

IMPLICATIONS OF THE EAC-EU ECONOMIC PARTNERSHIP AGREEMENT FOR UGANDA'S FISHERIES SECTOR

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SYNOPSIS

This paper explores the implications of the EPAs with the EU on Uganda's fisheries sector. Fisheries is one of the six clusters being negotiated under the EPAs with the EU. The paper discusses the key interest of the parties to the negotiations as far as this issue is concerned. The paper examines the EAC-EU framework agreement and its implications for the fisheries sector in Uganda.

ACRONYMS AND ABBREVIATIONS

ACP	Africa, Caribbean and Pacific
ARDC	Aquaculture Research and Development Centre
BMUs	Beach Management Units
CAP	Common Agricultural Policy
CFP	Common Fisheries Policy
DFR	Department of Fisheries Resources
DRC	Democratic Republic of Congo
EAC	East African Community
EBA	Everything But Arms
EPA	Economic Partnership Agreement
ERP	Economic Recovery Programme
EU	European Union
FAO	Food and Agriculture Organization
FIRRI	Fisheries Resources Research Institute
FPA	Fisheries Partnership Agreements
FQAR	Fish Quality Assurance Rules
FSSP	Fisheries Sector Strategic Programme
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GOU	Government of Uganda
GSP	General System of Preferences
ISO	International Standards Organization
IUU	Illegal, Unregulated and Unreported
LDCs	Least Developed Countries
LVFO	Lake Victoria Fisheries Organization
MAAIF	Ministry of Agriculture Animal Industries and Fisheries
MFN	Most Favoured Nation
MFPE	Ministry of Finance, Planning and Economic Development
MTCS	Medium Term Competitiveness Strategy
MTEF	Medium Term Expenditure Framework
NARO	National Agriculture Research Organization
PEAP	Poverty Eradication Action Plan
PMA	Plan for Modernization of Agriculture
RoO	Rules of Origin

SEP	Strategic Exports Programme
SPEED	Support for Private Enterprises Expansion and Development
SPS	Sanitary and Phytosanitary
TACs	Total Allowable Catches
TBT	Technical Barriers to Trade
UBOS	Uganda Bureau of Statistics
UFA	Uganda Fisheries Authority
UFFCA	Uganda Fisheries and Fish Conservation Association
UFPEA	Uganda Fish Processors and Exporters Association
WTO	World Trade Organization

AN OVERVIEW OF UGANDA'S ECONOMY

1.1 THE STRUCTURE OF THE ECONOMY

Uganda is a landlocked East African country with a population of about 30 million people. Its economy is dominated by the agricultural sector which contributes over 80% of national output. Fishing is common in areas surrounding the main water bodies, such as Lakes Victoria, Albert, Edward, George, Kyoga, Wamala, etc. The main exports are coffee, tea, tobacco, cotton and a number of non-traditional commodities such as fish, maize, beans, etc. Uganda is ranked among the least developing countries, with GDI per capita estimated at \$240 (World Bank, 2003).

Table 1.1 below shows the basic structure of Uganda's economy over the last seven years.

Table 1.1: The Structure of Uganda's Economy (Sectoral Composition of GDP)

SECTORS	1999	2000	2001	2002	2003	2004	2005	2006
Agriculture	41.6	41.0	40.6	35.8	35.3	32.5	31.0	29.5
Mining + Quarrying	0.6	0.7	0.7	0.7	0.6	0.7	0.7	0.8
Manufacturing	9.6	9.5	9.8	8.6	8.4	8.8	8.8	8.4
Electricity and Water	1.3	1.4	1.4	1.3	1.2	1.3	1.2	1.0
Construction	7.4	7.4	7.2	7.2	7.4	8.2	8.6	9.1
Wholesale + Retail Trade	10.8	10.5	10.7	10.1	10.1	10.0	10.2	10.6
Hotels & Restaurants	1.9	1.9	1.9	2.6	2.7	2.9	3.0	3.0
Transport & Communication	4.7	4.9	5.1	5.2	5.8	6.8	7.7	8.7
Community Service	1.8	19.1	19.1	16.7	16.4	16.6	16.8	16.5

Source: MFPED, Background to the Budget (various years)

As Table 1.1 above shows the agricultural sector, although decreasing in importance, remains the dominant one. The sectors which have demonstrated high levels of growth include construction, transport and communication. Manufacturing has tended to decline in the last few years on account of developments in electricity and water. Services on the whole have registered some notable increase.

1.2 RECENT GROWTH TRENDS

For a long time, since 1987, the Government of Uganda (GOU) has been implementing economic reforms aimed at recovery and growth. Indeed, there was impressive performance, with real GDP growth recording 6.9% per annum (World Bank, 2006). However, it must be noted that GDP growth rates were from a low base of a post-conflict situation. In the early 1990s, growth was mostly from recovery, rehabilitation and a rebound in manufacturing. Later, there was some notable structural transformation in the non-farm enterprises, especially in trading – and reforms in the services sector, notably telecommunication, banking and education, which accounted for improvements in productivity. Agriculture has responded rather slowly.

Growth over the last two decades is estimated at 5.7% per annum. However, starting with 1999, average GDP growth slowed down to about 5.5%, compared to 6.9% in the 1990s (World Bank, 2007). This slow down in growth has been attributed to adverse terms of trade compared to the 1990s when coffee was booming and petroleum was cheap on the world market. According to the World Bank (2007), Uganda's terms of trade fell by much more than nearly all other African countries in the period 1999-2003. In addition the economy suffered a banking crisis, a severe drought, and is now experiencing a power crisis. Nonetheless throughout all this the GDP growth has remained positive. Table 1.2 below shows the GDP growth rates between 1999 and 2006.

Table 1.2: GDP Growth Rates (in %)

SECTORS	1999	2000	2001	2002	2003	2004	2005	2006
Agriculture	12.0	7.7	9.2	2.6	10.1	-7.0	1.3	3.0
Mining + Quarrying	7.1	12.3	7.6	11.3	-5.4	28.0	-2.4	24.2
Manufacturing	9.3	3.7	9.7	3.0	3.5	10.2	5.3	1.8
Electricity and Water	7.4	8.7	7.9	3.0	4.6	6.2	1.8	10.6
Construction	12.1	8.0	11.3	8.1	12.8	19.9	14.6	16.4
Wholesale + Retail Trade	5.7	2.5	7.9	4.7	6.4	3.8	8.2	10.6
Hotels & Restaurants	7.0	18.0	14.9	14.9	8.1	14.8	6.9	6.0
Transport & Communication	8.6	8.4	11.0	14.2	19.4	23.2	19.2	20.6
Community Services	6.2	6.1	5.0	5.6	4.7	6.3	6.7	5.0
Total GDP	6.7	4.9	6.5	4.8	6.4	5.0	5.5	6.8
Per capita GDP	3.2	1.4	3.0	1.3	2.4	-	-	-

Source: Uganda Bureau of Statistics

It is notable that in spite of the above, many of the features of a dynamic economy are still present in Uganda's growth experience. Productivity in agriculture e.g. has been growing since 1996 albeit slowly. Farmers are diversifying into higher return crops which are emerging new export commodities and; new products and services are being discovered in the formal sector etc. The share of manufacturing in exports seems to have declined but their value in total exports is improving.

In spite of the positive developments noted above and declining poverty, inequality has widened and growth is not creating enough jobs either in the formal sector or in manufacturing and the Eastern and Northern regions of the country are far behind in terms of income and employment. The Central region has by far the highest formal employment and the most firms.

1.3 GOVERNMENT POLICY STANCE

The GOU has been pursuing economic reforms since 1987 when it adopted the Economic Recovery Programme (ERP). The main macroeconomic targets in ERP included high rates of GDP growth, maintaining low rates of inflation, prudent debt management and increased efficiency in resource allocation. The ERP was followed by the Poverty Eradication Action Plan (PEAP) which focused on five pillars namely:

- (a) Economic management.
- (b) Production, competitiveness and incomes.
- (c) Security, conflict-resolution and disaster management.
- (d) Governance; and
- (e) Human resource development.

The PEAP is implemented through the Plan for Modernization of Agriculture (PMA) and the Medium Term Competitive Strategy for Private Sector (MTCS) as well as the Medium Term Expenditure Framework (MTEF). Other policy initiatives introduced by the Government include the Strategic Exports Programme (SEP). The MTCS addresses the constraints to private sector competitiveness in regional and world markets. The PMA is a strategic and operational framework for the transformation and structural change of the subsistence farming sector through policy, institutional and organizational reforms, and the SEP identifies nine sectors and commodities which are perceived to be strategic exports.

It is worth noting that the reforms implemented under these programmes provided the growth impetus after an initial post-conflict rebound. Much of the

transformation in Uganda's economy has its roots in the far-reaching policy reforms and rural infrastructure investments. Together these provided better incentives for farmers and businessmen to trade.

