sharma B 2005 “Import Surge in Nepal: Case Study on Rice”, Study commissioned by ActionAid, December).

Market Concentration Pushes Out Small Players
The horticulture market used to be characterized by a large number of small holder producers and exporters in Africa, as well as the involvement of many wholesalers, retailers and supermarkets in Europe. Today, although there is a big market for horticulture in Europe, the structure of the market has changed and it is much more vertically integrated. Whilst the less vertically integrated structure was complex and the number of players meant that there was a low profit margin across the value chain, a more integrated production chain implies the exclusion of many small producers.

The change has been brought about because of two main reasons: one, the increasingly complex and stringent standards required by the European market, including environmental standards pertaining to food safety, pesticide residues, harvest processing, labour standards, and the requirement for traceability down to the farm level. As such, it is much easier for a trader to source from a small number of large producers rather than many small producers.\textsuperscript{42}

The second reason for the change is the concentration of supermarkets in Europe, for instance, the United Kingdom. This has changed the way in which supplies of fresh fruit and vegetables have been procured. The dominance of some supermarkets has led to explicit coordination between big producers in sub-Saharan Africa and supermarkets in Europe.\textsuperscript{43}

An example of the impact of the consolidation of the marketing chain is what has taken place in Kenya, where in 2006, there are 60\% fewer small holders (defined as working on less than 1 hectare of land) exporting to the UK than in 2002.\textsuperscript{44}

On balance, medium and large African farmers and exporters dominate 70\% of the fresh fruit and vegetables trade. This figure is likely to be still increasing.\textsuperscript{45}

For Uganda, penetrating the fruit and vegetables market has been difficult. One of the innovations of the PMA has been the setting up of export villages, where a lead farmer or trader who knows the export market brings on board fellow village farmers. The Ministry of Agriculture earmarked 24 export villages in 14 districts to export fruits and vegetables in the recent years. As of mid-2007, only 16 have remained in operation. 8 have disappeared. One main reason cited for the dwindling number is that the traders have failed to pay the farmers.\textsuperscript{46}

\textsuperscript{42} Temu A and Marwa N 2007 “Changes in the Governance of Global Value Chains in Fresh Fruits and Vegetables: Opportunities and Challenges for Producers in Sub-Saharan Africa”, South Centre Research paper 12, June.
\textsuperscript{44} Graffham and Vorley 2005, cited in Temu A and Marwa N 2007 ibid.
\textsuperscript{45} Temu A and Marwa N 2007, ibid.
\textsuperscript{46} Personal communication with an official from the Ministry of Agriculture, 7 July 2007.
The Challenge of Standards for Small Farmers
Meeting the standards of the export market, especially the European Union, Uganda’s main export destination outside of the region, is a huge challenge. The government has attempted to provide support to farmers to obtain the private standard of EurepGAP standards, but this has been difficult and very costly. Farmers need to have refrigerated trucks to transport their produce from the farm to the airport, or goods have to be transported by night when the temperatures are cool. Farmers need to keep records if they want to be certified. This is a major impediment for some farmers who are not able to read or write. The source of inputs they use must be known, and certain standards of welfare have to be maintained for workers – eg. there should be toilets every kilometer. For the farm to receive EurepGAP certification, a certifier has to come from Kenya. The challenges are so daunting that despite support from the government, in July 2007, there was only one Ugandan farm that had obtained EurepGAP certification, and another was on-track to attaining certification. 47

Sustainability Issues and Exports
There are important sustainability issues that should be carefully considered with regards to exports, since export crops tend to be input intensive. This is important for the long term welfare of small farmers and the overall development of the country.

For example, flower farming which is water intensive, raises these questions. There are 21 farms exporting flowers in Uganda. The benefits of floriculture exports are obviously employment and foreign exchange. However, despite the promise of exports to all as the path towards development, it is only the big farms that thrive in floriculture exports, not small holders. In fact, of the 21 farms, only two are Ugandan-owned. The rest are foreign-owned. For a country that has pockets of the population living in dry drought-prone areas, it is questionable if such a water intensive export crop is in the best interest of the country. The other question that should be raised is who benefits from the bulk of profits from such exports.

47 Personal communication, 7 July 2007 ibid.
4 Uganda and the Trade Regime

4.1 Uganda and the Multilateral Trade System

In comparison with the structural adjustment policies of the Bretton Woods institutions, World Bank and IMF, the liberalization enforced by Uganda’s membership of the WTO have not had much impact on its tariff and import structures. Tariff rates which Uganda has bound or has committed to at the WTO are higher than Uganda’s actual applied tariffs. Bound tariffs for agricultural products are on average 80%, whilst applied rates as of 2005 converge with the East African Community’s (EAC) Common External Tariff (CET). The majority of tariffs for agricultural products, for example, oilseeds and animal products have applied tariffs of 25%, whilst certain agricultural products enjoy higher applied tariffs - 60% for dairy and 100% for sugar.

As the global multilateral trade system, however, the WTO, has had a huge impact in terms of setting certain liberalisation ‘norms’ in the trade arena. It gives the message to the global community that pushing tariffs down is desirable. It has also made acceptable multilateral rules on ‘beyond the border’ measures i.e. encroaching into the policy space which the developed countries had jealously guarded and maintained whilst they were developing. Specifically, the WTO has impacted on developing countries, including LDCs such as Uganda in the following ways:

i) It sets a baseline for liberalization from which all the free trade agreements (FTAs) have to be more ambitious. This is written into Article 24 of the GATT (General Agreement on Trade and Tariffs) on regional trade agreements. Hence FTAs are “WTO-plus” agreements. This has impacted on Uganda in the area of the regional economic partnership agreement (EPA) which Uganda, together with the other East African Community (EAC) countries (Kenya, Tanzania, Rwanda and Burundi), have signed with the European Union.

ii) It has raised the bar on intellectual property issues, enforcing the patenting of life forms as a norm. LDCs are not required to implement the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement until July 2013 (LDCs at the WTO’s 2005 Ministerial had requested a 15 year extension of the waiver to
the TRIPS - up to 2020 - but were only granted an extension of 7 and the half years up to 2013.) Even with this waiver, LDCs including Uganda have not been let off the hook. Like others, Uganda has been pressured by Northern donors, seed and biotechnology companies to enforce stringent breeder’s rights such as those granted in the International Union for the Protection of New Varieties of Plants (UPOV) to ensure that modified seeds are the monopoly of the breeders. Although it is not apparent now, it is likely that in years to come, strong breeders’ rights will impact negatively on small farmers since farmers using these seeds will have to buy them from the market every season. These seeds also promote an input intensive form of agricultural production which is financially challenging for subsistence farmers. As these seeds are being widely promoted, certain traditional seeds in Uganda, which are usually more weather and drought resistant, are already at risk of disappearing.

iii) The WTO has prohibited countries from implementing certain types of regulation on foreign investors. Even though LDCs have up to 2013 before they have to implement the Agreement on Trade Related Investment Measures (TRIMS), by being the international baseline or minimum norm for regulating (liberalizing) investment, foreign investors would use this as the yardstick to evaluate all countries. Hence there is a “hidden obligation” even for LDCs.

The TRIMS prohibits countries from imposing investment measures on foreign companies such as local content requirements, export-import balancing in terms of foreign exchange, and technology transfer. These investment measures have in the past been used by countries which have successfully developed. For example, a local content policy would mandate a juice factory to source its inputs from locally produced fruit rather than from imports so that there are benefits to the broader economy.

iv) The WTO has done the international community a signal disservice by legitimizing the dumping (the sale of goods below their full cost of production) of agricultural products by the wealthiest countries – especially the US and EU. As a result of both export and domestic subsidies by US and EU, these countries have exported food to developing countries at much lower prices than their cost of production, displacing local farmers.

One clear example of how Uganda has been affected by US and EU subsidies is the low international price of cotton. According to a recent study “Impacts of Reduction in US Cotton Subsidies on West African Producers” by Alston J, Sumner D and Brunke H, if US removes its cotton supports, the world cotton price would be between 5.9 to 17% higher. Since cotton is one of Uganda’s export

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48 The WTO, however, has a different definition of dumping which is unfair for developing countries. Dumping is defined in the WTO as the sale of a product in another country at a price below the sale price in the home country.
crops, the country would have benefited from these higher prices. They may have also have been encouraged to invest more in their cotton production for the local market.

US and EU subsidization of dairy has also driven down world prices and has led to widespread dumping of EU milk powder both in Uganda but also throughout many parts of Africa. This has discouraged the growth of the local and regional milk industries, amounting to lost opportunities for employment.

v) It would also be difficult for Uganda to take on import governance measures that are not ‘allowed’ by the WTO e.g. implementation of quantitative restrictions; applying higher tariffs than the rates which Uganda has bound in the WTO in order to nurture or protect certain sensitive sectors; or the imposition of import bans if higher tariffs do not work adequately. Some governments have taken such measures despite being in contravention with WTO commitments so as to ensure the livelihood security of their people.

4.2 Losses from the Doha Round?

Will the Doha Round, if concluded, impact on Uganda? As an LDC, the country will not have to reduce its tariffs on agricultural or industrial products. Nevertheless, LDCs will be impacted negatively in several ways:

Uganda will be affected by the tariff reductions of its non-LDC neighbours with whom it shares a common customs union e.g. Kenya in the EAC. Kenya will have to take tariff cuts in both agriculture and in industrial products. Any increased imports into Kenya can easily flow into the Ugandan market.

