



By Jane. S. Nalunga

*EPA's should address supply sid constraints*

## EPAs should only be accepted if they serve Development Goals



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The Economic Partnership Agreements (EPAs) being negotiated between the European Union (EU) and Africa Caribbean and Pacific (ACP) countries have been held out as a beacon of hope which would foster development and eradicate poverty in ACP countries.

The Central objective of the “partnership”, as spelt out in the Cotonou agreement, is to reduce and eventually eradicate poverty while contributing to sustainable development and to the gradual integration of ACP countries into the world economy.

The ACP countries have been negotiating the EPAs with the European Union since September 2002; with the conclusion being slated for December 2007. The ACP countries are negotiating in 6 configurations. Uganda, together with

other 15 countries has been part of the Eastern and Southern African (ESA) configuration.

**Uganda, because of supply constraints and lack of capacity even failed to utilize (and lost) the sugar quota of 5,000 tons allocated under the sugar protocol...**

#### **Divergent views of how to achieve development:**

Both parties have consistently been reaffirming the fact that EPAs are a development tool and that development will be replaced firmly at

the centre of the negotiations. However they have had divergent perceptions as to what constitutes development and how this development would be achieved in the EPAs.

# EDITORIAL - By Ambassador Nathan Irumba

Beginning with this issue, Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI) is launching with the support of Oxfam Novib, a quarterly publication entitled The Trade News.

In line with its mission of Strengthening Africa in World Trade, SEATINI monitors global developments in the area of trade and trade related areas, evaluates the results of negotiations in these areas and their implications for Africa, mobilise awareness and bring into discourse the concerns of all stakeholders including the private sector, civil society. We believe strongly on the desirability of having an effective consultative mechanism for Southern and Eastern African

countries at the national and regional levels to provide opportunities to exchange views on contemporary issues arising from the demands of globalisation, the multilateral trading regime, and regionalism with a view of fashioning an African response to these challenges. The Trade News will continue in this tradition and will particularly highlight the linkage between the global and regional processes on one hand and the livelihoods and well being of African communities on the other.

## ESA sees development as a core of EPAs.

The ESA position on development in the EPAs is based on their experiences of the Lome Conventions, together with the challenges they are facing at

are still exporting one or two products. The share of ACP exports fell by more than half from 8% in 1975 to less than 2.8% in 2007.

Uganda, because of supply constraints and lack of capacity even failed to

(infrastructure) and demand supply constraints within the EU market i.e. (standards, Rules of origin, subsidies) which must be addressed for the market access to be meaningful.

It was with this in mind that in the EPA



*Infrastructure is one of the supply - side constraints that EPA's should address.*

the moment especially in terms of building the competitiveness of their economies. The 25 years of preferences under the Lome Conventions did not improve Africa's trade especially in terms of increased exports and diversification; most African countries

utilize (and lost) the sugar quota of 5,000 tons allocated under the sugar protocol, this clearly indicates that the mere offer of market access to the EU is not sufficient. There are supply capacity constraints within Africa i.e.

negotiation, ESA insisted that development must be both a stand alone cluster, as well as a cross-cutting issue straddling the other clusters of nego-

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# There is little development content in the **DOHA DEVELOPMENT ROUND**

**The Doha Round, like the Uruguay Round before it, has been a roller coaster. From Doha, through Cancun (2003), Hong Kong (2005), Potsdam and Geneva, the Doha Round has experienced its highs and lows, oscillating between promises of near breakthroughs followed by near breakdowns.**

By Ambassador Nathan Irumba

**A**fter six years of hard bargaining, there is little to show that the development promise of Doha Round is about to be realised. The deal that seems to be emerging has very little development content in it. The benefits, especially in agriculture, are small while the attendant costs seem to be very high. It appears that the rhetoric of development was used simply for orchestrating the launching of the Doha round that would extract additional concessions from developing countries and constrain further policy space for development.

As was the case in the Uruguay Round, agriculture is proving to be the make or break issue of the round. How the

divergences in this sector are eventually resolved and the price the developing countries will pay for that bargain will ultimately determine whether or not Doha is a market access round for developed countries or a development

The US and EU have been reluctant to make substantive reductions in their agricultural subsidies or to substantially reduce agricultural tariffs respectively.