1.4 CONCLUSIONS

The foregoing analysis leads to the following conclusions:

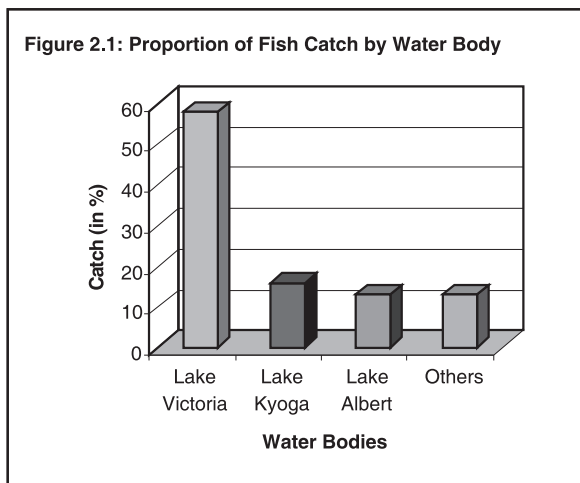
1. The Ugandan economy is still structurally weak: The Ugandan economy is still structurally weak as is common with all least developed countries. Most economic sectors are weak and the economy is highly dependent on agriculture as the main economic sector. Even then, Uganda's agriculture sector is dominated by peasant farmers, largely dependent on rainfall patterns and is vulnerable to natural disasters. Infrastructure is poor or non-existent in many rural areas, farmers have poor access to modern energy as well as credit facilities, agricultural markets are not well developed, extension services are poor and input costs are very high. The agricultural system in the EU on the other hand is very advanced. While in Uganda a large proportion of the population (about 80%) are engaged in agriculture, in the EU only about 5% work in agriculture. Agriculture in the EU generates only 1.6% of the EU GDP and is highly protected (Mabika A. H. et al, 2007). The Common Agricultural Policy (CAP) has provided agricultural subsidies to EU farmers since 1962 with \$49 billion spent on (a) price support to guarantee a minimum price for crop (b) export subsidies (c) rural development aid to diversify the rural economy and (e) set aside programme funding to leave land uncultivated and subsidies to support welfare and environmental protection. The implication of the above is that in concluding an EPA with the EU these structural characteristics in the economy must be taken into consideration.

2. The high growth rates have not led to significant economic transformation: In spite of the impressive growth rates over the last two decades or so, the Ugandan economy is still uncompetitive in global markets. Poverty remains rampant (at 33%), enterprises have to cope with serious supply side constraints such as poor infrastructure and unreliable utilities among others. Part of the problem is that the reforms which have been implemented over the years have been aimed at recovery. As a result only a few sectors have shown any serious transformation. The country has reached a point where it needs to move from recovery to transformation. This means an EPA with the EU must seek to address these issues and must go beyond just market access.

3. There has not been beneficial integration into the global economy: The structure and the rates of growth of the Ugandan economy have had a direct impact on the structure and dynamics of the country's exports to external markets. The most obvious implication has been a high degree of dependence on traditional agricultural and lately non-traditional exports to the EU. In spite of the various preferences offered to Uganda under the Lome Conventions and the Cotonou agreement, the country has not been able to significantly increase its exports to the EU, let alone diversify its export destinations. On the contrary it has increased its dependence on the EU market as the major export destination and this is likely to increase under the EPA. Moreover, it has increasingly recorded a negative trade balance position in its trade with the EU. In the circumstances, it is not inconceivable to argue that the country has not been able to beneficially integrate into the world economy.

THE SIGNIFICANCE OF THE FISHERIES SECTOR FOR UGANDA'S ECONOMY

2.1 OVERVIEW OF UGANDA'S FISHERIES SECTOR



Source: MAAIF (2004)

Uganda is endowed with plentiful of freshwater resources. Out of its total area of 241,000 km², 44,000 km² (or 20%) is covered by water. This includes major and minor lakes, rivers, swamps, dams, valley tanks and ponds. There are an estimated 165 lakes in the country. The most productive of these is Lake Victoria, which accounts for 58% of the country's total fish catch. It is followed by Lake Kyoga and Lake Albert with 16% and 13% respectively. Figure 2.1 above shows the proportions of fish catch by water body.

All the national waters are fresh and contain an impressive range of fish species. Over 350 fish species are known to exist in these water bodies. Most of the available species have not been exploited adequately. The most important of these for commercial and subsistence exploitation are the Nile Perch, (Species of the Lates), the Nile Tilapia (*Oreochromis*), the Herring-like (*Alestes*), the Catfish (*Bagro* and *Clarion*), *Hydrocynus* (Tigerfish), the small "Sardine" *Rastrineobola*, the Lungfish (*Protopterus*) and the *Haplochromines*. There are no precise figures of overall annual potential yield but the Department of Fisheries Resources (DFR)

of the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) estimates that it stood at about 330,000 metric tonnes in 2005. Average annual catch is estimated at 230,000 metric tonnes valued at about US \$ 80 million. In 2006 aquaculture production is estimated be 25,400 tonnes up from 500 tonnes in 2000 following significant investments by emerging commercial fish farmers.

The fisheries sub-sector is one of the most dynamic in Uganda. It is a major source of employment for the populations that inhabit the areas around the shorelines and the islands of the main water bodies. In 2003, as many as 278,862 people (excluding those involved in fish farming) were directly employed in fishing and at landing sites (as boat owners, fishermen, fishmongers, artisan processors, boat-builders, net-makers, etc). The total number of people depending directly on fisheries stood at 1,219,724. Employment in fish processing was estimated to be 2,580 in the same year. This is expected to have increased to about 5,000 in 2005 with increased output and several new entrants in the sub-sector. At least 10 of the export processing establishments are located in Kampala with employees drawn from urban populations (UFPEA, 2006). Table 2.1 below shows the number of people directly employed and/or dependent on capture fisheries.

Table 2.1: Number of people directly employed and/or dependent on capture fisheries

Body/Region	Number of People directly employed in Fishing	Number of People directly dependant on Fisheries
Lake Victoria region	218,661	914,627
Lake Kyoga region	38,227	196,171
LakeAlbert region	15,334	76,348
Lake George region	1,729	9,495
Lake Edward region	1,255	5,929
Kazinga Channel area	463	2,317
Minor lakes and areas around them	3,157	14,838
Total	278,826	1,219,725

Note: These data exclude people involved in fish farming.

Source: Keizire (2003)

Aquaculture is not yet well developed and is yet to contribute significantly to the national fish output. Annual production from aquaculture amounts to a few

hundred tonnes mainly for local consumption. Nonetheless aquaculture has potential to contribute to the export and domestic markets. It should help in augmenting the dwindling species such as Nile Perch and others.

A transaction analysis report prepared jointly by the Natural Resources Institute and the International Institute of Tropical Agriculture in 2002 estimated the number of fishermen on Uganda's water bodies at 250,000 (with 136,000 on Lake Victoria alone). A large proportion of Lake Victoria's fishermen lives and operates on the islands that are typically 10-30 kilometres offshore. Some of these bring their catch to landing sites on the main land but the majority sell to traders operating transport boats. The fishing technology is quite simple; fishermen almost exclusively use small plank constructed canoes from which they cast their nets and set their lines. Most of these canoes are manually powered although increasingly there are boats which are mechanically powered.

The fish fleet is increasing consistent with the growth in number of export processing factories. In 1990 at the outset of the fish export industry a mere 8,674 boats serviced the Lake Victoria fishery. In 2000 the figure had reached 15,544 (NRI/IITA, 2002). Fish are landed at about 552 "landing sites" (UFPEA, 2006). Sometimes fish is transferred from fishing vessels to collector vessels on the lake or is traded via primary and secondary landing sites. For example first landing may be an island location where fish is aggregated for transport to a mainland landing site. Fish buyers who may be traders or buying agents for processors purchase fish at landing sites. Fish for export is iced at this stage with ice delivered by the insulated vehicles which will transport the product to the processing establishments.

A. Domestic Consumption

Domestically fishing is a major source of animal protein for the population and today demand for fish is on the increase. Annual local demand for fish is estimated at about 200,000 metric tones (MAAIF, 2006).

Uganda's population is composed of more than 30 ethnic groups, which are distinguishable largely by their linguistic and other socio-cultural attributes, including food consumption habits. Their dietary patterns are strongly associated with factors of climate and geographical location. Broadly speaking, traditions of fish consumption are strongest in areas that lie in the proximity of major water bodies and weakest in areas that are remote from them. On the other hand, however,

there are places with no strong tradition of fish-eating even though supplies are fairly easy to obtain. Then also, there are places where the demand for fish is quite high but supply is very low. Furthermore, within strong fish-eating areas certain kinds of fish are avoided by some segments of the population on account of cultural beliefs. Amongst the highly mixed population of the country, therefore, fish consumption habits vary both in terms of broad ethnic and geographical groupings and narrow, more localised ones. In all cases, however, income levels are as a strong conditioning factor to fish consumption habits.

In the rural areas which are far from landing sites and major markets, consumers depend on bicycle hawkers or traders to bring fish to their local markets. In all areas of the central and eastern regions of the country where fish supplies in any form are available on a fairly regular basis fish consumption tends to be quite high as a result of the relative low prices of fish in relation to other animal protein products and the comparative scarcity of the latter. Urban dwellers typically have access to a more consistent supply and wider variety of fish products than those in rural areas away from major landings and markets. In urban centres like Kampala, Entebbe, Jinja, Busia, Tororo, Mbale, and Masaka, fish is available in large quantities and one can buy as much fish as one's purchasing ability allows. Fish may thus form the basis of household meals as frequently as two or three times a week.

Fresh fish is generally preferred to cured products even though it cannot be obtained on a regular basis because of the bottlenecks in the distribution system. Tilapia and Nile Perch are the most widely available fish in Uganda. Fresh or processed, they are almost universally accepted and appreciated within the country's fish-eating population although it is probably the Tilapia ("Ngege") that is most liked of the two. The Nile Perch is also highly popular with consumers.