Several simulations and assessments that were published in 2005/6 have already predicted losses for LDCs and other African countries, even though LDCs are exempted from tariff cuts. These include for instance the World Bank study by Anderson and Martin “Agricultural Trade Reform and the Doha Development Agenda”; the study published in 2006 by Sandra Polaski of the Carnegie Endowment for International Peace, “Winners and Losers: Impact of the Doha Round”; and even the European Commission’s “Sustainability Impact Assessment of Proposed WTO Negotiations’ conducted by Kirkpatrick C et. al. of the University of Manchester.

These studies acknowledge that because Sub-Saharan African countries such as Uganda face very serious supply-side constraints, the opportunities of trade liberalization largely bypass them. There are more competitive producers.
Furthermore, these countries are also penalized in terms of losing out on tariff revenues. For Uganda, tariff duties make up 40% of the government’s budget.

Sandra Polaski frames it most clearly: The findings run “counter to the commonly held view about the Doha Round, namely that agricultural liberalization benefits developing countries and therefore is key to achieving the development goals of the Round. In fact, agricultural liberalization benefits only a relatively small subset of developing countries”. 49

Those benefiting include Brazil, Argentina, most of Latin America, South Africa and some Association of Southeast Asian Nations (ASEAN) member countries, notably Thailand. East Africa countries such as Uganda are losers in the WTO agricultural liberalization process.

4.3 Economic Partnership Agreement with the European Union


The various EPA agreements which the EU has been negotiating with the 78 African, Caribbean and Pacific (ACP) countries replace the previous Cotonou market access preferential arrangements that the former colonies had with the European Union. Cotonou was incompatible with existing WTO rules on the grounds that it allowed the EU to provide better treatment to these countries than it provided to others. The waiver at the WTO, allowing this preferential treatment to take place expired on 31 December 2007. The EPAs have been negotiated to take the place of Cotonou, and they are supposed to be ‘WTO-compatible’. Importantly, WTO rules on what regional agreements should look like are themselves under negotiations in the Doha Round.

The European Commission has been engaging in the EPA negotiations supposedly on the premise that they will provide development benefits to the ACP countries. There have been loud protests in ACP countries stating the contrary to this assertion, both by government officials as well as by civil society groups.

It is important to note that in general, the liberalization demands made by the European Union of the ACP countries have been much more aggressive than what is currently being negotiated in the WTO Doha Round. Many ACP countries themselves have complained that the EU has contravened the promise of Cotonou

which states that the EPAs replacing Cotonou should make central the objective of furthering the development prospects of ACP countries.

It was reported in May 2008 in the East African that a parliamentary hearing had taken place in Kampala on the EPAs. On this occasion, Trade Minister Nelson Gagawala Wambuzi said that the country “had rushed into signing the agreement for fear of losing ‘our potential market for flowers and fish…There was a deadline and we had to be part of world trade. In good faith, we didn’t want our fish to rot and our flowers to be stranded at Entebbe Airport’”.

The EU wants the initialed interim EPAs to be officially “signed” by countries by July 2008. Ugandan parliamentarians, however, are calling for a rethink. The same East African article reported Felix Okot Ogong, member of the Parliamentary Committee on Trade, Industry and Tourism stating that “It is a bad agreement. It does not favour East Africa. Uganda should pull out. We have to revoke the agreement and renegotiate. That is what we are recommending”. Another member of the parliamentary committee, Charles Agiro, reiterated at the end of April, “We are negotiating for permanent poverty for our people”.

The EAC EPA Interim Agreement
There were many large differences in views on critical issues between the EU and the East and Southern African (ESA) negotiators. The ESA was the grouping that Uganda had negotiated with until towards the end of 2007 when the East African Community (EAC) decided to break off and have their own separate EPA. These issues are covered in Annex 2. Below are some of the key elements in the EAC EPA interim agreement that was initialed on 23 November 2007.

1) In the WTO, countries are negotiating tariff reduction from bound rates, which are often higher than their actual applied tariff rates. In contrast, in the EPAs, where tariff lines are being liberalized, countries are reducing these applied tariffs to zero. Uganda has agreed to commit to a tariff of zero for 82.7% of their imports from the EU.

At the time of writing, the market access schedules of the EAC were not publicly available. According to the 2008 Netherlands-commissioned analysis by Stevens et. al. from the Overseas Development Institute (ODI) and the European Centre for Development Policy Management (ECDPM), for Uganda, the first tranche of liberalization in 2010 will see the country charging the EC zero tariffs on 17.4% of their trade. These zero tariff lines coincide with those of the CET of the EAC. There is thus no “EPA effect”.

The EPA effect kicks in between 2015 and 2023, where a further 20.4% of trade (measured in 2004-6 figures) will be liberalized. These goods have CET tariffs...
between 10-25 %, with an average tariff of 10.1 %.

For the EU, these tariffs will be brought down to zero. In the third tranche of liberalization, 2020 – 2033, an additional 2.5 % of trade will be liberalized. Most of these tariff lines have a CET of 25 %.

These numbers do not take into account 42% of exports (or 593 tariff lines) from EU to Uganda. These lines did not appear in the EAC liberalization or exclusion schedules. It is not clear why the schedules seem to be incomplete.

For Uganda, the bulk of liberalization as a result of the EPA takes place during the second tranche between 2015-2023, with tariff revenue cuts to be felt most keenly at this time.

2) The EAC as a region has excluded 19.7 % of their 2004-6 trade with the EU from liberalisation. The exact percentage of trade excluded varies from country to country, depending on what they import from the EU. For Uganda, this percentage is 17.3.

Very few of these excluded products are in the agricultural sector. Clothing and textiles of various types are prominent on the exclusion list. The excluded agricultural products for the region consists of diary; fruit and nuts; meat; beverages; processed meat; cereals; sugars and sugar confectionery; animal or vegetable fats; fish; cocoa. It is important to note that the exclusion list does not mean that imports of these goods from the EU are stopped. It only means that for these products, the Common External Tariffs (CET) of the EAC will not be cut to zero and that the CET applies.

The excluded list of goods have tariffs between 10 – 100 %, with an average of 24.5 %.

3) There is a freeze on all tariff rates in the EAC text. That is, even where the EAC has declared a product as sensitive, the tariff for this product cannot be raised from the current level (Title II, Article 13). This could have ramifications for Uganda if it intends to nurture certain sectors which may be important for employment or food security. With a freeze on tariffs, they will not be able to protect these sectors further even if the EU’s subsidized products are causing problems for domestic producers.

4) In the course of negotiations, the EU had promised that they would eliminate export subsidies on those products which ACP countries were liberalizing. However, there is no clause in the EAC text committing them to do so. In fact,

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53 Stevens C et al. 2008 “The New EPAs: Comparative Analysis of their Content and the Challenges for 2008”, Overseas Development Institute (ODI) and the European Centre for Development Policy Management (ECDPM).
54 Stevens C et al 2008, ibid.
56 Stevens C et al. 2008 ibid.
there are provisions which allow the EU to continue providing domestic supports for their products (Title III, Article 18.4).

5) Despite the fact that the issue of reviews had been discussed in the course of negotiations, and the East African countries had suggested the possibility of rolling back their liberalization commitments if certain development benchmarks have not been achieved, this does not feature in the EAC text. The suggestion was never well received by the European Union, which had said that any review clause would not be about going back on liberalization commitments but should be about taking them forward.

6) The safeguard provisions allowing EAC countries to increase their tariffs should their agricultural sectors be affected by imports are difficult to implement due to the conditionalities attached. They are therefore unlikely to serve the purpose of shielding domestic producers from any injury that might occur.

For the EAC countries, the Safeguard clauses in the EPA (Title IV, Articles 20 and 21) are subject to the conditions of the WTO’s Agreement on Safeguards (Article XIX of the General Agreement on Tariffs and Trade 1994, referred to in Title IV Article 20:1) which are notorious for being extremely difficult to invoke. Under the WTO’s Safeguard Agreement, countries have to produce evidence to illustrate that serious injury is being caused to the domestic industry, or is threatening to cause injury to the industry before a safeguard can be implemented. Whilst evidence of import surges is not so difficult to provide, establishing clearly that the surge has been the cause of the injury to the domestic industry is much harder to prove.

The EPA agreement also allows signatories to use the safeguard contained in Article 5 of the WTO’s Agreement on Agriculture (Title IV Article 20: 1). This refers to the Special Safeguard Provision (SSG) which is easier to invoke than the WTO’s Agreement on Safeguards. There is no need to provide proof of injury. However, only countries that “tariffied” certain tariff lines during the Uruguay Round (i.e. converted non-tariff barriers to tariffs) could reserve the right to use the SSG. As such, there are only thirty-nine WTO member countries that can use the SSG. None of the EAC countries can use this provision. The EU, however, has reserved the right to use the SSG on 539 tariff lines or 31% of its agricultural tariff lines. The reference to Article 5 of the Agreement on Agriculture in Title IV Article 20 of the EAC interim EPA text is therefore of benefit only to the EU.

