



Country Update

Beyond the 11th WTO Ministerial Conference: Issues and Interests of the East African Community Members Stakeholders' Perspectives

The 11th WTO Ministerial conference was concluded on the 13th December 2017 in Buenos Aires, Argentina after 4 days of intense negotiations. The Conference was marred by internal controversies and divisions between those member countries who wanted the mandated issues under the Doha Work Programme (i.e. Agriculture, Cotton, Special and Differential Treatment, Fisheries Subsidies and Services) and those who wanted issues without mandate (i.e. e-commerce, Investment Facilitation and Micro Small and Medium Enterprises (MSMES)) to be the core of the ministerial conference. These controversies resulted into a lack of a final declaration. However, there were a number of decisions arrived at, one being the fact that negotiations were to continue in Geneva.

Uganda like many other WTO member states had both offensive and defensive interests which they wanted to promote and defend in Buenos Aires. Among the key offensive issues of interest for Uganda was the issue of agriculture. Most of the stakeholders

interviewed are of the view that this is an issue which should be pursued in Geneva given its importance to Uganda's economy and people's livelihood.

According to Ambassador Irumba, the issue of agriculture has been on the WTO agenda since the launch of the Uruguay Round. The mandate to address the imbalances and asymmetries in the Agreement of Agriculture (AoA) were reaffirmed in the Doha Ministerial Declaration (2001), the July Framework (2004), Hong Kong Ministerial Declaration (2005) and the Bali Ministerial Declaration (2013). According to Ambassador Irumba, there has been some achievements in these negotiations, for example the WTO members agreed to eliminate export subsidies by 2016. However, a lot still needs to be addressed to eliminate the imbalances in the AOA. Ambassador Irumba also clarified that from Buenos Aires the negotiations will continue in Geneva in the various committees given the fact that one of the functions of the WTO as stated in Article 3 of the Marrakesh Treaty is to provide a forum

for further negotiations among its Members. Therefore, although there was no declaration in Buenos Aires, the negotiations will continue in Geneva.

For Agnes Kirabo, a food rights activist, in Geneva the negotiations should address the imbalances in the AoA. In her view countries like Uganda have waited for a long time for the reform of the AoA. The current agreement has had a negative impact on the agricultural sector and on the livelihoods of the small subsistence farmers. The influx of subsidised imports especially of cereals, poultry, tomato paste, dairy and cotton coupled with the extensive liberalisation has negatively affected agricultural production and also edged the small-scale farmers out of their domestic markets. The small-scale farmers cannot compete on the local market as a result of the influx of subsidised and competitively produced products. Yet at the same time they cannot access export markets in developed countries which are protected by high subsidies, high tariffs and restrictive standards and other non-tariff barriers. As a result of these challenges, the government has found it difficult to develop the agricultural sector and also ensure the right to food.

According to the EU Commission Agri-Food Trade Statistical Fact sheet, wheat exports from the EU to Uganda increased from Euro 10 million in 2013 to Euro 24 Million in 2016. Flour starch and milk preparations and cereals have also witnessed a slight increase.

Agriculture is the mainstay of Uganda's economy; and according to Uganda Bureau of Statistics (UBOS) employing about 72% of all Uganda's working population. It provides the bulk of Uganda's export earnings and also for the food security of the country. However, its performance has been declining. Its contribution to GDP has declined from 44% in 1999 to 26% in 2011. Most Ugandan farmers continue to produce raw commodities such as coffee, tea, cotton, maize, beans, bananas,

cocoa, livestock, and fish, which are either consumed locally or exported in regional and global markets. The major destination of Uganda's agricultural products are mainly to the EU, EAC and COMESA markets. Exports to the EU market are mainly primary commodities whose value and volume has been declining over time.