B. Investment in the Fisheries Sub-sector

Over the last ten years several large-scale operators have emerged and established processing plants in the central region of Uganda. Their total investment exceeds US\$ 100 million and this is expected to grow. These operators deal mostly in specialized fish products for premium local markets (hotels, the diplomatic and expatriate community and others of urban elite) but are geared to serve primarily overseas market. Some of the leading operators in this category are Uganda Fish Packers, Marine and Agro, Green Fields, Hwang sung, Ngege (U) Limited, Clovergem etc. In 2005, their total installed capacity was estimated at 545 tonnes per day.

Capacity utilization stands at only 255 tonnes per day (or 40%). Start up costs for fish processing are estimated to be a minimum of US \$3 million, and most firms are reported to have invested between US\$3.5-6 million in total (PCL, 2006).

Most investments have been either for construction of new modern plants or for the upgrading of existing facilities to meet the EU standards. Most of the new investment has been undertaken by foreign or joint venture companies. A majority of the operating fish processors have some Kenyan (Asian) participation.

C. Trade in Fish Products

The main fish products on the market include chilled and frozen products (frozen fillets/pieces) mainly for export as well as dry/smoked fish mainly produced by artisans and consumed predominantly on domestic and regional markets. Until fairly recently, fish was not one of Uganda's major export commodities. Fish exports began in the 1990's particularly following the liberalization of the sub-sector. Uganda's export trade in fishery products has been mainly the Nile Perch, with Lake Victoria being the main water body providing the most of the fish catch. According to the UFPEA fish exports rose from 1,664 metric tones in 1990 to 35,000 metric tones in 2005. The increase in volumes of fish exports led to increases in export earnings from US\$ 14 million in 1990 to US\$ 142 million in 2005. Earnings from export of fish and fish products are projected to increase by 23% to US\$ 238 million in FY 2007/2008 (National Budget, 07/08). The growth in export earnings has led to increases in the incomes of local fisher men but it has also resulted into depletion of fish stocks in some of the water bodies.

Table 2.2: Uganda's Fish Exports, 1992 – 2005

YEAR	QUANTITY (MT)	VALUE (US\$ MILLION)	SHARE (%)
1990	1,664	1,386	0.8
1991	4,687	5,313	2.9
1992	12,800	12,000	4.4
1995	16,046	32,262	3.2
1996	14,075	46,251	6.4
1997	11,819	27,864	4.7
1998	14,688	39,879	7.4
1999	9,628	24,839	5.2
2000	15,800	34,360	7.7
2001	28,000	78,839	17.3
2002	26,800	80,000	18.8
2003	25,080	86,088	17
2004	29,830	101,091	16
2005	35,000	142,000	-
2006	-	146,000	-

Source: MAAIF, Fisheries Department and UFPEA

At about 0.2% Uganda's market share of the global fish market is very negligible. However it is still significant. The main market for Ugandan fish exports is the EU accounting for some 73% of the value of fishery product exports in 2004. Other markets are the United States, Israel, United Arab Emirates, Australia, Hong Kong, China and South Africa. The EU market is also supplied with Nile Perch products from the other two countries sharing Lake Victoria. Tanzania is the largest supplier of the EU market among the three countries (57%), followed by Uganda (31%) and Kenya (12%). Uganda also exports fish to neighbouring countries mainly Rwanda, DRC and Kenya. About 25,000 tones of fish are also exported informally across land borders (DFR).

As an LDC and member of the ACP group, Uganda benefits from the EU's trade preferential access to its markets. This preferential treatment has helped to improve Uganda's competitive advantage over other countries. The most important fish products exported to the major markets in 2003 were chilled fillets (47%), frozen fillets (47%), whole fish plus headed and gutted fish (3%) and fish maws (1%), (Ikwaput, 2004). The EU is the main market for both chilled fish fillets and headed and gutted fish while USA and the United Arab Emirates have become new markets for chilled fillets. Frozen fish fillets have a wider distribution than the chilled fish fillets and are exported to the EU, Australia, UAE, Japan, Israel, Singapore and USA while the market for fish maws is Hong Kong.

In addition to the above, regional markets have become increasingly important especially Rwanda, Democratic Republic of Congo (DRC) and Kenya. The main fish species traded in these markets include "Mukene", tilapia and the "Cat fish". Most of the fish exported to these markets is processed using traditional methods like smoking, salting, and drying. Total recorded export volumes are estimated at 10,000 tonnes per year. However there are also informal exports which go unrecorded across the borders to regional markets. It is estimated that about 20,000 to 25,000 tonnes of unrecorded fish exports go across the border into the regional markets with the DRC accounting for between 55-60%, Kenya - 30-35% and Sudan taking the remainder. In 1997 it was estimated that about 92,000 metric tonnes valued at more than US\$ 30 million were exported illegally to Kenya.

Table 2.2: Projections of Uganda's Fish Trade

	2004	2005	2006	2007	2008	2009
Volume of catch (000 metric tonnes)	249	416	721	1,665	1,765	1,871
Incl:						
Domestic consumption	210	371	655	1,570	1,627	1,671
Regional exports	8.8	11.0	16.0	23.1	33.5	48.6
International exports (000 tonnes)	30	34.0	50.0	72.0	104.0	151.0
Export Volumes (000 metric tonnes)						
Regional exports	8.8	11.0	16.0	23.1	33.5	48.6
International exports	30.0	34.0	50.0	72.0	104.0	151.0
Processing ratio (kg raw material/fillet)	2.5:1	2.5:1	2.5:1	2.5:1	2.5:1	2.5:1
Export Price (FOB) (US\$/Kg)						
Regional exports	1.63	1.71	1.80	1.89	1.98	2.08
International exports	3.416	3.685	3.931	4.177	4.423	4.669
Export Earnings (US\$ Million)						
Regional exports	14.3	18.8	28.6	43.6	66.3	101.0
R/exports as a % of international exports	14.0	15.0	15.0	15.0	14.4	14.3
International exports	101.8	126.0	150.0	300.0	461.2	705.9

Source: Fisheries Department

As Table 2.2 above shows catch volumes and exports both to regional and international export markets are projected to grow. Prospects for export earnings also look good. However, these projections have been made on the assumptions that: (a) there will be a reduction in the catch of immature fish currently estimated at 40% of total catches (Keizire, 2006), (b) the Government will be able to curb all illegal, unregulated and unrecorded fish catches (estimated currently at 30% of current catches), (c) fish breeds will be protected (d) valley dams, tanks and minor lakes will be re-stocked, (e) there will be an increase in fish production from cage farms and aquaculture. In addition these projections will require measures to maintain and guarantee the quality of fish for the export market, enhancement of the institutional framework of the fisheries as well as a monitoring and surveillance mechanism.

2.2 THE INSTITUTIONAL FRAMEWORK OF THE SECTOR

A number of institutions involved in the fisheries sub-sector. These include the following:

- Department of Fisheries Resources: The Department of Fisheries

Resources (DFR) of the Ministry of Agriculture, Animal industry and Fisheries (MAAIF) is the most important institution involved in the fisheries sub-sector. It was established in 1951 to give effect to the recognition of the important role the fisheries sector plays in the economy of Uganda. The DFR is mandated to ensure the sustainability of the fishery resources at optimal levels and to maintain their availability for both present and future generations. The DFR is therefore responsible for the formulation of Government policies in the fisheries sub-sector, the development of national plans and strategies to achieve set goals within the policy guidelines and to monitor and supervise the performance of the decentralized district authorities and the private sector.

The DFR also directs fisheries resource conservation and management in collaboration with local government (district councils) responsible for the implementation and enforcement at local level. In the case of Lake Victoria, fisheries management decision-making powers are within the Council of Ministers of the Lake Victoria Fisheries Organization (LVFO). The DFR also performs competent authority functions in relation to hygiene standards within the fisheries sector and specifically in relation to approval of export establishments and export certification through the Fish Quality Assurance Rules (FQAR) 1998. Unfortunately the DFR has not been able to perform its functions in recent years due to inadequate funding and lack of capacity to operate with some level of flexibility. A proposal was made to create an autonomous principal institution of central Government - the Uganda Fisheries Authority - to take over the sector management functions currently performed by the DFR.

- **Uganda Fish Processors and Exporters Association:** The Uganda Fish Exporters and Processors' Association (UFPEA) was established in 1992 as a voluntary non-profit organization of fish processors in Uganda to ensure self-discipline and coordination among members. It now has 16 members. Since the early 1990s UFPEA members have directly invested more than \$100 million in Uganda's fish sector. They employ thousands of Ugandans and provide a lucrative market to thousands of fisher folk. Although UFPEA members cooperate on various issues impacting Uganda's fish industry, the operation and management procedures of member companies remain autonomous. Members can and do compete on price quotations and do not control prices of either raw materials or finished products.

The UFPEA has done a lot to promote fish exports to the European Union market especially following the ban by the latter on Ugandan fish on grounds of health

and hygiene in 2000 . UFPEA has worked to ensure that all members attain International Standard Organization (ISO) certification. In collaboration with the USAID-funded Support for Private Enterprise Expansion and Development (SPEED) project, UFPEA implemented a training programme to help member companies achieve certification. Upon completion of the certification program, members were able to operate improved and more efficient trace-ability systems and in addition, certification allowed Uganda's fish exporters to demonstrate their strong and continued commitment to quality to the international market.

- **Lake Victoria Fisheries Organization:** The Lake Victoria Fisheries Organization (LVFO) is an institution of the East African Community (EAC). LVFO seeks to harmonize, develop and adopt conservation and management measures for the sustainable utilization of living resources of Lake Victoria in order to optimise socio-economic benefits from the basin for the three partner states. Its main objectives include: fostering co-operation amongst the EAC member states in matters regarding Lake Victoria, harmonization of national measures for the sustainable utilization of the living resources of the Lake and the development and adoption of conservation and management measures to assure the lake's ecosystem health and sustainability of the living resources.