Developing country WTO Members are currently negotiating a Special Safeguard Mechanism (SSM) in the context of the Doha Round. The SSM would be an automatic safeguard like the SSG. There will not be need for proof of injury, and it will be available to all developing countries. The extent of product coverage of the SSM, the number of times it can be triggered and the remedies that countries can use are still under negotiations. A critical and deeply contentious issue in the negotiations is whether or not the safeguard (i.e. the additional tariff that is invoked) can allow the final tariff level to surpass the Uruguay Round bound tariff level. It also remains unclear whether or not the SSM can be applied to
preferential trade, such as in the EPA. This issue is also contentious in the WTO negotiations.

7) The ‘rendezvous’ clause (Chapter V, Article 37) mandates the EAC to return to the negotiating table to negotiate trade in services, intellectual property rules, investment, competition and transparency in government procurement measures. The EU wants the current ‘interim’ agreement to be a ‘full’ EPA agreement with the completion of negotiations in these additional issues.

8) Although the EAC countries had been asking for firm commitments in development cooperation, particularly the funding of projects that would spur their economic development, the European Commission has so far avoided making commitments over and above what countries are already getting from the European Development Fund (EDF). The EAC EPA development chapter (Chapter IV, Article 36) has yet to be developed. This is on the agenda of stage two of the negotiations.

Uganda’s EPA Negotiators Make the Case for an EPA

In the run-up to the initialing of the interim EPA, there was heated debate between civil society groups in Uganda and trade officials. Uganda’s trade negotiators argued that the country needs the EPA because it would be painful to lose their preferential access to the EU market. The EU market accounted for 35.8% of Uganda’s exports in 2005. Exports to the EU were worth US$249.7 million out of the country’s total exports of US$697 million. In addition, most of the country’s "new" export sectors are destined for the EU – fish, horticulture and flowers.
The following table was provided by Ministry officials negotiating the EPA:

Table: Preferential Tariff Rates for ACP Exports to the EU Compared with Non-Preferential Tariff Rates into the EU Market

<table>
<thead>
<tr>
<th>Product</th>
<th>ACP Duty Rate (rates currently applied to Ugandan exports to the EU)</th>
<th>Third Country Duty Rate (rates that would be applied to Uganda in the absence of a preferential trade arrangement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live fish</td>
<td>0%</td>
<td>16%</td>
</tr>
<tr>
<td>Fish fillets HS 03041110</td>
<td>0%</td>
<td>18%</td>
</tr>
<tr>
<td>Cut flower and flower buds</td>
<td>0%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Ballpoint pens with liquid ink</td>
<td>0%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Coffee substitutes containing coffee</td>
<td>0%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Decaffeinated coffee</td>
<td>0%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Coffee, not decaffeinated</td>
<td>0%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Green tea (not fermented) in immediate packings of a content not exceeding 3kg</td>
<td>0%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

*Source: Ministry of Tourism, Trade and Industry.*

Uganda, the government officials argued, cannot afford to lose the current zero tariff access to the EU market on all the above products. Dr Sam Nahamya, Permanent Secretary of the Ministry of Tourism, Trade and Industry stated categorically, “the only legal way that we can have the current preferential
treatment on the EU market maintained is to negotiate a WTO compatible agreement.”

However, Uganda is an LDC and can avail of the Everything But Arms (EBA) duty-free quota-free market access which EU provides to all LDCs. Nevertheless, the officials argued that the EBA agreement is not a negotiated agreement. The EU can therefore remove that preferential treatment at any time. It was, in their opinion, preferable to enter into a negotiated preferential arrangement so that the industry is ensured stability and predictability. Nahamya summed, “The choice between EPAs and EBA is therefore a choice between uncertainty and predictability/ certainty… Predictability and transparency are pre-requisites for private sector growth”.

Ugandan trade officials also cited the more prohibitive EBA rules of origin compared to the Cotonou / EPA rules of origin as another reason for signing on to an EPA. Rules of origin are conditions within a free trade agreement that specify the “nationality” of a product. Depending on these rules, a good can be regarded as having been produced within that free trade area so as to have access to the preferential conditions offered by that agreement. The Cotonou rules of origin allow more flexibility in terms of “cumulation” than those available in the EBA. Cumulation provisions allow a good produced in one country to be treated as if it were produced in another country.

Ugandan authorities also argued that the claim the country will suffer tariff revenue losses is unfounded. According to Nahamya, 67.4% of the country’s imports from the EU are already zero rated. Given that 97% of Uganda’s exports enter the EU at a zero tariff, 82.2% of Uganda-EU trade is already fully liberalized. “It is therefore illogical for anyone to go around saying Uganda would be faced with de-industrialisation, loss of government revenue and loss of employment”.

**What is at Stake?**

What are the threats of the EPA for Uganda?

i) Food Imports, High Prices and Shrinking Agricultural Production Base: When tariffs are dismantled, and infrastructure and transportation are improved upon, there is a high possibility of the inflow of food imports, even more than what has

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58 Nahamya S 2007 ibid.
59 Nahamya S 2007 ibid.
already taken place in the recent past. EU subsidies to the agricultural sector amount to about 50 billion Euros a year.

What might some of the threats be to the Ugandan agricultural sector? The products which have been heavily subsidized by the EU and which have caused injury to local producers throughout the developing world include poultry, wheat and other cereals, dairy products, tomato paste, as well as beef. Depending on the volatility of prices and exchange rates, with low tariff levels, Uganda could in the future face an even greater influx of these imports. The story of Cameroon should be instructive, where a 42% tariff in 2004 was not sufficient to stop the import surge in poultry and the country needed to implement a 5,000 ton quota in 2005.60

Exchange rate fluctuations even in third countries have also triggered import surges in countries with open borders. The Russian Rubble fell dramatically against the US dollar in 1998. The following year, Russia’s poultry imports fell by 826,000 tons to 233,000 tons. The US, which was the primary exporter of poultry to Russia, directed its poultry exports to other countries. Cameroon was one of the victims. It absorbed 639 tons of US poultry in 2000 even though it had not imported poultry from the US before that time.61 It may be possible in the future to envisage a scenario whereby a third country’s exchange rate could fall against the Euro, and for European products to be redirected into Uganda and the EAC.

Depending on how the volatile prices in the commodity markets play out in the years to come, subsidized imports from the EU could include poultry, wheat and other cereals and dairy. Uganda is also likely to be inundated with processed foods – prepared cereal products, prepared tomatoes and confectionary items. The human impact would be income losses for small farmers as they are locked out of the local market, as well as losses to the already fragile agro-processing industries.

In the new era of high food prices, import dependence also comes at a high cost. Like other countries that are net food importers, Uganda may find it increasingly difficult to cough up payments for their expensive purchases.

ii) Shrinking of Uganda’s Manufacturing Base: Rather than fuelling industrial development, it is projected that liberalisation under EPA will have the following consequences:

- Exposure of local industries to increased competition from EU-based industries. Such competition will mean that local industrialists face higher

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60 Pingpoh D and Senahoun J 2006 “Extent and Impact of Food Import Surges in Developing Countries: The Case of Poultry Meat, Rice and Vegetable Oils in Cameroon”, April; and FAO 2007 “FAO Briefs on Import Surges: Countries No. 4. Cameroon: Poultry, Rice and Vegetable Oils”.

61 Pingpoh D and Senahoun J 2006 ibid.
levels of competition in terms of price and quality owing to reduced tariffs and lack of sophisticated production technologies. This means shrinking the already fragile local manufacturing capacity.  

- There will be increased job losses, further de-industrialisation and barriers to entry into the local and regional markets for local producers.  

- Suffocation of small to medium scale enterprises which constitute the largest number of industrial producers in Uganda.

The shrinking of the industrial base is a major problem also for the agricultural sector and small farmers. Firstly, it points to the difficulties of obtaining employment for farmers who are pushed out of a liberalized agricultural trade environment. Secondly, in a predominantly agricultural economy, growth in the industrial sector lends opportunities for diversification and value addition of the country’s agricultural production.

iii) Loss of Tariff Revenue: There will be losses in tariff revenue since the EU is a major import destination for Uganda. Between fiscal years 1998/00 and 2002/3, tax revenue on imports from the EU contributed an average of about 8% to cash revenues for all taxes. Since then, however, there has been a progressive reduction in this contribution. Nevertheless, it is estimated that Uganda will lose out on import revenues. According to the simulation by Stevens et al.’s 2008 study, the country will experience losses of about US$6.7 million each year from the second tranche, plus an additional US$2 million per annum from the third tranche. For a relatively small economy, these losses are significant.

iv) The next stage of EPA negotiations - services, intellectual property, investment, competition and transparency in government procurement - will pose additional difficulties for Uganda. Even though Uganda’s regulations on services and investments are now very lax, these rules can be revised so that more conditions can be put on investors to ensure that the local population actually benefits from foreign investment.

In the ‘new issues’ negotiations, the EU is likely to ask for the permanent removal of domestic regulation that puts constraints on the interests of foreign investors. For example, it may prevent Uganda from putting in place zoning policies for supermarkets, or limiting the number of supermarket outlets that are allowed in the country. It could also prevent Uganda from carving out certain sectors which they only want local companies to operate in. Furthermore, any government

63 TRADES Centre 2004 ibid.
64 TRADES Centre 2004 ibid.
support that is provided to local companies will also have to be provided to EU companies.

v) Regionalism. The EPAs have also put the promise of regionalism in jeopardy, as dealt with in the next section.