There are many challenges facing Uganda in her effort to increase her exports. These challenges can be categorized as those within the country; and those in the export markets. Those within the country include the supply capacity constraints, the lack of high quality packaging capabilities, the lack of storage facilities, high freight costs, the lack of appropriate infrastructure and the limited capacity of Ugandan producers to meet the very high sanitary and phyto-sanitary standards required to export goods to Europe, the United States and other global market. Value addition has been very low such that almost 90% of the products exported to the EU are in raw form. This has largely been as a result of the opening up of the economy which has led to the increase of the inflow of value added agricultural products. Government's budget to the agricultural sector has also been very low to address the systemic challenges facing the sector. For the financial year 2015/2016 the agricultural budget was a mere 3% of the total budget, this is despite the commitment made by all African leaders to contribute at least 10% of the total budget to the agricultural sector. There are also challenges within the global markets especially the EU market. These include, inter alia, the high subsidies and the high standards.

According to Ms. Kirabo, the agricultural sector has the potential to transform the country if all these challenges are addressed. Her proposal is that the issue of the Special Products be put back on the agenda for negotiations. Developing countries, including Uganda have been requesting to designate and protect certain products with impact on food security,

livelihood security and rural development. These “Special Products” should be exempted from tariff reductions. This will address the challenges of famine and food insecurity in the country. Estimates from the National Food Security Assessment Report (January 2017) indicated that food insecure Ugandans would rise to 11.4 Million in 2017.

Ms. Kirabo further recalled that there was talk about the Development box in the run up to the Cancun Ministerial Conference (2003). The Development Box included proposals such as a user friendly safeguard measure, exemption of food security crops from tariff reductions; and measures to protect the right to food. The Development Box also provided for a wide range of policies aimed at protecting and enhance production capacity especially of staple foods, provide and protect agricultural and rural livelihoods for poor people, protect small farmers and producers from highly subsidised export dumping, and increase employment, reducing poverty and achieving human development.

According to the Statistics Portal, unemployment in Uganda was at 2.3% in 2017, though this figure is disputed by Ms. Kirabo that it very low. Ms. Kirabo’s plea is that the issue of the Development Box should be put back on the agenda to address such challenges.

Mr. Godfrey Ssali of the Uganda Manufacturers Association (UMA) is of the view that the issue of Tariff Escalation (TE) should be addressed as part of the agriculture negotiations. TE involves the imposition of higher import duties on processed products than on raw commodities. TE is a form of protection that can impede a country’s efforts to move from primary goods to value added production and exports. Tariff escalation prevails in a large number of agricultural commodity chains including in sectors that are of importance to Uganda. These include, inter alia, coffee, cocoa, hides and skins. In the European Union, for example, non-decaffeinated

green coffee can be imported tariff-free, whereas roasted coffee incurs a tariff of 9%.

In the case of Uganda all the coffee exports to the EU are in raw form. Given the fact that primary commodity markets are characterised by low and deteriorating world prices the issue of TE should be addressed as soon as possible. In Uganda’s case TE has contributed largely in disincentivising the move towards higher levels of agricultural processing. Reducing TE is important for Uganda in terms of increasing product diversification, promoting forward and backward linkages between agriculture production and manufacturing, support the development of a stronger manufacturing base, support the creation of decent jobs, increase export earnings and increase the production and productivity of these commodities. All this will lead to poverty reduction and sustainable development.

Mr. Ssali has advised the negotiators in Geneva that in demanding for putting the issue of TE on the agenda for negotiation, they have to be mindful of the fact that this issue has been explicitly discussed within the market access negotiations as far back as the Tokyo Round (1973-79) under the General Agreement on Tariffs and Trade (GATT). The 2004 Framework Agreement (paragraph 36) also reiterated the importance of TE importance and directed that it will be addressed through modalities to be agreed upon by the member states.