- **Fisheries Resources Research Institute:** The Fisheries Resources Research Institute (FIRRI) is an affiliate of the National Agriculture Research Organization (NARO) and is charged with undertaking fisheries and aquaculture research. As one of the established public agricultural research institutes, FIRRI is mandated to generate a knowledge base and develop fisheries technologies for increased and sustainable fish production, conservation of the fisheries genetic resources, water quality and fish habitat, to ensure product dissemination and quality, develop and manage research and required linkages with stakeholders.

- **Aquaculture Research and Development Centre:** Following the establishment of the National Agriculture Research System Act, aquaculture research was opened up to other public or private institutions and individuals such as universities, consultancies and training institutions with the capability to carry out the required research. The Kajjansi Aquaculture Research and Development Centre (ARDC) however remains the core institute for strategic research in the country. It is under FIRRI and is mandated to carry out research in aquaculture, aquatic environment health and dissemination of results.

- **Uganda Fisheries and Fish Conservation Association:** The Uganda

Fisheries and Fish Conservation Association (UFFCA) is a non-stock, non-governmental membership organization that was founded in December 1993 and registered in March 1994. It is a national collective of community-based fisheries-related organizations that are rooted in and accountable to the lake dependant communities in which it works. UFFCA caters for the concerns, needs, strategic interests and aspirations of more than 2.5 million people in the lake dependant communities country- wide. Right from its inception, the organization has been involved in community mobilizing and organizing as well as policy advocacy for fisheries reform at local and national government levels.

- The Uganda Commercial Fish Farmers Association: The Uganda Commercial Fish Farmers Association (UCFFA) brings together commercial fish farmers and is involved in supporting and promoting commercial fish farming.
- Beach Management Units: These are new entities which were created under the National Fishery Policy. They provide an institutional structure from among the stakeholders to improve planning and the sustainable management of fisheries resources. They are community organizations, legally empowered under the Fisheries Act to plan and manage the fisheries resources. BMUs have been established on lakes Edward, George, and Kyoga. They have enabled members to participate in the licensing procedures as well as in the decision-making process relating to the fisheries resources. They have also attempted to provide information and training to their members but unfortunately because they are mainly grass-root in nature they are constrained mainly by lack of management skills as well as inadequate resources.

2.3 MAIN CHALLENGES OF THE FISHERIES SECTOR

The fisheries sub-sector in Uganda is facing numerous challenges which make it difficult for it to compete in international markets. This section attempts to discuss the key challenges in the sector.

2.3.1 Poor Equipment and Installation Facilities

Over the last few years through donor support, efforts have been made to address this problem. Nonetheless most fish-handling facilities at most landing sites in Uganda remain poor. Very few sites are equipped with landing platforms, weighing sheds, cleaning tables or storage facilities. Many still have poor or no sanitary

installations and therefore do not comply with basic hygiene requirements set by the EU. Installations at market centres are not any better although markets in urban centres are better equipped than those in rural settings. This poor state of handling facilities may be attributed to neglect and outright damage over the years and the rapid and spontaneous development of new sites following the boom of the Nile Perch fishery on Lake Victoria.

2.3.2 Increased use of Illegal Gear and Destructive Fishing Practices

These practices are most common on Lake Victoria where cast and small-size mesh nets are used. There has also been evidence of illegal fishing of undersized fish. The commencement of mechanized trawler operations has also been criticized for the canoe-based fishery and the pressure they put on existing stocks. The inevitable consequence of such practices is the overexploitation of the stocks in the lakes and their depletion at “un-sustainable levels” (USAID Compete, 2002). A case in point is Lake Wamala, where tilapia stocks have not recovered since they collapsed in the mid-1970s due to overexploitation.

2.3.3 Loss due to Poor Processing

There has been an increase in catch levels which have greatly encouraged the processing of fish in one way or another. In places where road or water access is extremely difficult and unreliable (e.g. in some remote stretches of the shoreline and the numerous islands of lakes Victoria and Kyoga and at many of the landing sites on lakes Edward, George and Albert) practically all of the catch ends up being processed. Hot-smoking traditionally has been and continues to be the most popular form of processing although frying of fish chunks is also common in some localities. Efforts have been made to encourage the use of more fuel-efficient kilns and more evenly controlled methods of smoke curing by local processors with little success. There is considerable spoilage of locally processed fish on account of inadequate and uneven smoke drying. Poor treatment of both fresh and cured fish by local harvesters and processors results in deterioration and some loss of value in products before they even reach the landing sites to enter the distribution networks.

2.3.4 Poor Transport Infrastructure

One of the greatest obstacles to the wider domestic distribution and therefore availability of fish being harvested and landed within Uganda is the poor state of the transport infrastructure including the feeder-road and trunk-road network, the railway and other forms of transport. This deficiency leads to constraints on supplies of both cured and fresh fish. The problem is much more serious with the latter since consumers would generally prefer fresh to cured fish given a choice. Indeed the Government is undertaking an ambitious road repair programme and the rehabilitation of highways leading to major urban centres. Work on feeder roads is also underway but a lot remains to be done. But perhaps a more serious challenge in this regard is the long distances to the export markets (in Europe) leading to high transportation costs which only high-value products can bear.

2.3.5 Poor Handling Practices

The handling of fish on the distribution routes is also a source of concern. Such practices tend to compound those that are common at the landing sites, resulting in further loss or breakage and spoilage to fresh and cured products before they reach the consumer. It is not uncommon to see fish packed in large open-weave baskets that offer no protection from dust, rain, or insect infestation. Similarly, the conditions under which fish are kept and offered for sale at final market points tend to extend this pattern of indelicate handling that begins at the landing site. To crown it all, the major market centres often lack adequate receiving and storage facilities for either fresh or cured fish. This situation tends to impede the development of a true wholesaling sector within the marketing system.

2.3.6 Unreliable Water Levels

A major fall in the water level of Lake Victoria, the major fishing water body was recorded between 2001 and 2005. Fortunately in September 2007 the levels were reported to be rising again. However the decline in water levels tremendously eroded away the fish breeding areas and forced fishermen to shift to the remaining breeding sites. This has had a long-term effect on the volumes of fish available in the lake. It was also difficult for fishing boats to land. Although the fall in water levels has been attributed to release through the dam at the Owen Falls dam in Jinja, scientific evidence indicates that climate changes and global warming which resulted in persistent regional droughts are largely responsible for

this decline. Water levels in other lakes in the country also declined between 2001 and 2005 because of droughts which also affected fishing activities negatively.

2.3.7 Regulatory Capacity

Lack of human and financial resources seriously hampers the capacity DFR to carry out its regulatory mandate. The Department is not able to monitor fully the activities of fishermen on the lakes and therefore to control the catch especially curbing such malpractice as catching of under-size fish and other illegal activities. At the processing level DFR has not been able to enforce the quota system that was intended to regulate the quantity of fish for processing and export. The processing plants have thus increased their capacity despite the shortage of raw materials with the effect of lowering the returns to investments.

2.3.8 Poor Development of Commercial Aquaculture

Commercial aquaculture is viewed as an area for development by the “National Fisheries Policy”. However aquaculture in Uganda is largely under-developed. There are four species that are currently being considered for development on a commercial scale, namely: the Nile Perch, the Nile Tilapia, the Catfish and fresh Water Shrimp, (*Macrobranchium rosenbergii*). The catfish would be targeted at the local and regional markets. Although there has been extensive research on the tilapia, catfish, and fresh water Shrimp there has not been progress in their commercial development due to lack of financial support from government, donors and the limited private sector investment in this area. The Nile perch is the most challenging species and work in this area is only in its initial stages. Current research on the principal commercial species the Nile Perch has concentrated on their stock abundance, distribution, exploitation patterns and general biology (growth, and feeding habits) with very little research on the reproductive biology, spawning habits and growth potential in an artificial environment. This information is vital to the commercial aquaculture of this species.

2.3.9 The Prevalence of HIV/AIDS

A major challenge facing especially the fishing communities of Lake Victoria is the HIV/AIDS pandemic and its effects. It is estimated that between 10% and 40% of the people in the fishing communities of Lake Victoria are HIV positive (LVFO, 2006). These rates are far higher than the national averages of 6% and 7%

within the East African region. Many more people within the fishing communities are caring for the sick and looking after orphans. The fishing communities are particularly vulnerable to HIV/AIDS because of the high mobility of the fisher folk, the daily cash income and the lower status of women in many of the local cultures.

2.3.10 Dangerous Human Activities

The level of private sector investment has been rising with many industries being established. Pollution of the water by these industries is lowering the stock and quality of fish in the major fishing body (Lake Victoria). The lakes are also being polluted with human and animal waste. A case in point is the encroachment on parts of Lake Victoria by an investor to establish a flower farm along Entebbe Road. Increased deforestation around lake shores has led to increased soil erosion and hence water pollution. Deforestation has also greatly reduced the amount of rainfall in the lake basins. Increased human settlement and farming around water shores and also in wetlands has lowered the number of fish and breeding places in the lakes. This is because many fish species breed and nurse their young in shallow in-shore areas and use shoreline wetlands to hide from predators.