### 4.4 The East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA)

The rational of regionalism is to provide support to one another by way of complimentary strengths, resources and also the availability of bigger markets. The EPA is tearing the possibility of real collaborative regionalism to shreds. It discourages the EAC countries to trade with each other, but rather with the EU since the EU can easily outcompete Uganda’s neighbours. In the presence of the EU, improving regional production capacities, one of the central aims of regionalism, is no longer a likely outcome within the EAC.

In any case, it should be mentioned that even before initialing the EPA, the path the EAC and COMESA countries have taken – that of open regionalism – was unlikely to be extremely helpful in fostering a more collaborative form of regionalism.

East African leaders in the 1960s and 70s such as Julius Nyerere had other ideas about regionalism. They stressed collaboration such as through regional banks or funds; technology support to one another for the building of production capacities; and also the building of a bigger regional market. Creating regional production capacities, in their view, necessitated a more discriminatory engagement with bigger economies outside the regional bloc.

In contrast, the EAC, consisting of Kenya, Uganda, Tanzania, Rwanda and Burundi, has concentrated predominantly on trade liberalization / competition amongst themselves and with the outside world. Internal tariffs amongst themselves are also to be abolished completely by 2010.

The Common External Tariff (CET) the EAC has put in place is applied to all countries except the EU, where the EPA commitments which are more liberal apply. The CET has a three band structure: zero tariffs for raw materials, capital goods and meritorious goods such as medical, pharmaceutical and educational supplies; a 10% rate for intermediate goods; and a 25% maximum rate for finished products. The three rates were to apply to 99% of tariff lines. There are only 58 tariff lines for sensitive products which diverge from the CET. Their tariffs range from 35 – 100%, with the highest duties applying to sugar imports.
The other sensitive products include milk, grains, cigarettes, kitenge and used clothing.

Uganda is also a member of the COMESA, which was founded in 1994. The COMESA has 20 members – Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

The grouping aims to establish a customs union by December 2008. This would mean freeing intra regional trade, and adopting a common external tariff (CET). Incidentally, since some COMESA members are also part of the EAC, the CET will be similar to the EAC CET – with tariffs of zero, 10 and 25%, plus flexibility for sensitive lines.  

14 members within COMESA have already adopted a free trade area, where they have removed tariffs, quotas and other trade restrictions. Uganda, together with Angola, Democratic Republic of Congo, Ethiopia, Eritrea and Swaziland have yet to join the COMESA FTA, citing loss of revenues and competition from more advanced economies as reasons for remaining outside the FTA. Internally, some lobbies within Uganda are pushing for the country to sign the FTA as certain exports are charged tariffs as high as 80% when entering some COMESA countries.  

Whilst conceptually, regionalism remains quite popular and also politically correct, what is currently missing are debates on the forms of regionalism that would work for development. Some of the questions that have yet to be adequately discussed include:

Are the EPA, EAC and COMESA regional trade arrangements convivial to the development of Uganda’s economy and its small farmers? What are the main objectives for regionalism for Uganda and the region, and how can these objectives be achieved?

What kind of trade relations should a regional block have with the outside world? Should regionalism be based on opening borders?

What kind of trade relations should countries within the same regional block adopt? Should borders be completely open? Or should other principles operate instead, such as cooperation based on individual countries’ needs and strengths, or a mix of the two?

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66 Ng’andu W 2007 ‘Free Trade for COMESA Members in Offing’, The Times of Zambia, 13 June.
How big should a regional block be? Should Uganda be part of COMESA’s free trade agreement, which includes strong economies such as Egypt?

4.5 Implementing Stringent Intellectual Property Rules in Agriculture

Another issue which the trade regime is introducing in many developing countries, including in Uganda, is that of intellectual property. When there was no legislation stating claims of monopoly over life forms before, this situation is now in the process of changing, with ramifications for small farmers.

The Ugandan parliament is set to have a hearing on its draft Plant Variety Protection Bill. The draft bill was already approved by the cabinet in early 2006. If passed unmodified, the bill is likely to champion the rights of breeders and companies, and curtail the rights of small farmers to exchange, save and breed new varieties using these hybrid seeds.

There is an inherent conflict between small farmers’ and breeders’ rights. Breeders are often the companies that pay research institutions to propagate new hybrid seed varieties. They are keen to sell their seeds on the market, and to ensure that they have a monopoly in the market. It is therefore important for them that any commercial use of their seed is disallowed by law. Hence, their push for strong intellectual property legislation.

According to an inside government source, in Uganda, seeds companies including the likes of Monsanto have been lobbying the government for such intellectual property protection. They are also doing all they can to capture the local market. Government research institutions, such as the National Agricultural Research Organisation (NARO), which used to produce traditional seeds for farmers, are now being paid by seed companies to produce these hybrid seeds.

According to various analysts, the first drafts of the Plant Variety Protection (PVP) Bill were careful in trying to strike a balance between breeders and farmers rights. In fact, the draft was modeled on the Organisation of African Unity (OAU)’s Model Law adopted in 1998, which leans towards the protection of farmers’ rights, including the right to save, exchange and breed these seeds on a non-commercial basis, age-old practices that small farmers all over the world have used.

However, there was a stalemate in the Ugandan cabinet whilst considering the draft Bill in February 2006. Where exactly to draw the line between farmers’ and breeders’ rights was at issue. According to one source, the conundrum was resolved by the President himself, who came to the defining cabinet meeting where the PVP Bill was discussed and said “These local communities have been sitting on these resources without utilizing them. They have not improved them.
There is no way they should be consulted. Remove the local community rights section (in the Bill) and get it through.”

There have been concerted efforts from certain quarters to promote the use of hybrid seeds in Uganda. Early last year, a grant of $150 million was provided to the country and its neighbours by the Rockefeller and the Bill and Melinda Gates foundations to launch the Alliance for a Green Revolution in Africa (AGRA). The money has been earmarked for more research in hybrid seeds, the provision of inorganic fertilizers, water management and extension services to facilitate the propagation of these seeds. According to the inside source, the USAID project known as the “Uganda Agricultural Productivity Enhancement Program” (APEP) has also been actively advocating the adoption of stronger intellectual property rules, including the use of biotechnology.

Extension worker, Tukundane Cuthbert from Uganda outlined the promises and pitfalls of hybrid seeds.

‘The hybrid cabbage takes only three months and than you can harvest it. Our traditional variety takes six months and there is no time for leaving the land fallow before you have to replant. With the hybrid cabbage, we can have more harvests per year. But the seed can only be used once and that is all. We could use our traditional seeds over and over again. This means that at the end of the season (when we have used hybrid seeds), we have to buy new seeds. Those of us who are poor and can’t go to the market then cannot eat. Or we have to borrow and it is difficult to get collateral.”

“The hybrid seeds are really high yielding, but we cannot afford to buy the technology and maintain it. I wish the government would empower the local researchers to own the technology”.

Another extension worker, John Kisembo, who works with Caritas in Uganda was more skeptical about the wonders of hybrid seeds. “We are promoting indigenous seeds because there is a sustainability issue here. You can plant them over decades and they always germinate. Our traditional varieties are also more resilient. The challenge we have is to improve the soil management practices farmers use. When there is good soil management, the traditional seeds do well. We also need research in organic agriculture and ways to control diseases.

“The threat of hybrid seeds is not only that it is inorganic, but those promoting it are also advocating the use of other (chemical) inputs. This is a form of agriculture that is very expensive for our farmers”.

If the bill is passed by Parliament, the assurance of protection of breeders’ rights is likely to further increase the availability of hybrid seeds on the market. Over time, certain forms of traditional seeds will become scarce, threatening the biodiversity of the country and the region, as well as the financial viability of farming for the rural poor.
5 Decision-Making in Trade Policies

Democratic participation or the lack of it in Uganda’s policy making processes is beyond the scope of this study. As a result of the country’s difficult political experiences from the 1970s, there is some level of reluctance by people themselves, as well as by the bureaucrats to encourage the growth of associations that may be politically inclined.

By and large, the majority of non-government organizations are involved in service delivery. Only a very small number delve into policy issues, and fewer still work on trade and economic matters.

Given the complexity of this issue, this study makes only three points regarding decision-making and trade policies:

1) Lack of Public Knowledge and Debate Regarding Trade Policy and Economic Issues

It is very apparent that there is hardly any real discussion in the country on the country’s trade policy directions and decisions. Of course, Uganda is not alone in such a situation. Nevertheless, this is far from ideal. The decisions on trade policies have a direct impact on people’s livelihoods but these decisions are taken by government bureaucrats. For the most crucial decisions, those at the highest political levels are also involved. Excluding a small minority of non-governmental organizations that work on economic issues and which have tried to raise the profile of some of these trade issues, the Ugandan people are largely unaware of the decisions that are being taken on their behalf.

For example, together with the other EAC ministers, Uganda initialed the interim EPA agreement on 23 November 2007. This important decision took place without the knowledge of the vast majority. At the time, the country, and especially those in Kampala were caught up in one way or another with the preparations for and the hosting of dignitaries who had arrived for the Commonwealth Heads of Government Meeting (CHOGM). The opening day of CHOGM was also the 23rd November. There were intense public debates about CHOGM in the months leading up to the event, but nothing on the EPA with the EU, which will have deeper and more long lasting consequences.