Round as initially promised. It will be recalled that the major issues that led to the suspension of the talks last year and the subsequent impasse has been the divergences on the level of reduction undertaken by the United

States of America (USA) in domestic subsidies and levels of tariff reduction to be undertaken by the European Union (EU) in agriculture sector on the one hand; and the demand by these major powers for the steep lowering

of industrial and agricultural tariffs by emerging developing countries on the other.

The US and EU have been reluctant to make substantive reductions in

their agricultural subsidies or to substantially reduce agricultural tariffs respectively.

The present Agriculture text falls far short of the offensive and defensive interests of developing countries. The proposed reduction of domestic subsidies for developed countries leaves the present level of actual subsidies in place. It is important to bear in mind that even if an agreement is reached regarding reduction of trade distorting subsidies, little would have changed in the status quo regarding the ability of the major powers to distort agriculture trade since the Green Box (presumed to be non trade distorting) is not subject to reduction. However there is enough evidence to show that the Green Box subsidies distort agriculture

production and trade. Another risk regarding the reduction of subsidies is that even at reduced levels trade distorting subsidies can have negative impact on the developing countries if they are concentrated on a small number of products. In the absence of an effective discipline, the developed countries can select some products to accord a very large proportion of the permissible Trade Distorting Subsidies and enhance their competitive strength in these selected products thus hampering exports of developing countries.

Thus, in the services negotiations, developing countries are also under pres-



sure to accept commitments for supply of services through Mode 3 (commercial presence); Yet their demand that the developed countries open more their service market for supply of services through Mode 4 ( Movement of natural persons /skilled and unskilled workers ) is not being conceded.

Although it is generally agreed that the LDCs would not be required to reduce tariffs in the industrial and agricultural

## it is critical for developing countries to ensure that the discussions on the Green Box reform are effectively put on the agenda.

Therefore it is critical for developing countries to ensure that the discussions on the Green Box reform are effectively put on the agenda. Other issues of interest to developing countries which must be put on the agenda as far as agricultural negotiations are concerned are; tariff escalation, commodities, special safeguard mechanism, tropical products and preference erosion.

EU and US are jointly exerting enor-

commitments as per paragraph 16 of the Doha mandate and proportionality between the ambition levels in NAMA and Agriculture as per paragraph 24 of the Hong Kong Declaration.

As pointed out by many countries, the “asymmetry” in the proposals inverted the principle that the depth of reform to trade distorting agriculture practices by developed countries should serve as a baseline for the extent of liberalisation in other areas of negotiations, which is a cornerstone of the development mandate.

The EU does not agree that the outcome in agriculture should determine the level of ambition of the whole Round and has implied that the developing countries’ commitments in NAMA and Services must be made known at the same time or before the commitments in agriculture can be made.

sectors or undertake any commitments in the area of trade in services; they are encouraged to bind their tariffs. On the face of it, in Hong Kong, LDCs were also given Duty Free, Quota Free market access for 97% of their products. However the shortcomings of this offer; 3% that is excluded remain products where LDCs are competitive or have potential to be competitive and are of great export advantage to these countries i.e. textiles and clothing, rice, sugar, leather and fishery products. The focus on the agricultural subsidies and tariffs has had the effect of putting many issues of interest to Africa and other developing countries in limbo and would easily be forgotten. These include, inter alia, issues of the implementation of Special and Differential Treatment (S&DT), the commodity issue, Regional Trading Agreements (RTAs) (which provides for rules that govern regional economic integration) and environment. If the Development Round is to live up to





By Jane. S. Nalunga

*Given assistance small scale farmers can produce sustainably.*

## Small scale farming should be salvaged from an uncertain future to ensure sustainable development in Africa.

**A**griculture is at the core of many African economies. More than 90% of agriculture in Africa is subsistence dependent on small scale farming.

raging today among different schools of thought is how this transformation can be achieved.