Another issue of interest for the manufacturers is the Cotton issue. According to Mr. Ssali, the Cotton issue has been on the WTO agenda for a long time. Promises have been made to eliminate all forms of export subsidies for cotton in developed countries, provide duty-free and quota-free access for cotton exports from LDCs entering developed countries; and the reduction of trade-distorting domestic support for cotton “more ambitiously than for whatever agree general formula to be implemented. In fact the whole WTO membership had agreed to

address the Cotton issue ambitiously, expeditiously and specifically.

However, all these commitments have not been fulfilled. Cotton is one of Uganda's key export although, according to Uganda Bureau of Statics, exports volumes have been reducing from 43,258 metric tonnes in 2012 to 12, 674 metric tons in 2015. Cotton earnings decreased from US\$ 31.7 million in 2013 to US\$ 21.9 million in 2014. This has been as a result of a number of factors including the inflow of textiles and apparels and second-hand clothes. This influx discouraged value addition of locally produced cotton and eventually led declining production and productivity.

In order to row the economy and also create jobs government is in the process of putting in place an ambitious industrialisation policy and strategy with textiles and apparels being one the sectors targeted for development. The industrialisation agenda in Uganda and in Africa in general will not take off without the reduction of cotton subsidies in the developed countries.

A negotiator from the Ministry of Trade also confirmed the fact that given the importance of the agriculture sector, Uganda will continue with the agriculture negotiations in the Committee on Agriculture. The negotiations will build on the mandate from the 10th Ministerial Conference 2015 as provided for in the so-called Nairobi Package; and on previously agreed on mandates. For example, regarding the issue of Public Stockholding for Food Security purposes the Nairobi Declaration stated that: "Members shall engage constructively to negotiate and make all concerted efforts to agree and adopt a permanent solution on the issue of public stockholding for food security purposes. In order to achieve such permanent solution, the negotiations on this subject shall be held in the Committee on Agriculture in Special Session ("CoA SS") in dedicated sessions and in an accelerated time-frame, distinct from the

agriculture negotiations under the Doha Development Agenda ("DDA").

The push forward in Geneva will also be informed by the previous commitments by the WTO membership. For example, the General Council Decision of 27th November 2014 had reaffirmed that Members will make all concerted efforts to agree and adopt a permanent solution on the issue of public stockholding for food security purposes by 31 December 2015.

Uganda needs the Public stockholding programmes to purchase food at administered prices for food security purposes. Although the purported reason for the current incidences of hunger and famine is the prolong droughts, there also underlying reasons such as government's lack of food reserves despite various debates around this issue. Therefore, Uganda needs policy space to put in place public stockholding programmes.

In addition, the negotiator revealed that Uganda government will continue negotiating for the Special Safeguard Mechanism (SSM) as it is important for Uganda to address the challenge of import surges. Uganda like many other African countries which undertook extensive liberalisation, has experienced import surges especially in such products as sugar and rice. It should also be noted that Uganda is continuing to liberalise under various regional integration processes such as the East African Community, the EAC-COMESA-SADC Tripartite, and the soon to be concluded Continental Free Trade Area (CFTA).

Uganda's position on this issue will build on the previous decisions and commitments by the WTO Membership. For example, the Hong Kong Ministerial (2005) provided that developing country Members will have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers, and that the Special Safeguard Mechanism shall be an integral part of the

modalities and outcome of the negotiations in agriculture. Again, in the 10th WTO Ministerial Declaration members agreed to pursue negotiations on an SSM for developing country members in dedicated sessions of the committee on Agriculture in Special Session (CoA SS).

Last but not least, the negotiator pointed out that Uganda will continue negotiating for the reduction in the domestic subsidies in the developed countries. This is another issue which has been on the table for a long time and should be addressed and concluded.

One key issue coming out of the discussion with various stakeholders on the way forward after Buenos Aires is the need for the Negotiators both at national level and in Geneva to look back on the agricultural negotiations and bring out all the issues which in a way have been left behind. Uganda's position in these negotiations should also be based on the commitments which the WTO membership have previously agreed upon.



CUTS International, Geneva

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