Some civil society actors have also commented that the government does not seem to be very clear in terms of its policy direction. According to one trade activist,

‘As a country, I don’t think we know what we want. We have not set ourselves clear targets and a roadmap of how to get there. When you walk into the trade
negotiations, everyone knows what Mauritius wants – sugar. Coffee is a major export for us, but we don’t seem to care about it. If you don’t know what you want, you won’t know how to achieve it, and you won’t know what policies to have in place. Uganda is an agricultural country. It has a lot of potential, but the government only spends 4% of the budget on it.’

2. Conflict of Interests - Donor Influence Over EPA Negotiations
Civil society actors in Uganda also lamented about the unhealthy influence of donors on government trade negotiators. This is particularly apparent in the EPA negotiations.

According to one member of the civil society, ‘Donors have infiltrated the Ministries – Ministry of Trade and Ministry of Finance. These ministries are full of projects. Even if Uganda has a vision to do a, b, c, and d, this is often subverted by all these projects.’

In Uganda, government bureaucrats are allowed to take on consultancy work funded by others – including by other governments or the private sector. This becomes highly problematic when there are conflicts of interest. Assessments of the EPA for Uganda has been carried out by Ministry of Trade officials, funded by the EU through its Uganda Program for Trade Opportunities and Policy (UPTOP). One source close to the Ministry of Trade said,

‘UPTOP has been funding the Ministry of Trade in the EPA negotiations in the last 3-4 years. They have been paying for officials to attend the EPA capacity building meetings and also some of the research. For some consultants (within the Ministry of Trade), EU funding is an important source of revenue. It is always at the back of your mind when you are being funded. I know of someone who was funded by UPTOP and he made a critique indicating that the EPA was detrimental. He was blacklisted. Those who are funded try to show that on the whole, the results (of the EPA with the EU) are positive, so that they don’t rock the boat. There is a problem with the selection process (of how people are chosen for consultancies). The same people get selected to do the work’. 68

This same issue was also picked up by the TRADES Centre study on the EPA and Uganda:

“Concurrent involvement in EPA, EAC, COMESA, WTO and bilateral trade negotiations has placed (a) serious burden on resources both human and financial. Uganda lacks technical expertise and financial resources to effectively participate in all these negotiations. In fact, participation in EPA negotiations is being partly funded by the EU leading to a very absurd situation in which one party to the

68 Personal communication, 13 July 2007.
negotiations funds the technical preparations and attendance of the other to negotiations meetings”.

3) Ugandan Negotiators Pressurised by the Powerful in Trade Negotiations

When Ugandan trade negotiators do want to take a firm position in the interest of the country in the multilateral negotiations, they have found that they come under some considerable political pressures from their more powerful negotiating partners such as the US or the EU.

In the box below, Uganda’s former Ambassador to the WTO, Nathan Irumba recounts his experience of such political pressures. He exposes this in his paper “Challenges of Promoting and Protecting Development Interests in the WTO Trade Negotiations: The Case of Uganda” (January 2006).

Uganda’s Experience of Power Play in the WTO Trade Negotiations

“The Uganda delegation in Geneva has been one of the most active in the Like-Minded Group which spearheaded the development issues especially S&D (special and differential treatment), (and) implementation (issues) being reflected in the Doha Round and opposing inclusion of the Singapore issues (i.e. the introduction of liberalization in investment, competition and transparency in government procurement, as proposed by the European Union) in the negotiations. It has also played a leadership role in the LDCs (Least Developed Countries) and the African Group especially with regard to granting bound duty free and quota free market access for products originating from the LDCs. The delegation has been firm and vocal on these subjects.

As a result of the positions they took, pressure was brought to bear that the Ambassador be recalled (this took place around the time of the 2003 Cancun Ministerial). The articulation by the mission of the above positions was misrepresented by some developed countries through various channels as opposition to AGOA and not representing Uganda’s interests. It was claimed that the Ugandan delegation in Geneva was instead supporting interests of the more advanced developing countries. While the delegation was very active in the agricultural negotiations, in the context of the African Group, in one instance it was misreported that they were not following the negotiations.

When the Ambassador (Nathan Irumba) was transferred following the end of the tour of his duty, his successor followed in actively speaking out on the matters especially regarding services (mode four), bound duty free and quota free market access for products from LDCs and being critical of the response by the developed countries. He was transferred to a bilateral station immediately before the Hong Kong ministerial meeting (which took place in December 2005).”

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69 TRADES Centre 2004 ibid; p. xi
Source: Irumba N 2006 “Challenges of Promoting and Protecting Development Interests in the WTO Trade Negotiations: The Case for Uganda”.
6 Conclusions

There exists in Uganda, as in many other countries, a certain level of incoherence when it comes to choosing its path to development, and the place of small farmers in this quest. Neo-liberal policies are fiercely pursued on one arena, whilst a more defensive stance is being advocated in another. These contradictions probably reflect the uncertainties of its policy makers and leaders. When talking to the country’s bureaucrats, there is recognition of the country’s majority - the small farmers - and the acknowledgement that the challenges they face must be dealt with, simply because of their large numbers. Yet, there seems to be confusion and even denial about what exactly to do with subsistence farming and those involved in it. It is almost as if the government would like to wish away these farmers, and convert them overnight into a smaller group of exporters. Their wish book, however, fails to specify what they intend to do with the rest of the population.

Of course, policy-making is never a black or white affair. A country would not want to remain protectionist and economically isolated. Nor might it want to be a completely open economy. In navigating through the shades of grey, the leaders in Uganda either found safety in largely following the neo-liberal songbook or were pushed into it by powerful institutions – perhaps a mixture of both.

The last 15 years have therefore been one major experiment in liberalization. Marketing boards, price supports, subsidies and indeed, entire marketing structures the government had previously supported were dismantled in the course of structural adjustment. The state institutions were either stripped away entirely or privatized. The domestic market has been opened to private traders, local and foreign. Border measures by way of tariffs have been lowered.

The PEAP and PMA is the second frontier of this neo-liberal experiment. Exports are the strategy to development. The ‘new’ export sectors however – fish and flowers - do not benefit large numbers, nor do they contribute in any significant way to the local economy through backward and forward linkages. In fact, these exports are notorious for being difficult for small farmers to participate in due to the requirement of stringent standards. Yet there is a price to pay by subsistence farmers. Export markets are not acquired for free, and policy makers seem willing to make that exchange – to open up the domestic market, in return for guaranteeing stability in its exports to the EU. Leaders have overlooked the fact that the domestic / regional market may be deluged by European imports, and that the small farmers they had intended to support, could lose the only market they could possibly sell on.
And Uganda is not alone. The entire region of East Africa has made the same calculation and is moving in the same direction. Regionalism has become one of coming together to collectively open up the region’s borders to the EU and also the world. This is a direction the developed countries did not choose to take. The US remains protectionist in the textile and agriculture sectors. And Europe has declined to enter into a free trade agreement with the US because it chooses to protect its agriculture.

The third frontier in neo-liberalism and privatization Uganda has embarked upon is in the area of intellectual property. The country has embraced intellectual property rights over life forms such as seeds and plant varieties. Companies creating new plant varieties can stake their claims and monopoly rights over their inventions. These new plant varieties will require chemical inputs in order to perform over the medium and long term. If these seeds gain popularity in the country (and in some crops they have become very popular because of their higher yields), in time, companies, rather than the small farmers, will have ownership over plant material, and the chemicals such material require, making agriculture financially unsustainable for the small holders. As food prices have climbed in early 2008, those marketing this technology are recommending pushing agriculture more quickly in this direction.

The dangers of the policy directions pursued have been highlighted in several places throughout the text. However, to sum, one expects the following:

With open borders, Ugandan farmers will be subjected to the vagaries of the commodity and financial markets, and the policy choices (subsidies, exchange rates, export or import policies) of other countries. If food prices crash or are reduced from their current levels, import surges will further increase and farmers will find accessing even the local markets difficult. Farmers who had invested in export crops will once again be badly affected.

If prices remain high, farmers could possibly benefit, selling on the domestic and regional markets. However, this will depend on their access to land, and the

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70 According to figures compiled by Gresham Investments, a New York firm specialising in commodities, investors betting that prices will climb higher had committed about $4.7-billion to commodities in 2000. That number has almost doubled every year since, hitting $80-billion in 2005, and $175-billion in 2007. As of today, most estimates peg total fund investment at approximately a quarter of a trillion dollars (Stewart S and Waldie P 2008, ‘Feeding Frenzy’, Globe and Mail, 31 May 2008).