2.4 GOVERNMENT POLICY ON THE FISHERIES SECTOR

The main policy guiding the fish sub-sector is the National Fisheries Policy (NFP) 2004. Its main objective is ensure increased and sustainable fish production and utilization by properly managing capture fisheries, promoting aquaculture and reducing post harvest losses. The policy covers 13 areas including:

- Sustainable management and development of fisheries.
- Decentralization and community involvement in fisheries management.
- District, sub-county and community co-operation in fisheries management.
- Institutions and funding mechanisms.
- Investment in fisheries.
- Planning and policy-making.
- Information.
- The environment and fisheries.
- Aquaculture.
- Post-harvest fish quality and added value.

- Fish marketing and trade.
- Human resource development and
- Research.

The policy is implemented through the provisional Fisheries Sector Strategic Plan (FSSP) which is a necessary entry point for attracting investment into the sub-sector. It provides the umbrella framework within which fisheries plans are made at lower and local levels. An important piece of legislation is the Fish Act (1964) which is a principal instrument for managing fisheries in Uganda governing the control, conservation, purchase, sale, marketing and processing of fish. However the Act is undergoing review and a new draft Fisheries Bill (2003) that provides legal status for fisheries institutions at all levels has now been made.

The new Act will strengthen the roles of community organizations set out in the mandate of lake management organizations and create the Uganda Fisheries Authority (UFA). Other statutory instruments that have been enacted include the Fish (Quality Assurance) Rules 1998 which outline the authority of fish inspectors, describes the sanitary certification process, and stipulates the hygienic conditions that must be in place at landing sites, during transport and processing guidelines for Beach Management Units (BMUs) in 2003, resource conservation and environmental monitoring which seeks to introduce Uganda's strict rules on the minimum size acceptable for fish catch to promote resource conservation.

2.5 CONCLUSIONS

The main conclusions arising from the foregoing analysis are as follows:

1. Untapped potential: The fisheries sector in Uganda is one of the most dynamic, has plenty of untapped potential and has a lot of significance in terms of its contribution to the country's economic development (source of income and employment, foreign exchange, food security, etc) Lakes Victoria, Kyoga, and Albert account for the highest numbers of people directly depend on the fishery sector. Ugandan fish is rated highly in international markets including the EU on account of its fresh-water source and therefore its taste. This is a unique advantage which has not been fully exploited. However in spite of this potential, the development of the sector has been largely driven by small-scale private operators. The sector has not attracted any significant investment although over

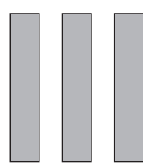
the last decade it has started to grow. However Government investment in the sector remains quite low and as a consequence the sector has remained weak and fragile.

2. Limited domestic market: The domestic market for fish and fishery products in Uganda is still small and is concentrated mainly in large urban centres and areas in the proximity of water bodies. This has led to a deficit in supply of fish in some parts of the country and the recent increase in output of fishery products has been largely targeted at the export (including the EU) market.

3. Weak institutional capacity: The institutional framework and capacity of the fisheries sector is still weak. Most if not all the institutions are concentrated in Kampala and some few urban centres in the central region. Majority of the institutions are small and constrained by problems ranging from lack of finances, lack of administrative and human capacity, limited membership etc. In most cases the interests of these institutions are wide and varied. The only dynamic institution – the UFPEA – has managed to have some impact because of the financial clout of the members. But even then it is large dominated by foreign interests and targets primarily the EU market. By and large therefore the impact of these institutions is very limited on the ground.

4. Wide range of challenges: The fisheries sector is bedevilled by a wide range of constraints which in many ways limit its development and competitiveness. For example on account of hygienic problems the EU imposed an embargo on importation of Ugandan fish in the late 1990s and early 2000s and it was only lifted after these issues had been addressed. This means that an EPA with the EU must help to address these problems by coming up with an appropriate strategy to promote the growth of the sector and to enhance its contribution to the Ugandan economy while taking into consideration its long term sustainability.

5. Weak enforcement of the policy and regulatory framework: Though there is a policy and regulatory framework in place to support the development the fisheries sector, the challenge is the poor enforcement of this policy framework. For example the DFR is constrained to monitor fully the activities of fishermen on the lakes and therefore to control the catch especially curbing such malpractice as catching of under-size fish and other illegal activities. It is also not able to enforce the quota system that was intended to regulate the quantity of fish for processing and export. Failure to enforce policies and regulations can have detrimental consequences for the sector's sustainability. Under the EPA with the EU the sector will be exposed to even more competition and it will need to be protected by putting in place an appropriate enforcement mechanism.



FISHERIES IN THE CONTEXT OF ECONOMIC PARTNERSHIP AGREEMENTS

3.1 ECONOMIC PARTNERSHIP AGREEMENTS

For the last 25 years trade between the African, Caribbean and Pacific (ACP) countries and the European Union (EU) has been based on non-reciprocal preferences (Lomé Conventions I –IV, 1975-2000) which granted nearly all products originating from the ACP countries duty-free access to the European market. These preferences have however not resulted into significant transformation of the ACP countries. On the contrary 40 out of the 77 ACP countries are still categorized as least-developed countries (LDCs) and amongst these 34 are in Africa (Seifu, 2007). In spite of these preferences the share of the ACP countries in total EU imports continued to decline their exports remained largely un-diversified and these countries have become increasingly marginalized in global trade. What is more, the Lomé Conventions were not compatible with the WTO principles of Most Favoured Nation (MFN) and non-discrimination that forbid preferential treatment of selected countries and apply favourable conditions to all trading partners (PCL, 2007).

Against this background the EU and ACP countries and agreed to establish a new trade arrangement based on reciprocal trading relations in conformity with the WTO rules starting in 2008. The new arrangement is based on the Cotonou Partnership Agreement (CPA) which was signed on December 31st 2000. Central to the CPA is the Economic Partnership Agreement (EPA) which is seen as an instrument for realization of the objectives of the CPA. In other words the EPA is the essence of the CPA and a major point of departure from the previous trade arrangements.

Provisions on Fisheries in the Cotonou Partnership Agreement

The CPA deals with fisheries under (a) the trade provisions and (b) the provisions dealing with fisheries agreements. Under the trade provisions the terms and conditions for the export of fish and fishery products to the EU are determined primarily by the provisions of the agreement assuming that the rules of origin are

satisfied. The market access provisions are based on the non-reciprocal trade preferences extended to the ACP countries under the earlier Lomé Convention. These allow ACP countries to export their fish products to the EU without paying the import taxes applied to fisheries imports from other countries (see Table 3.1). The ACP tariff preferences will expire in December 2007 after which all current preferences will be replaced with WTO compatible EPA mentioned above. Uganda being an LDC has an option to continue exporting under the EBA initiative.

Table 3.1: Current Applied EU Tariffs (in %) on Ugandan Fish Exports (2005)

HS Code 4	Description	MFN	LDC	ACP	GSP
0301	Live fish	16	0	0	n.a.
0302	Fish, fresh or chilled (excluding those of 03.04)	8	0	0	n.a.
0303	Fish, frozen (excluding those of 03.04)	8	0	0	n.a.
0304	Fish fillets and other fish meat, fresh, chilled or frozen	7.5	0	0	2.6
0305	Fish, salted, dried ..., smoked, fish meal fit for humans	11	0	0	n.a.
0306	Crustaceans, fresh, chilled or frozen	12	0	0	4.3
0307	Molluscs and aquatic invertebrates, nes		0	0	2.8

Source: Werth, et al (2005)

Fisheries agreements are dealt with in Part 3 of the CPA under Title II. Economic and Trade Cooperation Chapter 6: Cooperation in other areas. Article 53 on the fisheries agreements provides that: “The Parties declare their willingness to negotiate fishery agreements aimed at guaranteeing sustainable and mutually satisfactory conditions for fishing activities in ACP states”. It goes on to say: “In the conclusion or implementation of such agreements, the ACP States shall not discriminate against the Community or among Member States, without prejudice to special arrangements between developing states within the same geographical area including reciprocal fishing arrangement nor shall the community discriminate against ACP States”.

From the above it is clear that the issue of fisheries has been one of the key considerations in the EU-ACP relationship. It is also taking centre stage in the context of the proposed EPAs.

The Factors behind the EU's Interest in Negotiating Fisheries

The EU is a major world fishing power. Many of its member states (such as Spain, Portugal, the United Kingdom, France, Poland, the Baltic States of the former Soviet Union and, more recently, the Netherlands) have long traditions as distant-water fishing nations. Currently, EU fishing fleets are active throughout all of the FAO regions of the Atlantic Ocean, the western and southern parts of the Indian Ocean and increasingly in the Pacific region. Fisheries are therefore a major economic sector for the EU countries and by implication a key area of any trade negotiations including the EPA with the ACP countries. There are a number of factors that are compelling the EU to push for an agreement in the fisheries sector which have a bearing on ACP countries including Uganda.

A. The Declining EU Fish Stocks

It is common knowledge that the commercial fish stocks (mainly demersal species) in the EU waters have significantly declined over the last 25 years. This situation has been driven by political and technical factors. From the political perspective, there have been attempts in the context of the Common Fisheries policy (CFP) to regulate the fishing efforts by controlling the output from fisheries (by establishing “total allowable catches” [TACs]) and using a quota-allocation system. These measures have proved largely unsuccessful mainly due to lack of political will to enforce them. Very little has been done for example to reduce fishing efforts by controlling the input side of fishing, such as promotion of more selective techniques. The different application of selective fishing gear regulations within and outside the EU waters is a case in point.