It accounts for more than 30% of the Gross Domestic product (GDP); employs more than 60% of the labour force; represents a major source of foreign exchange; supplies the bulk of basic food for both urban and rural areas and provides subsistence and income for a large percentage of the rural populations. In Uganda with an estimated population of over 30 million people, over 80% live in rural areas and derive their livelihood from subsistence farming.

Many countries in Africa have enormous potential to produce enough food for their consumption and for export but agricultural production and productivity in many African countries has been declining because of a number of factors inter alia: poor infrastructure, expensive and substandard farm

inputs, price fluctuation, erratic climatic conditions and absence of reliable markets. Subsequently there have been increased cases of famine, malnutrition and hunger on the continent. Therefore, farmers in Africa can no longer sustain a livelihood from agriculture; hence the increase in rural –urban migration with its attendant social problems of mushrooming slums and violence in urban areas.



*Small scale farmers are the heart of agriculture in Africa*

There is general agreement that in order to promote economic growth, reduce poverty and enhance food security, the productive capacity of the agricultural sector has to first be fully developed in Africa. The debate

One school of thought maintains that agriculture in Africa has to be “modernised” through, inter alia, the use of modern technology, genetically modified high yielding crop varieties and chemical fertilisers in what is often referred to as “Africa’s Green revolution”. Mr. Kofi Annan the former UN Secretary General; supported and funded by such powerful foundations like the Melinda and Bill Gates Foundation spearheads an initiative towards this end. The proponents of this school of thought argue that this is the path that Britain and other European countries took in the 18th century; as a result of which they now have a flourishing agricultural

sector with lots of surplus. This surplus is often dumped on the world market and especially in developing countries.

The proponents of the Green Revolution further argue that small scale farmers in Africa can no longer be relied upon to produce enough food to feed a rapidly growing population and to transform agriculture in Africa as they are using traditional and rudimentary methods of farming which are unsustainable.

However the critical issue to ponder is what happens to the millions of small scale farmers who will be negatively impacted by this approach? Britain, for example, relocated its farmers to the industries which sprang up as part of an industrial revolution and provided

an alternative source of employment. In Uganda, as in most African countries, the nascent industries have collapsed and the prospects of reviving them are not all that promising given the neo-liberal drive under bilateral and multilateral trade agreements.

Therefore before writing off the small scale farmers in the drive for “modern agriculture”, we need to critically analyse the reasons why agricultural production and productivity is declining in our countries.

Among a host of challenges are the inappropriate neoliberal policies i.e. privatisation, liberalisation and deregulation which shape national policies and in turn limit government’s policy

space and options to support and promote agriculture.

The laissez faire policies pursued by government have left small scale farmers floundering; growing for export, under the export led growth drive, without reliable markets.

Another critical challenge is the issue of the land evictions which have left the small scale farmers landless and pushed to the margins of life.

Small scale farmers are the heart of agriculture in Africa, and have served our countries well to weather many challenges. Their welfare and up-gradation of skills should not only be part and parcel, but the centre of any effort towards agricultural transformation. ❌

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**“ We have made it clear to our partners that the EU is only interested in deep Free Trade Agreements across the full range of sectors. Not just goods, but services, non-tariff barriers and rules on issues such as investment, competition & public procurement...” ”**

tiations namely market access, fisheries, agriculture, services, and trade related areas (Competition policy, Intellectual Property Rights, Standardisation and certification, sanitary and Phyto-sanitary measures, Trade and environment issues, trade and labour standards, consumer policy).

The scope of cooperation must also be extensive covering, inter alia, the following: agriculture and rural development, industrial development, mineral resources development, private sector development, natural resources, social, cultural, environmental and institutional development; financial development, development of services etc. ESA countries also proposed that as part of the development package, the EC should provide more financial resources (additional to the existing EDF funds) on a predictable and sustainable basis in order to enable ESA countries to implement the EPAs and to take care of the adjustment costs. The EC position on development focuses on liberalisation and regulatory framework.