Toronto’s Globe and Mail also gave the example of cotton – illustrating the impact of speculation on prices: ‘Cotton isn’t part of the global food crisis, nor is it suffering from diminished supplies. Yet in one 90-minute stretch this spring, the futures [price] for this commodity jumped a full 25 per cent, confounding just about everyone in the industry. Cotton volatility was held up as one of the clearest signs to date that soft commodity prices have become unhinged from market fundamentals, and may instead be reacting to the moves of large fund traders’ (Stewart and Waldie 2008).
dynamics between farmers and traders. Government regulation of prices and marketing boards or cooperatives purchasing from farmers would help. Unfortunately, this is not by any means widespread in Uganda. However, with high prices, there is also a high risk that farmers will be encouraged to completely launch into commercial production. In 2008, high food prices have already raised inflation levels in the country. Farmers concentrating on production for the market may not in the end find themselves able to procure enough food for their own needs. Farmers in Uganda related at the end of 2007, that the food security situation for rural children has deteriorated as compared to the situation two decades ago because farm households have been putting much of their energies into commercial crops, leaving little resources or time for cultivating food for their own household consumption.

Liberalising the economy, and depending on the world market both to sell on, and for food, puts Ugandan farmers’ food security and livelihoods out of their control. Their lives will depend on the whims of speculators in Chicago and New York (both in commodities and oil, since the prices of these two are now closely related), and the market power of the major food corporations that have a big hand in dictating prices and an even bigger hand in locking out small players.

The trade regime, particularly the EPA will lead to the shrinkage of the already fragile and small manufacturing sector as tariffs for industrial goods are slashed and even eliminated. This is likely to impact negatively on the agricultural sector, firstly, by making the processing of agricultural products more remote. Secondly, it implies that farmers or the landless who are pushed out of the agricultural sector will not easily find employment in the industrial sector.

The dream of regional integration is not likely to ever take off in the policy environment of open regionalism. Rather than developing, strengthening and diversifying their production and industrial base through regional cooperation and the availability of larger markets, the region is likely to see imports from elsewhere taking over the market. Europe will have a major slice, but imports will also be coming from Asia, US and Latin America.
7 Recommendations: Rethinking Agricultural Trade

Many of the recommendations contained below, particularly those pertaining to national level reforms are the results that came from a four day consultation with Misereor partners – farmers and extension workers – in November 2007.71

Making markets work for all and rethinking Uganda’s agricultural trade policies cannot be dealt with in isolation from a whole range of other related issues such as the fragile land tenure systems; the need for extension services to farmers; support in terms of credit etc. These issues are beyond the scope of this study, but will nevertheless be mentioned given their importance.

In addition, it should also be raised that whilst many of the recommendations supported by Misereor’s Ugandan partners require a much stronger role to be played by the Ugandan government, those consulted also wondered if the government can deliver on these expectations. Nevertheless, hope was expressed that the democratic processes within the country would be strengthened so that policies in the future do take into account the interests of subsistence farmers.

1) National Level Recommendations

i) Creating Local Markets, Regulating Supermarkets and the Governance of Imports

A major problem expressed by Ugandan farmers is the need for better access to and the creation of local markets. Farmers said that whilst there was plentiful produce in the villages, often this was stuck in the villages, whilst the city areas are increasingly swamped with imports, for example in the supermarkets.

Ugandan farmers are thus calling on the government to promote the development of domestic food markets; provide the necessary infrastructure to this end such as feeder roads and storage facilities; as well as ensure that there is market efficiency and price transparency.

In other parts of the world, local markets have also been facilitated by regulation mandating government institutions such as schools, hospitals and government departments to buy food that is locally produced.

Farmers and extension workers also expressed the need for more careful regulation of supermarkets and of foreign investors in general. They would like to see local products dominating supermarket shelves, i.e. there should be local content regulation. Agro-processing plants should also be required to use predominantly locally produced products.

They have also asked for careful governance of imports i.e. quite a radical rethink from the current trade policies. There is need to better regulate food imports from South Africa, Europe, US, Asia and elsewhere, including regulating the imports of processed foods which might compete with locally produced products, or inhibit the country’s prospects of diversification.

Import governance measures Uganda can use could include bans on importation (such as in cereals) especially around harvest time; quantitative restrictions; or the requirement for importers to exhaust domestic supply sources before imports are allowed.

This has major ramifications for the trade agreements that Uganda is currently involved in. On the EPAs, farmers and extension workers have asked for a complete rethink given the possible increase in food imports, and for the country instead to adopt alternatives to the EPAs, such as the Everything But Arms (EBA) scheme of the European Union. The EBA is a programme the EU provides to all Least Developed Countries should they wish to avail of it. Unlike the EPA where market opening is reciprocal, under the EBA, LDCs have access to the EU market without having to open their markets in return.

ii) Enabling Environment for Growth of Agro-Processing Industries

Ugandan farmers and extension workers also called on the government to put in place an enabling environment so that farmers have access to credit, investment supports, inputs, tax exemptions, price supports and other measures for the development of agro-processing industries. This was seen as an important step towards upgrading and diversifying the agricultural sector; capturing local markets through higher processed products; ensuring better returns for farmers; and providing additional employment opportunities.

iii) Mainstreaming Sustainable Agriculture

Farmers and extension workers we consulted called on the government to mainstream organic and sustainable agriculture as the most appropriate way of
developing the agricultural sector; to foster sustainable livelihoods; conserve the country’s natural resource base; attain food security and eliminate poverty.

Sustainable agricultural methods require minimum if any artificial inputs. They are thus more financially viable for small farmers.

These methods are environmentally sustainable since they rely on biodiversity-intense agricultural production and the use of predominantly organic inputs. Sustainability is important since the land is the source of livelihood for the majority.

A study by Bachmann and Kiguli (2005) of 700 farms in Uganda documented the difference between farms which had benefited from the sustainable agricultural extension services provided by Misereor, and farms which had not benefited from such intervention. It was found that 40% of farmers which had not been taught these methods experienced yield losses in 2004/5 compared to 10 years ago. 52% had better yields today. In contrast, 60-65% of farmers that were reached by sustainable agricultural extension services experienced higher yields. The trained farmers also enjoyed improved levels of food security, better incomes and housing as compared to the control group.

iv) Land Rights and Security

Although not directly linked to the issue of agricultural trade, land rights is a major issue for small farmers. Farmers are requesting the protection of land rights of tenants and customary occupants, regardless of changes in land ownership. They suggested that there should be resumption and strengthening of the land tribunals to resolve land disputes. Importantly too, farmers would like country-wide land surveys and registration of land to be carried out under the applicable tenure systems in the country in order to end conflicts and land insecurity.

v) Assessing the Role of Non-traditional Crops

Non-traditional crops – vanilla, aloe vera, okra etc - have brought mixed blessings to farmers. Prices are extremely volatile and channeling resources to these crops has also led to food insecurity and malnutrition especially amongst children. There should be comprehensive assessments of these non-traditional crops – their environmental impact; the possible impact on food security; and their price movements before they are introduced.

Farmers are also likely to benefit from supply management – regulation of supplies at the national and international levels – to ensure that prices are better regulated and are much less volatile (see later section on this issue).
vi) The Need for a Food Security Policy

Uganda in the 1960s and 1970s had a strictly enforced food security policy. It was mandatory for each household to have a small granary where surplus food stocks were kept, or a plot of land with cassava. As Uganda’s former Ambassador to the WTO, Nathan Irumba sums, ‘The entire country was a granary’. As such, unlike today, food insecurity was not an issue. Whilst the harsh punishment meted out to people should they neglect having food stocks is not looked upon favourably by everyone, farmers and extension workers we consulted felt that people would benefit from government policies that strongly encouraged prioritizing food security at the household and community levels, perhaps through the use of incentives.

Some farmers shared that in their experience, the emphasis on export crops advocated by the government is a major cause of the current food insecurity. Farmers’ time, land and scarce financial resources have been channeled towards commercial crops, especially non-traditional crops for exports, but the prices and these markets have been volatile at best.

The farmers we consulted expressed the desire for the government to encourage people to prioritise having sufficient food crops for their own consumption, and to then only use the surplus land and other resources for crops to be marketed.

vii) Strengthening Farmers’ Groups / Cooperatives and Marketing Boards

As a result of cooperatives and marketing boards becoming politicized in the 1970s and 1980s, farmers in Uganda tend to be weary of recreating the cooperative movement of earlier days. At the same time though, many acknowledge that these cooperatives and their supportive marketing boards did do a very good job in agricultural marketing when they worked well. The examples most frequently cited are the coffee marketing board, the lint marketing board, and also the diary cooperatives.

The agriculture sector in Uganda has yet to recover from the shock of having these marketing boards and cooperatives dismantled. Ugandan small farmers produce a large variety of produce of small quantities each. This system of production is biodiversity rich, and is supportive of food security at the household level. However, it poses challenges when individual farmers want to market their products. Collective groups and cooperatives are therefore necessary, and these in turn must be supported by marketing boards or at least the services that these boards used to provide must be made available.
Marketing boards are important for stabilizing prices, providing farmers with inputs, regulating food supplies through the country, regulating imports, and assisting farmers with bulk marketing.

Resources and good management skills are required for farmers’ groups, cooperatives and marketing boards to work well. However, trust is also required in order to have well-functioning groups, as well as smooth coordination between farmers groups and marketing boards. This is perhaps one of the biggest challenge to be overcome.

viii) Supply Management and Marketing Boards

Whilst the terminology ‘supply management’ may not be used in Uganda, supply management instruments were suggested by Ugandan farmers during our consultations. For example, farmers suggested that the government monitor the volume of vanilla produced in the country, and assist in the regulation of supplies so that prices could be kept more stable.

