

SEATINI-UG WEEKLY NEWSLETTER

Implications of Free Trade Agreements on Industrialization in Uganda: The case of the EAC-EU Economic Partnership Agreement (EPA)

It can be argued that Free Trade creates winners and losers, and that during Free Trade Agreement negotiations, there are gains that are sought and positions that must be protected. Indeed, in his *International Monetary Fund (IMF's) four steps to damnation*, Joseph Stiglitz categorises Free Trade as the last step (step four) to damnation which he likens to the Opium Wars. Countries like Uganda continues to experience high Trade deficits (reported at Shs1.2 trillion during the quarter that ended in August 2016), unemployment, deindustrialization, low production and productivity, and continue to be perpetual exporters of primary products.

“WHO IS LIKELY TO KILL OFF UGANDA’S INDUSTRIALIZATION?”

The EAC-EU EPA whose negotiations ended on 16th October 2014 after 12 years of negotiations is yet to be signed. The EPA seeks to establish a reciprocal free trade area between the EU a much more developed partner, and the EAC, a poor region. However, concerns remain on the implications of the EPA on industrialization in the EAC given its onerous provisions which include among others; extensive liberalization, contradictions in the liberalization schedules, weak multilateral and bilateral safeguards, constraining of the use of export taxes, and the rendezvous clause which brings in negotiations of

new issues like Investment, Intellectual Property, Procurement, and competition, thereby constraining policy space that LDCs had fought hard to retain at WTO level.

Therefore, it is important to understand whether Free Trade Agreements like the EPA will promote industrialization and its associated benefits in Uganda given the fact that the now developed countries developed through use of protectionist tendencies in order to nurture their infant industries, and only opened up when they had become competitive.



Professor Mwambutsya Ndebesa stressed that this subject matter is critical in the sense that Uganda and its partner states started these negotiations 12 years ago and as of today some countries have signed & ratified whereas others are yet to make up their minds. He said “that 12 years is a long time and therefore trends of that time have changed a lot thus a need to further critically assess the agreements.” Also noted was that Free Trade Agreements have become a global phenomenon and that it’s not surprising that this could lead to war.

Since Uganda is mainly an agricultural based country and the sector is not highly productive like industrialization, a question arose as to how Uganda can achieve this while operating under a Free Market Trade Framework and also opening up its markets. Market access is not equal to market entry and therefore poses a challenge. Also asked was how Ugandan small scale farmers and industrialists feature under the EPAs?

While making his presentation on Uganda's signing of the EAC-EU EPA agreement, Dr Fred K Muhumuza an economist at Makerere University stressed that global markets are ever changing and therefore Uganda needs to be cautious with signing such agreements. He tabled trade statistics of Uganda's imports from 1999 to 2016 that were;

- \$53.2 Bn worth of goods and services. The EU was responsible for only \$8.4Bn or 16% of the overall total. Asia equated to 23Bn worth of goods and services or 44% of the total. Comesa (Kenya, Rwanda & DRC) \$9.3Bn or 17%.

He emphasized that according to these trade statistics, the threat was not coming from within the EU but instead other regions like Asia and COMESA (Kenya, Rwanda & DRC) and therefore if Uganda went ahead to sign the EPA agreement with the EU, there wouldn't be any much change to the situation.

He also looked at export trade statistics of Uganda from 1997 to 2016 which were;

- COMESA \$11Bn or 45% of exports, EU \$7.1Bn or 29%, Middle East \$2.4Bn and Asia \$1.6Bn.

A question arose after analyzing these statistics, "Who is likely to kill off Uganda's industrialization?"

In Uganda's manufacturing sector, 70% is agro processing and the bulk of imports comes from South Africa, Egypt and Kenya. So in this regard it's not imports from the EU that are likely to kill off this sector but those listed above. It should be noted that even without the EPAs, African countries can still access European markets through the Fair Trade Practices.



Key observations

- Whereas we talk about the EAC as a block, each country has its own interests and therefore putting the EAC concept in jeopardy.
- Among the key hindrances to signing the agreement is the issue of policy space i.e. if Uganda signs the EPA, won't it be cornered into a framework of not having any other industrial policies?
- What's killing agriculture in Uganda is the failure to produce and therefore resulting in the importation to support local industries.
- How can Uganda use the common market as a stepping stone for industrialization?
- Land policy is a challenge to industrialization. Most land is rendered to real estate thus the industrialization policy, labor laws and general tariffs on trade need to be reviewed.
- There is need to check our politics for better negotiation. Are our political leaders in the EAC all thinking in the same line? A question arose as to whether the standard gauge railway is an item for the EAC. This came about as a result of findings that Kenya doesn't seem to have interest in pushing the standard gauge railway all the way to Malaba since its interests do not lie there.

In conclusion, it was suggested that Uganda should concentrate on a few products for specialization and not tackle so many things all at once among which is agriculture for both food and cash crops.

Food Security, Climate change, and Disaster Preparedness 69th State of the Nation Platform

SEATINI Uganda was represented in a meeting on Food Security, Climate Change and Disaster preparedness. It was put forward that the looming crisis in Uganda threatens homesteads, communities, national economies and regional wellbeing. At its core is the long dry spell, or prolonged drought, which has adversely affected agricultural production. The drought has greatly affected the livelihoods of pastoralist communities by creating shortages of food and water for animals, the resulting competition for pasture and water has made it difficult for such communities to survive.

There has been a looming shortage of food corresponding with an increase in food prices in the country. Despite the looming food insecurities, public engagements and policy response have been inadequate

Key issues;

There is need to generate practical interventions aimed at addressing current challenges of food shortage venturing into the use of stores.

The need to increase regional security awareness and ignite possible responses to the regional security implications of the current food crisis in the country and the various regions

The Ministry of Agriculture has planned to increase the availability of agricultural inputs that will improve on farmer's yields.

We are talking of inputs but the question should be; what's the conservation plan that has been put in place.

Recommendations;

- Government needs to increase equipment for water harvesting
- There is need to elect LC1 and LC2 leaders that will help enforce the rule of law at the lower level and therefore slow down on the looming deforestation in various regions.
- There is need for government to negotiate for reduced power tariffs which as a result will deter tree cutting which is currently the major source of fuel.
- There is need for a governance system that is people centered.
- Government intervention at the grassroots to monitor what is taking place and give guidance.
- Ministry of Agriculture should focus more on storage at farm, household and community level.
- Ministry of disaster preparedness needs to work in collaboration with government to assess and thoroughly understand the magnitude of the entire drought /climate change problem, not just what is observable now, but also the severity and frequency of what is yet to befall the country.

In conclusion there is need to walk the talk and not just keep it as business as usual because our people are starving to death, the onus is on the government and constituency leaders.

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