The EC also stresses the central role of development in the EPAs. According to the EC Commissioner for Development, Louis Michel, the success of the EPAs will depend on three crucial factors: Firstly, a negotiation process genuinely aimed at the development of the ACP; secondly, the commitment of ACP partners towards the implementation of a regulatory framework for investment promotion; and thirdly, the support that the EU, its member states and other donors can provide

to the ACP so as to prepare and implement EPAs. (Quoted from TNI March-April 2006)

**The EC further considers the following as key to fostering sustainable development in ACP countries:**

- trade liberalization,
- Increased market access to the EU.
- Reduced prices of EU imports for ACP consumers

The EC is demanding that since EPAs have to be WTO compatible, they should abide by article 24 of GATT which requires substantial liberalisation of all trade between the two parties; i.e. 90% of their trade with a transition period of 10 years. At the moment there is no clarity in the WTO jurisprudence on these 2 issues i.e what constitutes “substantially all trade” and the appropriate transition period, especially in free trade areas between a developed region developing regions

**The EC’s interest goes beyond trade in goods**

“We have made it clear to our partners that the EU is only interested in deep Free Trade Agreements across the full range of sectors. Not just goods, but services, non-tariff barriers and rules on issues such as investment, competition & public procurement as well” Mandelson (LSE, Oct 2006)”

**Broken promises:**

The development promise in the EPAs

seems to be turning into a mirage.

The EC has either rejected all the ESA development related proposals and reneged on promises made earlier. The EC has rejected the ESA proposals for additional funds. Regarding the development chapter in the ESA/ EPA draft, the EC proposal was that it should be removed and the development priorities compiled into a separate document which has come to be known as the development matrix. The EC then proposed that the development matrix be outside the EPA text with only reference being made to it arguing that as it is a detailed programming instrument it cannot be part of an integral treaty. This would render it ineffectual.

The proposals pushed by the EC in other clusters also run counter to the development aspirations of ESA countries.

The drastic reduction of tariffs under the market access cluster will not only open the ESA markets to EU goods with devastating effects on their economies but it will also rob ESA countries of a very critical industrial and agricultural policy tool.

By insisting on tariff reduction by even LDCs, it renders nugatory the concessions obtained in the WTO for these countries not to undertake tariff reductions. This may become a template for other developed and developing countries to demand similar concessions for granting duty free and quota free market access. Equally by insisting on negotiating





# WTO NEGOTIATIONS AND PROCESSES: What is their relevance to rural livelihoods?

**The World Trade Organisation (WTO) negotiations concern trade distortions and related regulatory issues and are supposed to be development oriented.**

By Vincent F.S Mayiga

**T**he World Trade Organisation (WTO) negotiations concern trade distortions and related regulatory issues and are supposed to be development oriented. It is, however, disheartening that the Doha Round of negotiations had to be suspended since July 2006 and since then there has been an impasse as a result of inability of key players to reach agreement on issues related to agriculture and industrial goods – the former being crucial to the livelihoods of the rural communities.

Agriculture as a result of the particular role it plays in food security, job creation, export revenue and rural development has been a sensitive area in trade liberalisation talks and relevant to rural livelihoods. Long excluded from global liberalisation processes under the General Agreement on Tariffs and Trade (GATT), agriculture was finally included when the Uruguay Round negotiations

were being concluded in 1994.

The various strands of the Agreement on Agriculture (AoA) signed in 1994 are being negotiated in the new negotiating round launched November 2001 at the 4th WTO Ministerial conference at Doha (Qatar). This new round known as the “Doha Development Round”, which put out the principle of Special and Differential Treatment (S&DT) for the developing countries has stalled without achieving the objectives set at Doha.

**Agriculture as a result of the particular role it plays in food security, job creation, export revenue and rural development has been a sensitive area in trade liberalisation talks and relevant to rural livelihoods.**

The provisions of the AoA including food security, market access, Special and Differential Treatment are totally inadequate in fulfilling the purpose of levelling the playing field between developed and developing countries in the area of Agriculture. In fact the AoA condones the continued high levels of protection enjoyed by the developed countries and restricts developing countries from recourse to the same tools of protection.