In general, supply management instruments can enhance broad-based development in the following ways:

- Increase or decrease domestic / regional food production according to domestic and regional requirements – i.e. there should be some regulation of volumes that are produced by farmers so that prices can also be regulated.

- Provide domestic producers with assured access to the domestic market.

- Assure domestic producers fair and stable prices hence allowing them a decent livelihood.

- Deal with ‘structural imbalances’ within the market – reduce the power of retailers and processors by providing small producers with leverage in the production chain i.e. tools to ‘deconcentrate’ the power of certain big players. One example is mandating supermarkets in Uganda to purchase local products.

Supply management, including organizing producers and marketing through cooperatives and the assurance of stable prices will resolve the issue that was raised by Uganda’s policy makers about the importance of the export market. The PEAP reasons (as earlier cited) that farmers producing for the domestic market would receive very low prices and the gains would flow only to urban consumers. Hence, the PEAP emphasises the importance of the export market. However, without regulation of the world market, world prices too can be very low, or very
volatile. With supply management at the domestic level, prices can be fixed as long as volumes can also be regulated. Canada does this for a number of products such as eggs and poultry. Prices can in fact be fair for farmers if the system can be properly organized. Well functioning cooperatives would be very important for this purpose.

Supply management instruments can also be applied to export crops to control the volumes that are put on the world market. However, for these prices to be stabilised, it would require working with other exporting governments (See later section on commodity agreements).

ix) Budget Allocation

Farmers, extension workers and civil society actors we interacted with frequently raised the issue of the small budget that is allocated to agriculture – about 4% of the country’s GDP. Given that the agricultural sector employs the vast majority of the population, farmers and extension workers would like to see an increase in the budget allocation for agricultural services, investment support and infrastructure.

Now that we have high food prices, the present time is a tremendous opportunity to invest more money into the sector since the returns are also expected to be fairly high for some time.

x) Environment and Sustainability / Accountability of Companies

There should be more stringent oversight and regulation by the government regarding the use of Uganda’s natural resources especially by companies and foreign investors. Land, water and government support by way of credit or services are limited and these should be channeled to the rural poor. Environmental assessments must also be carried out prior to the acceptance of new ventures by investors. Any unforeseen environmental degradation, pollution and costs to human health should be borne by these companies.

xi) Promoting Local Seeds and Varieties

Concerns were expressed by farmers and extension workers that local varieties of certain crops are increasingly scarce as hybrid varieties are becoming more popular. The hybrid seeds, whilst promising in terms of yields, pose problems since they are not as resilient to local conditions such as drought. New seeds have to be purchased with each planting season, and over time, they require the use of chemical inputs if the high yields are to be maintained.
Calls were made during the consultation for government support of local seed banks at the community level, as well as support from government research institutions to improve on farmers’ traditional varieties.

**xii) Democratic Decision-Making**

Prior to the adoption of national policies as well as agreements being negotiated at the regional and international levels, these issues must be well-debated. Farmers in Uganda would value decision-making processes that are transparent, accessible to them and to all stakeholders.

**2) Regional Level Recommendations**

The complete tearing down of trade barriers through the EPAs and even through the region’s CET will also have to be reversed if regionalism and development in East Africa is to take root.

In contrast to this present model of open regionalism, the development integration model of regionalism requires a more discriminatory form of trade engagement with external partners. This will mean radical change to the current regional arrangements. For the EAC, this means much higher tariff rates than the 25% maximum CET. It also means having more than the present 58 tariff lines (industrial and agricultural goods combined) with higher than 25% tariffs. The leaders of the region instead should target the development of certain agricultural, industrial and services sectors, and set tariffs, quantitative restrictions and quotas and other import governance and investment regulations so that these sectors are able to mushroom and thrive.

In addition, countries within the grouping can share their resources and natural advantages. For instance, Kenya has more diversified production capacity and can perhaps provide assistance to its Least Developed Country (LDC) neighbours, including Uganda in the development of agro-processing industries.

**3) Recommendations at the Level of International Trade Agreements**

The rules of the World Trade Organisation must be rethought if they are to be supportive of the development processes of countries such as Uganda. Some of the following recommendations mirror what has already been suggested by the EcoFair Trade Dialogue:
i) Unhinging from Trade Liberalisation, Focus on Disciplining Extra-Territorial Responsibility

The raison d’etre of the multilateral trade system should not be to determine countries’ tariff levels or their domestic regulatory measures such as subsidies, non-tariff barriers or investment policies. In as far as no harm is done to others, these policies are the preserve of a country and must be left to the people to democratically decide.

Instead, the multilateral trading system should manage and regulate trade between countries, such that the domestic policies of countries do not impinge negatively on others. For instance, there should be no limits placed on countries’ desire to subsidise their agricultural production, as long as these subsidies are not causing harm outside the country. The EcoFair Trade Dialogue has termed this the regulation of countries’ extra-territorial responsibility.

The areas where there should be careful regulation of trade between nations include:

- **Multilateral Regulation to End Dumping**

  Given the impact of US and EU subsidized agricultural products on farmers’ employment and livelihoods in the developing world, the secretariat of such a multilateral agency dealing with dumping should ensure that the imports into developing countries do not equate to dumping (exports at a price below the cost of production). Support by way of analyzing countries’ data on subsidies and price distortions by multilateral corporations will be necessary. The Secretariat will both alert the country being harmed as well as bring the country causing the dumping to task.

- **Regulating Corporations and Multilateral Competition Policy**

  Corporate power has to be scaled back drastically. The oligopsony situation is characteristic of too many production chains. According to one source, farmers are typically getting only half a % of the final price of a product.

  Cutting back corporate size, mandating transparency and limiting the markets within which they can operate can help to recalibrate prices in the market so that

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72 An oligopsony is a market form in which the number of buyers is small while the number of sellers is large. Eg. the cocoa production chain where three firms – Cargill, Archer Daniels Midland, and Callebaut - buy the vast majority of world cocoa bean production, mostly from small farmers in developing countries.

73 Robbins P 2005 “Supply-side Measures for Raising Low Farm-Gate Prices of Tropical Beverage Commodities”, South Centre, November.
they more accurately reflect production costs; allow small producers at the bottom of the production chain to reclaim some power in the market place; and provide low income countries the space to develop their production capacities.

Whilst these suggestions may sound radical in this day and age, a look into the history of US anti-trust law shows that the breaking up of corporations was done regularly when it was judged that a company’s size inhibited the growth of other companies. Companies were even broken up when it meant that prices for consumers would increase.

Since corporations now operate multinationally, it is important for such oversight to be done by a multilateral institution / or institutions, in cooperation with national governments.

In Uganda and the East African region, there would be a greater likelihood of these countries producing processed agricultural products if the major corporations currently processing coffee, tea, chocolate etc are broken up, and their reach were limited.

- **Regulating Financial Speculators**

It is only recently that financial investors who are purely speculation have turned up at the commodity markets with their hundreds of billions. Financial markets in commodities have been set up for a reason – in order that real traders can hedge against price changes.

There should be international regulation, preventing those that are purely speculating to play on these markets since it is tantamount to trading in peoples’ lives.

**ii) Commodity Agreements for Tropical Products**

At the WTO, the Ugandan delegation has been at the forefront in putting the commodities issue back on the multilateral trade agenda. The African Group, in June 2006 submitted a proposal to the WTO on commodities. The specific request was to ensure that implementation of international commodity agreements (ICAs), particularly producer-only commodity agreements would be sanctioned by the WTO. The earlier generation of ICAs in the 1970s and 1980s under the auspices of the United National Conference for Trade and Development (UNCTAD) had eventually collapsed in part because consuming and producing countries were often unable to agree on how to jointly manage these programs. Africa remains interested in reviving ICAs so as to regulate the prices particularly of tropical products – coffee, tea, cocoa etc.
At present the multilateral trading system has a completely hands-off approach to the volatile prices of commodities. Price volatility has had catastrophic effects on communities dependent on these commodities.

Indeed, whilst in the ideal, most trade will be conducted nationally and within regions, trade in tropical beverages – coffee, tea, cocoa etc – will continue across regions given that these crops do not grow in temperate climates.

What would such commodity agreements look like? They would essentially manage prices and production quantities. There would have to be a floor and ceiling price range, and this range would be regularly reviewed. Also, participating countries would provide some resources (which could be collected in the form of an export tax) so that the commodity group can weather any price shocks and defend the floor price. All producing countries would participate. An example of this at work is the De Beers diamond cartel. Production will have to be controlled by some kind of quota system. For commodities where supply outstrips demand leading to low prices, countries could cut back on production quantities by a common percentage down from their current quantities. The fall in production will stimulate higher prices for producers.

Supply management at the national level, reinforced by commodity agreements at the international level, has the potential to stabilise tropical commodity prices. However, it does require the building of mature institutional capacities and large doses of political will.

4) Suitability of the EcoFair Trade Dialogue Proposals for Uganda

The proposals of the EcoFair Trade Dialogue contained in the report ‘Slow Trade - Sound Farming: A Multilateral Framework for Sustainable Markets in Agriculture’ are very fitting for rethinking a new trade framework for Uganda. In fact, I have borrowed liberally from its proposals in this paper.

