



# Country Update

## Addressing domestic support measures in the WTO negotiations: stakeholders' perspectives in Uganda

Provided by



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### Introduction

Agriculture in Rwanda is a very important sector for The agricultural sector remains the backbone of Uganda's economy as its main source of livelihood and employment for over 60 percent of the population. It provides the bulk of the raw materials for most of the industries that are predominantly agro-based. The sector contributed to about 26% to the GDP in 2015. The agriculture sector is therefore indispensable for Uganda given it is the major source of employment and the biggest contributor to the GDP. Despite its importance, the sector continues to face numerous challenges. In Uganda, while the sector has been liberalised, smallholder farmers have limited capacity or rewards from

accessing the liberalized agriculture markets. This is because of their very low levels of production occasioned by small land holdings, lack of agricultural inputs to enhance productivity, and unsuitable macro-economic environment among others factors

### Key Agricultural Products in Uganda

In order to determine which Agricultural Products are important to Uganda's Agriculture sector, it is important to look at them in terms of trade and consumption. Uganda's Exports to major markets like the EU are highly concentrated on a few products: coffee, fish, other live plants, cocoa and

tobacco account for 87% of total exports to the EU. In the EAC region, Uganda's main exports to the region are cigarettes and tobacco products, followed by sugar, milk products, cement and matches (EPRC 2016). The ministry of Trade Industry and Cooperatives 2016 performance report sums up Uganda's agricultural products which are of particular importance to include rice, sugar, milk, poultry, and maize among others.

While domestic support measures by other countries in international/regional markets are known, there is little data to show how this has directly affected agricultural products in Uganda. However, according to EPRC (2016), the classification of Uganda's sensitive list of products can be used to qualify such products as those that are affected by domestic support mechanisms especially in international markets. The *South Centre (2017)* argues that many LDCs including Uganda have historically, and even up to today, been very negatively impacted by the domestic supports of developed countries. Indeed, it can be said that when this was combined with the IMF and World Bank conditionality in the 1980s and 1990s forcing the lowering of tariffs in agriculture and the removal of domestic supports, many LDCs including Uganda ended up importing a lot of subsidized agricultural products, to date. The *South Centre (2017)* stresses that the combination of opening up domestic markets and the imports of subsidized food has had a huge and negative impact on domestic producers, reduced food security and rural employment, and reduced world prices creating difficulties for LDCs including Uganda to sell both on domestic markets as well as on export markets.

The major affected products in Uganda have been Poultry and Milk. Indeed, local chicken dealers in Uganda continue to lose ground on sales due to the

continued entry of cheap imports from Brazil, South Africa and Europe<sup>1</sup>. In 2012, a report to the President of Uganda indicated that about 45 per cent of dressed chicken sold on the Uganda market is imported, majorly from Brazil, and is cheap, almost Shs1,500 lower than those produced locally. Whereas locally dressed chicken are sold between Shs8,000 and Shs10,000 per kilogramme, the imported ones sell for as low as Shs6,500. This, according to the Chairman of the Poultry Association of Uganda, Mr. Aga Sekalala is very unfortunate because it is a risk to the food security of the country.

## **Policy Actions Needed to Reduce the Negative Impact of Domestic Support**

According to the commissioner of external trade in the ministry, Mr Silver Ojakol, Uganda has put in place countervailing measures to protect local producers against cheap imports. "We have measure to protect local producers and if it is established that the allegations are true, then the ministry will take action." Uganda has put in place the National Competition and Consumer Protection Policy (2014) to complement the existing key agriculture sub-sector laws relating to competition issues, these include the Dairy Industry Act, Hide and Skin Trade Act 1951, Cotton Development Act (ch 30) and Uganda Coffee Development Authority Act 1994. These laws mainly deal with setting and enforcement of standards for the respective sector, and promotion of the sector.