From the technical perspective, the CFP has also encouraged over-capacity. The current EU fleet is too large for the resources available in its waters. At some point the problem was attributed to “too many boats chasing too few fish” (Agritrade, 2007). However these boats were eliminated and replaced by fewer but larger more powerful and efficient vessels. Thanks to technological progress, the efficiency of these fishing vessels continues to improve every year. Technological advances in vessel and gear design, in fish-finding and navigational equipment and in telecommunications - all contribute to the increasing capacity. As a result, the new vessels exert much more pressure on fish stocks than the old ones. It also means that the over-capacity problem is inherent in the industrial model of fishing developed by the EU.

B. The Impact of EU Demand for Fish

Another factor behind the EU interest in fisheries negotiations is the increasing fish-supply deficit in the EU market. Agritrade (2007) puts average annual fish production in the EU in recent years at 6.9 – 8 million tonnes (from both capture and aquaculture). The fact of the matter is that there has been an increase in demand on the EU market with a corresponding decrease in supplies from EU's own waters (due to over-fishing and the closure of some fisheries for purposes of stock recovery). Consequently the EU has been compelled to import more than 60% of its fish requirements. Over the last few years an additional 9 million tonnes of fish has been needed to meet the demands of the fish-processing industry and domestic consumer demand. It is also important to note that the fish caught in the EU waters is mainly destined for the fresh fish market while imported fish is used as raw materials for the processing industry. This has a bearing on the marketing value-added processed fish in the EU.

In order to be competitive the EU processing industry needs to import fish at competitive prices where the granting of tariff reductions plays an important role. In this context the EU has concluded a number of agreements with, or granted tariff preferences to several third countries. These agreements include the CPA with ACP countries the special GSP granted in the various trade agreements with a number of countries (e.g. the Trade Development and Cooperation Agreement with South Africa a similar agreement with Egypt and an association agreement with Chile). The growing demand for fish as a raw material for the EU fish-processing industry is an important factor in the evolution of ACP-EU fisheries cooperation.

Today about 60% of the fish consumed in the EU comes from outside the EU waters. The ACP countries alone account for nearly 35% of total EU fish imports (in value). The growing demand for fish is for both quality and quantity. Food safety standards have been established and strict controls are applied to ensure compliance with sanitary and phyto-sanitary standards. The standards provide a strong check on the potential for ACP countries to benefit from any value-addition to its fishery products. These standards may also encourage export of fish in a raw or semi-processed form where given the reduced number of fish-handling operations it may be less costly for ACP producers to ensure compliance with SPS standards.

C. ACP-EU Fisheries (Partnership) Agreements

For a long time ACP countries have received considerable financial benefits from the compensation payments made by the EU through bilateral fisheries access agreements (see Box 3.1). This is estimated to exceed the financial value of aid disbursed to the fishing sector through development cooperation programmes. Fisheries agreement negotiations have therefore been at the centre of the ACP-EU relations.

Box 3.1: ACP-EU Access Agreements

In the mid-1970s an increasing number of coastal states established exclusive economic zones (EEZ) by extending their jurisdiction out to sea from 3-12 to 200 nautical miles. This brought almost 90% of the world's exploitable fish resources under the control of coastal states. The fleets of the EU member states which had traditionally fished in the waters of other countries suddenly found themselves barred from them. To ensure continuity access of their fleets, fisheries agreements were concluded between the EU and the third countries concerned.

Currently the EU has 18 fisheries agreement with ACP countries. In exchange for financial compensation provided by the EU, ACP countries allow EU fleets access to their surplus resources (in theory those are not exploited by the coastal state). Since 1994, as part of the compensation payments provisions were included in the fisheries access agreements to address such development issues as fishery management and regulation, support to the small-scale fisheries sector, local landings etc. Over the years the sustainability of these agreements has raised questions given that in some cases the fish stocks of some of countries with which the EU has signed have been overexploited and prospects for surplus resources are not promising. In such cases the agreements have tended to exacerbate problems of over-exploitation and generated competition with the national fisheries sector of the ACP country in question. In some cases it has generated competition for markets.

In order to address these problems, in June 2004 the EU council adopted conclusions on an Integrated Framework for Fisheries Partnership Agreements (FPAs) with third countries. Through the FPAs the EU proposed to change the approach it adopted in its bilateral fisheries agreements particularly those signed with ACP countries in order to contribute to responsible fishing in the mutual interest of parties concerned.

Key Issues for the EAC Countries in Fisheries

The fisheries sector is very important for the economies of EAC countries and fish and fishery products have increasingly become major sources of foreign exchange in the region. This makes fisheries a critical part of the economic development prospects of the region. At the same time the sector provides employment and food for the respective countries. The EU provides a lucrative market for fish from Uganda and the other EAC countries. Export of fish and fisheries products have therefore become one of the few areas in which Uganda and the EAC member states have seen their participation in world trade growing. For example in 2006 the value of exports of fish to the EU stood at US\$ 146 million for Uganda (MFPED, 2007).

Trade in fish and fish products between the EAC and the EU is governed by the CPA which provides for market access into the EU on the basis of non-reciprocal trade preferences. These allow the EAC and other ACP countries to export their fish products without payment of import taxes applied to fisheries exports from other countries. However the current non-reciprocal preferential trade arrangement between the EU and the ACP countries under the CPA is ending and will be replaced by comprehensive EPAs. Given the importance of fisheries in the relations between the EU and the EAC any future changes to the trade regime that may result from the conclusion of an EPA are of key strategic importance to Uganda and the other EAC countries.

So apart from the inevitable impending end of the CPA preferences, what are issues of interest to Uganda and the EAC countries in the EPA negotiations? Uganda and other EAC countries are faced with two major challenges, namely: (i) the sustainable management of the fisheries resources (ii) increasing and redistributing the benefits derived from these resources.

A. Sustainable Management of Fisheries Resources

There is concern today over declining fish catches due to over fishing by both national and foreign fleets. Over-fishing is attributed to a number of factors including the weak national policies and the lack of clearly defined access rights, the increasing use of unselective and destructive fishing methods (such as trawling and dynamite fishing) and the general over-capacity of the fishing fleets. Many ACP countries also suffer from "IUU" (Illegal, Unregulated and Unreported)

fishing activities. IUU fishing has important ecological as well as socio-economic consequences.

B. Value Addition Issues

It is important to note that small-scale value-adding activities do help in increasing the shelf life of fish products, making them more transportable and therefore accessible, for example, to rural populations. Uganda and the other EAC countries need investment in infrastructure – basic infrastructure (water, electricity) as well as in processing infrastructure – in order to increase the value derived from fishery resources. Improving the returns from value-adding fish processing requires understanding the markets and how they operate at both regional and international levels as well as facilitating regional integration in the EAC.

C. Market Access Issues

With regard to access to the EU market the most important issues for Uganda and the other EAC countries include erosion of preferences, technical barriers to trade and Sanitary and Phytosanitary measures (SPS).

- Erosion of preferences: Fish products from ACP countries enter the EU market tariff free but the value of this access is eroding as tariffs from competing countries are reduced. Although no consensus has been reached yet, it is likely that under the WTO rules on import duties on fish and fishery products will be further reduced. This may lead to increased competition and the erosion of preferences for the EAC and other ACP countries. This preference erosion is likely to continue as trade liberalization continues thereby exposing vulnerable EAC fish processing industries to larger and often lower-wage competitors. The negotiations with the EU therefore may provide longer implementation times for the liberalization of fish trade or compensation mechanisms. It is also necessary to reduce tariff escalation between raw fish and processed fish products. This is particularly important when EAC products cannot satisfy the rules of origin requirements and must pay high tariffs.
- Rules of origin: The CPA sets out the rules for preferential access granted to the ACP products exported to the EU. Under the agreement, a fish product must be “wholly obtained” from an EAC ACP state concerned if it is to be deemed

originating from the EAC and therefore deemed eligible for tariff-free access to the EU market. This has been interpreted by the EU to mean that fish must be caught by either an EAC-ACP or EU vessel in order to be deemed “originating fish”. Thus excluding fish caught by non-ACP and non-EU vessels even when caught in EAC’s Exclusive Economic Zones (EEZ) or on high seas. Where fish are not caught within a country’s territorial waters, the EU RoO mandate inter alia a high degree of local (or EU) ownership and national crews to comply with the RoO.

Moreover, tariff barriers are higher for the processed products on non-originating fish than they are for unprocessed fish (which enter the EU tariff-free any way) which further discourages the development of the EAC fish processing industry. This is termed as “tariff escalation” by the WTO and helps the EU to protect its domestic industry. The EAC countries have a small (if any) fleet of their own. This means they would be compelled to buy raw fish from EU-flagged vessels in order to gain tariff-free access to the EU market. This RoO requirement would then act as a form of upstream subsidy to EU vessels by providing an incentive for EAC countries to sign EU access agreements in order to ensure the supply of “originating” fish.

The restrictions imposed by the EU RoO on fisheries sector have been a source of contention in the ACP-EU relations. The definition of “wholly owned” as it applies to fish is more limiting than necessary given that some ACP countries favour an approach whereby all catches made in their waters (including their EEZ) should enjoy originating status. Moreover existing RoO pose particular problems in ACP countries where the structure of the fishery sector is based on vessel-chartering arrangements, joint ventures and fishing agreements which make it difficult for them to comply. It must also be pointed out that RoO are not so much of a problem for Uganda and other EAC countries that are landlocked. Uganda’s interests are mainly on inland fisheries and to this extent its concerns relate mainly to issues of tariff escalation.