Some key issues Slow Trade-Sound Farming highlights, which are particularly valuable include the following:

i) Extraterritorial Responsibility (Doing No Harm to Others) and Democratic Sovereignty

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75 For a more detailed examination of how commodity agreements can be put into effect, see Robbins P 2005 ibid.
Making extraterritorial responsibility a priority goal that members of a multilateral system should abide by turns the entire trade system that we have today on its head. The current trade system is largely based on mercantilist interests – with members eager to get as much as they can out of their trade partners.

Extraterritorial responsibility calls for accountability of a nation’s actions, and demands that membership of a multilateral trade group, or a bilateral / regional trade arrangement for that matter, entails doing no harm to others. This is not different from how the rules in society demand that people will be stopped if they inflict harm on others.

One example is dumping. The report’s intolerance towards dumping as compared to the trading system’s de facto legitimization of dumping is an important contribution.

The report also reinforces another critical guideline that should be a much more prominent part of the trade system – democratic sovereignty and policy space.

So often, it is seen as inevitable that multilateral or regional trade agreements inevitably constrain a country’s policy space. The radical proposal coming out of Slow Trade – Sound Farming, and which this Uganda study endorses is that countries’ policy space should not be curtailed. Democratic processes are important and the policy directions emerging out of these processes should be implemented.

The multilateral system needs to allow for a plethora of diverse ways in which countries find their path to development. Rather than being caught up in forcing countries to reduce tariffs (hence the repeated breakdown of talks in the WTO since this is such an unpopular agenda), reinforcing countries’ democratic sovereignty but regulating countries’ ‘extra-territorial responsibility’ is a healthy direction for a viable multilateral trading system.

ii) Importance of Governing Imports

The other area of agreement this report shares with the EcoFair Dialogue proposals is the importance of careful import governance. Not enough instruments to this end are currently afforded to countries such as Uganda. In fact, the Ugandan government in the EPAs is relinquishing its ability to properly govern the flow of imports. Serious consideration must be given to this issue if Uganda’s leaders are aiming towards broad-based development, not simply the success of a small group of exporters in the country.
iii) Exports and the Issue of Sustainability

Another valuable contribution from the EcoFair Trade Dialogue is its treatment of exports and questions regarding the sustainability and viability of exports. Several issues are raised in Slow Trade – Sound Farming, which are also key questions for Uganda:

When there is food insecurity in the country, should export-oriented agriculture be promoted since it swallows up land, water and other resources that could be used for staple food production? The issue of who benefits from exports is critical. For the most part, and this is certainly true for the non-traditional exports in Uganda, where the poor are not the beneficiaries but a small group of bigger farms.

The EcoFair Trade report also points to FAO findings showing that the number of farmers / labourers absorbed in export agriculture is usually less than the number displaced when countries enter export-oriented agricultural production. Hence, “the greater the number of people engaged in the agricultural sector of a given country, the less appropriate it is to trim the sector for export competition”.76

The report provides sound advice that would benefit Uganda: that countries committed to sustainable development must ensure that their export activities are integrated within a coherent broad based development strategy. Slow Trade – Sound Farming also provides a useful list of criteria for evaluating the sustainability of exports (p. 72).

iv) Qualified Market Access

One of the more controversial proposals of the EcoFair Trade Dialogue is the issue of qualified market access. Products that are produced sustainably will have better market access terms (e.g. lower tariff rates) than products which have been produced without taking into consideration sustainability issues. Before this can be implemented, however, countries have to establish independent quality standards and certification systems at the domestic level. As these systems evolve, these standards would then be made mandatory for domestic producers.

The issue of quality standards is often raised in Uganda by farmers who are negatively impacted by the lack of effective quality controls. There are reports, for example, of locally produced seeds which farmers buy that do not germinate, or substandard imports that come from China.

Attention to quality standards would therefore benefit farmers. However, quality certification programs are also very burdensome for small farmers.

Slow Trade – Sound Farming argues that this need not necessarily be so because standards will have to be developed bottom up, with the participation of farmers, consumers, non-governmental organizations, local retailers and small scale sellers. Whilst many developing countries do have problems navigating the standards imposed by developed nations today, the standards the EcoFair Trade Dialogue is proposing – sustainable forms of agricultural production - may not in fact be difficult for small farmers since most farmers in Uganda are de facto already engaged in such practices. For example, most do not, or apply only minimal amounts of chemical inputs.

Nevertheless, the proposal is controversial because Uganda would require much stronger institutions before standards of domestically produced products, imports and exports can be effectively implemented and monitored. In the interim, a trade system that advantages countries which already have these strong institutions is likely to have discriminatory effects on the lower-income countries.

In any case, this proposal is worth further debate and development. Its objectives are desirable ideals that the global community could work towards.
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www.saprin.org/uganda/research/uga_country_rpt.pdf


### ANNEXES

**ANNEX 1: Uganda’s Import Surges 1982 - 2003**

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Source: FAO
Annex 2: Divergences Between ESA and EU

Even when negotiating were dealing with an interim EPA agreement, excluding services and the ‘new issues’, there were significant differences between the two sides. These differences included:

i) List of Sensitive Products. The original list of sensitive products presented by the East and Southern African (ESA) region (the regional grouping Uganda first negotiated with) in June 2007 covered 57% of the tariff lines with the EC. The reaction of the EC was that the list was too long. ESA responded that they would revise and shorten the list. Their original list was a compilation of national lists prepared by countries in the region. Uganda had apparently presented one of the longest lists covering about 50% of trade.

After that, the ESA revised sensitive list. According to those close to the negotiations, the methods used to shorten the list have been quite alarming. Eg. tariffs below 10% have been excluded since they are judged to be raw materials or intermediate products. Products that are not available in the region in large quantities have also been excluded from the sensitive list eg. palm oil, coconut, cocoa. Products that were only requested by one or two countries were also excluded!

Closer to the 31 December 2007 deadline, EU had asked for a list no longer than 10% of trade. The ESA countries struggled to arrive at a common shortened list as a region. Under such pressure, many sensitive tariff lines were taken out of the list.

ii) Export Subsidies: Whilst the EU in the WTO negotiations had agreed to eliminate export subsidies, they have not done so within the EPA. (Note that even though EU has agreed to eliminate export subsidies in the WTO, post 2003 CAP reform, most export subsidies are not categorized as such, but fall under domestic supports, which have not been properly disciplined in the Doha negotiations). The EU has said that it will only eliminate export subsidies for those items ESA agrees to tariff elimination. ESA had retorted that this proposal was “totally unacceptable”. Nevertheless, reference to eliminating export subsidies even in products EAC countries have agreed to liberalise in, is missing in the interim EAC EPA.

iii) Domestic Supports: The ESA had said that it is concerned about the unfair impact of domestic supports on agricultural trade with the EU. ESA would like to

“adopt appropriate corrective measures”. The EC’s response was that domestic supports “cannot be talked about under EPA.” The issue they insisted has to be negotiated under the WTO. 

iv) Difference in the timeline for tariff elimination. The ESA proposed 25 years, the EC proposes 12 years. Finally, liberalization is over 25 years, but the bulk of liberalization – 80% of trade - will be liberalized within 15 years.

v) The ESA had said that liberalization must be pegged to the achievement of certain development benchmarks. If these are not achieved, the review clause can be used so that there should be derogations allowed from the liberalization timetable. The EU said that there should indeed be a built-in mechanism for review. However, this should be aimed at expanding the scope of liberalization. The benchmarks identified by ESA, according to the EU, are ‘unclear and bring uncertainties to trade’. 

vi) Preferences: A pressing concern for the ACP countries, including the ESA was to ensure that their preferential access to the EU market is not eroded, or that they are being supported in the transition period. (The EU is also negotiating FTA agreements with Asian and other countries, which invariably will lead to preference erosion). The ESA had proposed a programme of support measures to address preference erosion: support to enhance its competitiveness; adequate transitional measures (eg. continued sourcing of certain EU imports from ESA); adjustment support under ESA-EPA fund. The EU has not been agreeable to these proposals. According to the ESA, EU’s response has been that preference erosion is inevitable, including due to WTO negotiations.

vii) Development: This is a major area of contention. The ESA has maintained that development must be central. “The rationale is that it would be meaningless for ESA countries to have duty-free and quota-free market access to the EU market if they are unable to use them. Since most countries of the ESA grouping are LDCs and are already benefiting from the Everything But Arms (EBA) provisions, the value addition of an EPA lies to a great extent in its development dimension”. To this end, the ESA countries had emphasized strengthening their supply-side capacity. This requires financial investments both in specific sectors (eg. tourism, fisheries etc) as well as for cross cutting factors hindering the region’s production capacity (eg. infrastructure, transport and energy etc). Some of these priority projects have been compiled by the ESA in a “development

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78 ESA 2007 ibid.
79 ESA 2007 ibid.
80 ESA 2007 ibid.
81 ESA 2007 ibid.
matrix” with specific financial implications for the EC, and they have asked to attach this matrix to the EPA.  

The EC has refused to include specific binding financial commitments in any EPA text. They contested the scope of measures identified, the amount of financial assistance asked for and the possible sources of funds.

Clearly, the issue here it that the ESA want to link the implementation of EPAs to the provision of specific financial assistance, hence locking in European financial pledges, whilst the EU has said that financial commitments are part of the ongoing European Development Fund (EDF) and should be dealt with there.

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83 South Centre 2007  ibid.