The development of a sensitive list of products is also another measure that Uganda has undertaken to protect her Agriculture sector. Effective 1 July 2016, Uganda's *Finance Act 2016* empowered the Uganda

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<sup>1</sup> "Cheap imports suffocate Uganda's poultry industry", Daily Monitor, [http://www.monitor.co.ug/Business/Commodities/Chea](http://www.monitor.co.ug/Business/Commodities/Cheap-imports-suffocate-Uganda-s-poultry-industry/688610-1451272-6hhplbz/index.html)

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Revenue Authority (the URA) to start charging import duty on specified imports from Common Market on East and South Africa (COMESA) countries that previously had enjoyed an import duty exemption since 1 July 2014. However, EAC partner states need to design and formulate strategies and plans to support the development of regional supply capacities to enhance the production of the products.

## **Recommendations to EAC's Delegates to the WTO**

The WTO members continue to conduct negotiations to reform agricultural trade. These talks began in early 2000 under the original mandate of the Agreement on Agriculture (AoA) and became part of the Doha Round at the 2001 Doha Ministerial Conference. At the 2013 Bali Ministerial Conference, ministers adopted important decisions on agriculture. More recently, at the 2015 Nairobi Ministerial Conference, WTO members agreed on a historic decision to eliminate agricultural export subsidies, the most important reform of international trade rules in agriculture since the WTO was established. Developing countries in the upcoming WTO ministerial conference in Buenos Aires should seek for a permanent solution for public stockholding programs for food security and a simple and effective special safeguard mechanism.

Ambassador Stephen Ndung'u Karau of Kenya was elected as the new chair of the Committee on Agriculture in Special Session at a meeting on 26 April, and is to facilitate ongoing negotiations in agricultural trade reform, including negotiations on cotton.

- The negotiations over the next few months in the run up to Buenos Aires "must produce a substantial decrease in trade-distorting domestic support and a reduction of existing asymmetries in permitted domestic support

measures, with a focus on the products of particular interest for LDC exports." This is more so, at a time "when there are efforts to shift the focus of the eleventh ministerial meeting to "e-commerce" and "investment facilitation" among others, instead of securing the "developmental" outcomes as set out in the Doha Work Program.

- The outcomes on domestic support at the WTO's eleventh ministerial meeting in Buenos Aires must "form the basis for further negotiations" for correcting and preventing "distortions in agriculture and establish a fair and market-oriented agriculture trading system, as provided for in Article 20 of the Agreement on Agriculture.
- The AoA does not provide "adequate policy space" for developing countries to implement their justifiable food security programs. At a time when major developed countries have shifted all their amber box subsidy payments to the green box, it has become easy to frustrate the G33's efforts in finding a credible permanent solution. EAC Geneva ambassadors should therefore demand of the Member States to deliver on *para 31* of the Nairobi Ministerial Declaration that reaffirmed the commitment of all WTO members to advance the negotiations on the remaining Doha issues, including domestic support in agriculture. They should demand for a substantial decrease in trade-distorting domestic support and a reduction of existing asymmetries in permitted domestic support measures, with a focus on the products of particular interest for EAC's exports.
- EAC Geneva ambassadors should negotiate for an overall limit on the sum of all trade-distorting domestic support measures,

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including commitments on AMS (aggregate measurement of support), blue box measures, and permitted de minimis levels both for developed countries and the developing countries; an overall limit on product-specific AMS, particularly as regards products of specific interest to the LDCs; and an overall limit on the sum of all trade-distorting domestic support measures for cotton.

- EAC Geneva ambassadors should also push for a timetable for the implementation of the decisions taken at the eleventh ministerial meeting. This will represent a first stage in the reform process and towards adopting a minimum package that would ensure a significant outcome for MC11 on domestic agriculture support measures with a strong development impact."
- EAC Geneva ambassadors should ensure that Buenos Aires meeting is not being prepared as a venue for launching the so-called 21st century issues, such as e-commerce and investment facilitation. EAC Ambassadors should ensure that agriculture and other unresolved developmental issues of the global trading system of the 20th century remain at the center.
- EAC Geneva ambassadors should renew the "longstanding calls for global trade reforms that address inequities and imbalances in the Uruguay Round Agreement on Agriculture (AoA) so that all the WTO members would be governed by a multilateral trading system (MTS) under the WTO which is not only open, transparent, and market-oriented but also, more importantly, development-oriented, fair and provides a level playing field."

#### **References**

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## CUTS International, Geneva

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