The logic behind the Agreement on Agriculture is that food security will be attained when countries lower their trade protections. Based on the principle of comparative advantage, economic efficiency is best achieved when all countries produce for themselves and for export, what they can most cheaply, and attain their other food needs through trade. The cost of food will, therefore, be cheaper, and there will be



*A typical supermarket displaying imported milk products.*

sufficient food for all (due to efficiency of production and the workings of the market). The Agreement on Agriculture, therefore, attempts to lower market barriers, domestic support and export subsidies.

### **Pure market approach will not meet food security needs**

Unfortunately, this is a text book scenario. There are reasons why a pure market approach to agriculture will not meet the food security needs of the majority of developing countries.

Many developing countries have large rural populations – usually more than half of them operating on subsistence, non-monetised basis, where production is for their own consumption or for simple barter. Farming is the main source of food, employment and livelihood. Whereas the farmers of the developed world are heavily subsidised, their counterparts in the developing countries are not. The farm implements, and inputs used in the developing countries are therefore, expensive and thus negatively affecting their meagre incomes.

Also, many developing countries have negative balance of payments (BoPs).

For example all the 50 countries classified as Least Developed Countries (LDCs) have BoPs deficits which, for the majority, have become increasingly more negative since the 1980s. Similarly all the Net Food Importing Developing countries (NFIDCs) have negative BoPs.

There are also multiple pressures on the uses of what little hard currency they may possess. This means that these countries are particularly vulnerable to price fluctuations.

The precarious level of food supply in developing countries, coupled with natural disasters and civil strife make them also vulnerable to shortfalls in food supply.

Despite the AoA coming to effect in 1995, mandating countries to make (at least on paper) reductions in market barriers, domestic support and export dumping subsidies, in 1997, the OECD countries subsidised their farmers to the tune of US \$280 billion! The Green Box and Blue Box provisions allow developed countries to continue providing large amounts of subsidies which are supposedly non or minimal trade distorting.

Tariff peaks and tariff escalation are still common place in developed countries especially in the major agricultural products such as wheat, maize and rice.

In export subsidies, developed countries have been able to side-step the full extent of their commitments by reducing their subsidies only slightly on those products which are most sensitive and directing cuts to the products that will not affect their markets. The end result is that rice and wheat farmers in Uganda will be swept out of the market by cheaper imports. There has therefore, been no “real” liberalisation in developed countries implementation on the AoA. Unable to compete with subsidised imports, many small farmers in developing countries are losing their livelihoods, source of employment and food security. In fact it is not uncommon to find imported chicken and eggs on the shelves of multinational supermarkets in Kampala and up country towns.

### **Liberalisation has negatively impacted on Agriculture and Industries**

It should be noted the Uganda took unilateral liberalisation measures (under the IMF/World Bank Structural

Adjustments Programs) before the end of Uruguay Round. As a result the level of protection in both industrial and agricultural sector fell to relatively low levels.

The edible oil industry in Uganda is facing extinction. Farmers have given up growing cotton and sunflower, the raw materials for edible oil. The reason is simple; their farm gate prices are so low. As a result of the USA's Public Law (PL) 480, the Ugandan market is awash with US oil given to Uganda under the guise of "food aid" and budgetary support but sold to the peasants at exorbitant prices. Cheaper imported powder and condensed milk have flooded the market leaving the rural cattle keepers stranded with their fresh milk in thousands of litres.

The prospects of protecting third world agriculture from potentially devastating import surges are under threat in the WTO with the U.S and

some other exporting countries seeking to limit the scope of proposed safeguard measures.

The fact that there may be food available on the international market at relatively low prices does not translate into food on the table for millions in developing countries. Food security is therefore not just availability of food at the global level. This is already the scenario today. There is sufficient food, yet 800 million people face severe food shortages. There are several reasons:

1. Developing countries do not have the foreign exchange to buy food. This increases their balance of payment problems and entrenches these countries even deeper in the debt cycle. This is also true of households in poor countries. They do not have enough money to buy the available food from the chain stores. In the real rural set-

up, they resort to steal food from gardens, while others starve to death.