- **Technical barriers and SPS requirements:** Another issue of concern for the EAC countries relates to the various standards and accreditation issues involving technical barriers to trade (TBT) and sanitary and phyto-sanitary standards which are increasingly becoming obstacles to EAC exports. Such non-tariff barriers are frequently linked to technical standards or procedures. The high standards demanded by the EU can require significant investments in improved processing facilities and monitoring and certification systems. These standards act as barriers to trade and compel EAC countries to export only raw or semi-processed

fish products avoid compliance costs. The ACP countries including the EAC countries have relatively few SPS measures, food safety requirements or TBTs. While this does not have negative impacts per se, it has a negative economic impact when producers find themselves unable to meet the requirements imposed by the EU and private importers in the EU (such as major retail chains) as a result of lack of information, lack of capacity, lack of testing facilities etc.

SPS measures do not pose a major obstacle for exporting to the EU for enterprises which are already engaged in exporting. However TBT such as labelling and packaging standards pose serious challenges for fish exporters in Uganda and other EAC countries. The demanding procedures for inspection create delays in some cases leading to deterioration of fish consignments.

3.2 THE EAC-EU FRAMEWORK AGREEMENT

The framework agreement covers primarily trade cooperation between the EAC and the EU focusing on market access as the main area of contention and to some extent the fisheries cluster. The agreement by its nature is interim pending conclusion of a comprehensive EPA in 2008. It covers primarily trade in goods because this is the only key area that needs to be addressed to comply with WTO rules. The implication is that other issues such as development will be negotiated later.

The Objectives of the EAC-EU Framework Agreement

According to Art 3 of the agreement, the specific objectives of the agreement are:

- (a) To establish an agreement consistent with Art. XXIV of the General Agreement on Trade and Tariffs 1994 (“GATT 1994”).
- (b) To facilitate continuation of trade by the EAC Partner States under terms no less favourable than those under the Cotonou Agreement.
- (c) To establish the framework and principles for further negotiations on trade in goods including rules of origin, trade defence instruments, customs cooperation and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade as well as on agriculture and economic and development cooperation; and
- (d) To establish a framework and scope of potential negotiation in relation to other issues including trade in services, trade related issues as identified in the Cotonou agreement and any other areas of interest to both parties.

The Main Offers of the EAC-EU Framework Agreement

At the initialing ceremony of the framework agreement, the signatories hailed it as an historic event being the “first international agreement to be concluded by the EAC as a bloc” and also because it is “the first such agreement to be concluded by the EU with another customs union”. They went on to praise it for being “the first step towards a more comprehensive EPA which will establish a strategic trade and development partnership between the parties” (Joint Press Release, 2007). They also pledge to work together “to define the development needs associated with the EPA in order to promote sustained growth, strengthen regional integration, foster structural transformation and competitiveness to increase production, supply capacity and value addition of the EAC” (Joint Press Release, 2007). Both parties to the agreement (the EC and the EAC) have made offers to each other consistent with the principle of reciprocity.

The EC market access offer consists of duty-free and quota-free treatment of all goods imported from the EAC countries – except arms and ammunition. This treatment would apply from entry into force of the framework agreement for all products except sugar and rice for which duty- and quota-free treatment will be phased over a transition period. This offer also includes elimination of all tariffs and tariff quotas on products not fully liberalized under the CPA such as bananas, beef, dairy products, wheat, cereals as well as fruits and vegetables. Implementation of the EC market access offer begins on January 1st, 2008.

Table 3.1: The EAC’s Market Access Offer under the Framework Agreement

Phases of Liberalization	Percentage of Trade Liberalization	Value Liberalized (In US \$)	Goods Covered
2008- 2010	64%	1,725,753,302	All zero rated goods (industrial inputs/raw materials, capital goods).
2015- 2023	16%	416,830,776	Intermediate goods used in the production process and goods whose availability at lower costs would enhance competitiveness.
2020- 2033	2%	65,507,218	Finished products whose availability at lower costs is deemed to have consumer welfare enhancing effects, or products that are deemed to have a potential to contribute to exploitation of the EPA.
Total Liberalization	82%	2,208,091,296	
Excluded from liberalization	18%	469,750,966	All goods in the exclusion list. Mainly agricultural products, and some industrial goods

Source: EAC Secretariat

On the other hand, the EAC market access offer as shown in Table 3.1 above consists of a commitment to gradually open its market to goods from the EU over a period of 25 years in three phases (Table 3.1). In the first phase (2008-2010) the EAC will liberalize 64% of imports from the EU. The products covered at this phase are already zero-rated under the EAC customs union common external tariff. This covers mainly industrial inputs and capital goods (e.g. machinery, pharmaceuticals etc) .

In the second phase (2015-2023) the EAC will liberalize 16% of imports from the EU so that after 15 years from January 2008 80% of the exports from the EU will enter the EAC market duty-free. The products covered at this phase will include intermediate goods used in the production process as well as goods whose availability at lower costs would enhance competitiveness e.g. spare parts, instruments for use by small scale enterprises or “Juakali,” data transmission apparatus such as telephone sets for line telephony; videophones (excl. line telephone sets with cordless handsets and entry-phone systems).

Finally in 2020-2033, the EAC will liberalize 2% of imports from the EAC. These will include finished products whose availability at lower costs is deemed to have consumer welfare-enhancing effects or products that are deemed to have a potential to contribute to exploitation of the EPA. Thus after 25 years from the date the EPA enters into force 82% of imports from the EU will be liberalized.

About one-fifth (or 18%) of EAC trade with the EU will be excluded from any market liberalization requirements. These are mainly agricultural goods as well as some processed agricultural commodities and industrial products which are already locally produced or which Uganda can produce – e.g. unassembled vehicles, motorcycles, footwear, glassware, textiles and clothing, plastics, tobacco, wines, steel products etc. The main criterion for their exclusions is the desire to protect infant industry and/or sensitive products of the EAC countries. The EAC market access offer is summarized in Table 3.1 above.

The EAC-EU framework agreement also addresses important issues such as the simplification of rules of origin for apparel products as well as non-tariff barriers and trade defence instruments. Apart from trade in goods, the agreement includes provisions on fisheries and development.

3.3 THE IMPLICATIONS OF THE EAC-EU OFFERS FOR UGANDA'S FISHERIES SECTOR

The framework agreement recognises the significance of fisheries as a key economic resource for the EAC countries especially in terms of its contribution to their economic growth, the region's economic development, poverty reduction, generation of foreign exchange and as a source of food. Consequently, the EAC and the EU agree to cooperate for the sustainable development and management of the sector in their mutual interest "taking into account the economic, environmental and social impacts" (Article 25).

The Objectives and Principles of EAC-AU Cooperation in Fisheries

According to Article 26 of the framework agreement, the objectives of cooperation in the area of fisheries are:

- Promotion of sustainable development and management of fisheries.
- Promotion and development of regional and international trade based on best practices.
- Creation of an enabling environment, including infrastructure and capacity building for the EAC Partner States to cope with the stringent market requirements for both industrial and small-scale fisheries.
- Support for national and regional policies aimed at increasing productivity and competitiveness of the fisheries sector; and
- Building up of links with other economic sectors.

As a landlocked country, Uganda is interested in inland fisheries and aquaculture. Article 34 of the framework agreement provides that the objective of EAC cooperation with the EU in this regard is "to promote sustainable exploitation of inland fisheries resources and enhance aquaculture production, remove supply-side constraints, improve fish and fish products quality to meet SPS standard in the market of the EC Party, improve access to the market of the EC Party, address intra-regional trade barriers, attract capital inflows and investment into the sector, build capacity and enhance access to financial support for the private investors for inland fisheries and aquaculture development".

The framework agreement clearly identifies the areas of cooperation, which include:

1. Capacity building (in industrial and artisan production, processing and product diversification, management of export market chains, market promotion, value addition, institutional development, etc).
 2. Development and improvement of infrastructure for inland fisheries and aquaculture;
 3. Technology (development of technological capabilities as well as management capacity through research).
 4. Legal and regulatory framework (including regulations, monitoring, and surveillance systems, etc).
 5. Investment and finance (including promotion of joint ventures, access to credit facilities, etc).
 6. Environmental and stocks conservation (measures for environmental conservation, safeguards against stock depletion, maintenance of biodiversity, etc); and
 7. Socio-economic and poverty alleviation measures (such as encouragement of marginal groups (such as women) to participate in the fishing industry, etc).
- The Main Implications for Uganda's Fisheries Sector

(a) Market access

It is important to note that under the CPA preferences, Uganda like all the other EAC ACP countries has been benefiting from duty-free access to the EU market for fish and fish products. Moreover the EU's Everything-But-Arms (EBA) initiative allows exports of all products from LDCs to enter the EU duty- and quota-free. These are important privileges given that the EU charges an MFN tariff of 24% on processed fish and 10.8% on unprocessed fish. However this preference could be eroded because the WTO trade negotiations will progressively remove tariffs on global trade in fish and fish products whereby the GSP will be 6.3% on unprocessed fish and 23.9% on processed fish products. So the EAC-EU EPA may not protect Ugandan exporters much given the potential for increased competition on the EU market brought about by other countries.

(b) Capacity building

The EAC-EU EPA promises to address the shortcomings that Uganda and other EAC countries face in developing their fish export capacity. Standards and accreditation issues involving technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures are of significance in this regard. Uganda has relatively few SPS measures, food safety requirements or technical barriers to trade. While this does not lead to negative impacts per se, it has a negative economic impact when producers find themselves unable to meet requirements imposed by the EU and private importers in the EU (such as major retail chains) as a result of lack of information, lack of capacity or lack of testing facilities etc.

Therefore for Ugandan fish exports, meeting SPS measures is very important in terms of market access to the EU given that the EU puts high priority on food safety certifications and SPS measures. An EPA that includes specific provisions in terms of capacity building actions to help Uganda meet the EU and international SPS and TBT requirements as well as those from other markets will create opportunities for further trade for Ugandan fish exporters to the EU and its other important trading partners. This could include for example capacity to meet standards and certify products, fair trade markets or meet eco-labelling requirements. With respect to processed products, this increased capacity could help Uganda to develop new products (such as prepare, smoked, flavoured fish or fish fillets) for export to the EU and other developed countries.

Indeed one of the objectives of cooperation as indicated in the framework agreement is to “improve fish and fish products quality to meet SPS standards in the market (Article 34). Article 35 (a) of the agreement provides for capacity building measures for inland fisheries and aquaculture development. It is not clear however how SPS measures are to be addressed although the same Article 35 (ii) provides for “managing of market chain including the introduction and management of certification schemes for specific product lines and implementation of market promotion, value addition, and reduction of post-harvest losses in fisheries products”.

3.4 CONCLUSIONS

From the above analysis, the following conclusions can be made:

1. The internal problems of EU fisheries have important consequences for the development of fisheries in Uganda. This is particularly true in the areas of resource management, food security and the development of value-added activities. The declining stock levels in the EU waters and the growing supply deficit in the market are the main forces driving the EU external fishing policy. The EU's fishing policy towards the ACP countries is therefore driven by the need to gain access to ACP fishery resources (both fishing grounds and fishery products). The fishery situation in the EU today is both potentially promising but also worrying for Uganda. It is therefore imperative to carefully analyse and understand these dynamics in order to evaluate the kind of relationships are being offered to EAC countries under the proposed EAC-EU EPA.
2. Uganda and the other EAC countries have genuine interests in negotiating cooperation with the EU in the area of fisheries under the proposed EPA. The most important aspects in this regard are the need for sustainable development and exploitation of the fisheries resources, as well as issues related to market access in general. In the latter case issues of capacity building are very significant.
3. The EAC-EU EPA holds out a promise to address the shortcomings that Uganda faces in accessing the EU fish market. Standards and accreditation issues involving technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures are of significance in this regard. Uganda has relatively few SPS measures, food safety requirements or technical barriers to trade. While this does not lead to negative impacts per se, it has a negative economic impact when producers find themselves unable to meet requirements imposed by the EU and private importers in the EU (such as major retail chains) as a result of lack of information, lack of capacity, or lack of testing facilities. The major challenge facing Uganda and the EAC countries is how to turn this promise into a reality.

IV CONCLUSION AND THE WAY FORWARD

4.1 Conclusion

This report has attempted to analyse the possible implications of the EPA on Uganda's fisheries sector. Fisheries are one of the six clusters being negotiated in the proposed EPAs with the EU. Given the growing importance of fisheries in Uganda's trade relations with the EU changes to the trade regime and their likely impact on trade preferences are of key strategic importance for Uganda and the other EAC countries. In their relations with the EU, Uganda and the rest of the EAC countries are faced with a double challenge; managing their fisheries resources sustainably and increasing the benefits derived from these resources. They must also address issues related to the improvement of regional market access for fisheries products, sanitary and phytosanitary measures, rules of origin requirements, etc. At the same time they must respond to the EU demands for favourable conditions for direct EU investment in their fisheries sector.

The EAC member states including Uganda have concluded a framework agreement in which the fisheries cluster has now been negotiated. Offers have been made by both parties to the agreement. It is important to note however that for Uganda the main interest is in inland fisheries and aquaculture development. The objectives of cooperation in this area are to promote sustainable exploitation of inland fisheries resources and to promote the development of aquaculture production which in itself would go a long way in supplementing capture fisheries in the country's water bodies. Moreover cooperation should also seek to remove supply side constraints, improve the quality of fish and fish products to be able to meet SPS standards in the EU market. Further cooperation should promote capacity building, investment and access to financial resources.

However the success of these measures will only be measured in terms of the outcomes of the negotiations and how the eventual agreement will be implemented.

The Way Forward

As the analysis showed, there are still a number of issues pending negotiations. Fisheries are not listed as one of those areas. The implication is that the negotiations in this area are complete. However we believe in the context of “any other areas that the parties find necessary”, it is still possible to articulate some of the issues which do not seem to have come out clearly in the framework agreement. Specifically, there is need to detail how the various provisions will be implemented. This could be in form of a protocol which will articulate the various aspects of the commitments by the parties to the agreement.

Similarly when it comes to investment and joint ventures the primary issue should be conservation of fisheries resources and joint venture should only be concluded where there is scientific evidence that these will not lead to over-fishing or disrupt local harvesting, marketing and processing activities. In Uganda and the other EAC states there is particularly need for infrastructure—basic infrastructure (roads, water, and electricity) as well as processing infrastructure in order to increase the value these countries can derive from their fishery resources.

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GLOSSARY

ACP Countries: are countries of Sub-Saharan Africa, the Caribbean and the Pacific regions that are signatories of the Lomé Convention. “ACP” stands for “Africa, Caribbean, and Pacific”. The first Lomé Convention was signed in Lomé (Togo) in 1975 which was an ambitious cooperation programme, originally between 15 countries of the EU and 46 countries of the ACP. It was based mainly on a system of tariff preferences which gave those countries access to the European market and special funds which maintained price stability in agricultural and mineral products. The Lomé Agreement was succeeded by the Cotonou Partnership Agreement, signed in Benin in June 2000.

Cumulation: means that a preference receiving country is permitted to use materials from other specified countries which will then be considered as locally sourced when establishing the “originating” status of the final product (see Rules of Origin below). Cumulated products qualify for preferences (e.g. imported oil, sheet materials for cans, whole cans, etc for canned fish).

Differentiation: is the concept that countries should be distinguished from each other based on a particular characteristic or set of characteristics. Within the WTO there are arguments that not all developing countries have the same economic opportunities and constraints and, therefore, they should be treated separately in international trade obligations.

Economic Partnership Agreements (EPAs): are the proposed reciprocal trade agreements between the EU and the ACP countries. EPAs are proposed to be concluded between the EU and six (now seven, including the EAC) of the ACP countries. Notably, EPAs are compatible with WTO rules.

Everything But Arms: is an initiative by the EU, offering duty-free market access to the EU for all countries categorised by the United Nations as Least Developed Countries (LDCs) for all of their goods, except for armaments and munitions (subject to rules of origin). The EBA is maintained under the legal framework of Generalised System of Preferences (GSP).

Fisheries Partnership Agreements (FPAs): are agreements between the EU and coastal states to give the EU fleet access to the coastal country's waters.

FPA's are also referred to as "access agreements". FPA's are intended to promote compliance with the terms of the fishing agreement and greater coherence with external economic, environmental and developmental objectives. Notably, FPA's are completely distinct from EPA's.

General Agreement on Tariff and Trade (GATT): was an international organisation, created after World War II to lower tariffs and to encourage international trade. In 1996, the GATT became the World Trade Organisation (WTO), but many of the principles and agreements of GATT are incorporated into WTO law.

Generalised System of Preferences (GSP): is an arrangement that formally allows developed countries to offer non-reciprocal preferential access to their markets for goods from qualifying developing countries.

GSP Plus (or GSP+): of the EU works under the legal framework of the Generalised System of Preferences. The GSP Plus is a trade preference scheme offered to developing countries that are categorised by the EU as "dependent and vulnerable" and that have signed up to 27 conventions on good governance, labour rights, and the environment. The preferential treatment is subject to rules of origin.

Harmonised Commodity Description and Coding System (HS Code): This is the international standard of classification of commodities for customs purposes, including for the application of tariffs. Each commodity is uniquely categorised by its own (at a minimum) 8-digit number. The HS Code was developed and is maintained by the World Customs Organization (See <http://www.wcoomd.org>)

Least Developed Countries (LDCs): refers to the category of countries officially defined as such by the United Nations. It is important to stress that "Least Developed" is an official classification, not a neutral measure of poverty. Uganda, Tanzania, Rwanda, and Burundi are listed among the LDCs.

Most Favoured Nation (MFN): Contrary to its literal meaning, the Most-Favoured Nation principal provides that WTO members must offer the same treatment, in terms of tariffs and similar charges on goods, to all WTO members. This principal is also known as non-discrimination. Preferential (i.e. non-MFN) tariffs can be offered to certain categories of countries under certain conditions.

Non-Tariff Barriers (NTBs): are rules, regulations, or requirements, such as quality standards, that alter or impede the smooth flow of trade. NTBs can be costly or even technically difficult to implement, keeping exporters from accessing certain markets.

Preference Erosion: occurs when trade agreements lower tariff rates and developing countries that had agreements to pay no or reduced tariffs (preferential trade) to major markets, experience increased competition when other countries are able to access the same market with the newly lowered tariff.

Rules of Origin (ROOs): All preferential and free trade agreements contain rules of origin. These rules determine whether or not a product is eligible for the tariff preferences that are provided in a given trade agreement. The principal official objective of ROOs is to ensure that the economic benefits of trade preferences are granted only to the countries that signed the trade agreement.

Special and Differential Treatment (S&DT): are provisions included in WTO agreements explicitly for developing countries. They are intended to provide a fair playing field for all WTO members by adjusting rules to give developing countries a chance to participate in trade without compromising their economies.

Subsidies: are financial programmes or policies by governments (predominantly of the developed countries) to offer incentives to producers. The EU countries provide incentives to their fishing fleets to venture into international waters to increase fish catches.

Traceability: refers to the ability to trace, follow and identify uniquely a product unit or batch through all stages of production, processing and distribution.