Even those peasants, who may grow enough food for their consumption, have to sell some of it to meet urgent social and economic demands thus remaining with a food shortage.

2. Destruction of subsistence farming is also the destruction of the non-monetised economy. When thousands in the rural sector are squeezed out of farming, most of the developing countries do not have the capacity in their industrial sectors to absorb these large numbers of the unemployed (Quite a number of industries in Uganda have closed down due to full scale liberalization and thus out competed by imported products) ✕

## Radio Programmes

SEATINI together with Centre for Development Initiatives (CDI) and Volunteer Efforts for Development Concern (VEDCO) are currently running a radio programme on Central Broadcasting Service (CBS) between 9:30pm and 10:00pm every Thursday. The main theme of these radio programs is the linking of global processes to livelihoods in Uganda. Sectors and topics under discussion are dairy, food and cash crops, fisheries, under services we look at the education, health sector and financial/banking sector and trade negotiations at the multilateral level.

## Upcoming Events

23-27 Jan 2008

**World Economic Forum Annual Meeting.**  
Davos, Switzerland.

January 28 - 30, 2008

The regional seminar on trade & finance linkages:  
**Africa Regional Meeting**  
Johannesburg, South Africa.

20-25 April 2008

**Twelfth Session of the United Nations  
Conference on Trade and Development  
(UNCTAD XII)**

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its expectation as envisaged, the outcome must be balanced and address the concerns of developing and poor countries.

### What next?

There is a general apprehension that if a deal is not arrived at by the end of the year or early next year, the Doha Round may move into a long period of hibernation in the light of the forthcoming elections in the US. It is believed that the expiry of and failure by the US Congress to renew the Trade Promotion Authority (TPA) widely known as "fast track" would make it difficult for the US representative to negotiate credibly with other parties. It is worth recalling that irrespective of what party is in the White House in the US, the external trade policy more or less remains the same and that, most probably whatever deal is signed by the incumbent, is likely to be implemented by the forthcoming administration.

The history of the Uruguay Round reveals that it is when negotiations are in hibernation that deals are stuck by the major players and thereafter brought into multilateral process for endorsement. At that stage it becomes difficult for the weaker members of the WTO to withstand the pressures to join the "emerging consensus". The question is; is history about to

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binding rules in trade related areas, the EC is going beyond the WTO mandate; and will have far reaching negatives effects on ESA economies and constrain their policy space to carry out developmental measures. Needless to say, the EU market, for which ESA countries are sacrificing their economies, is proving to be more elusive than ever before. The critical issues determining market entry into the EU have either not been discussed

## It is not too late for ESA countries to clearly define what development means and how it can best be achieved.

or finalised i.e domestic and export subsidies, Rules of origin. The EC has been, and is signing FTAs with other countries which in effect reduce the value of the preferences EC is offering ESA countries thus making the EU market very competitive.

### Seduction or deception?

Perhaps the question to reflect on is; Has EC gone out deliberately to deceive the ESA negotiators that development will be delivered? Or did the ESA negotiators wilfully acquiesce in the deception when all indications were that the EPAs will deliver on development. The EC has right from the start categorically been clear on a number of issues namely: that EPAs

are Free Trade agreements (FTAs) and that development is in the Cotonou text. Two: that there are no additional funds; three: that it is interested in negotiating binding rules in the trade related areas.

### What next:

It is not too late for ESA countries to clearly define what development means and how it can best be achieved. The outcomes should then be used as a benchmark to assess

whether the EPAs are really a tool for development. If it is not then the EPAs should be rejected in their entirety.

### Postscript:

As we were going to press, the East African Community (Kenya, Uganda, Tanzania, Rwanda and Burundi) initialled the interim EPA Agreement. The contents of this agreement are briefly discussed on Page ----. Regarding the development issue, the interim agreement gives precious little, though it provides for further negotiations in the second phase.

## SEATINI- The Organisation

The Southern and Eastern African Trade, Information and Negotiations Institute (SEATINI) is a regional non-governmental organization founded in 1996 soon after the WTO Singapore Ministerial Conference, after realizing that Africa in particular and Third World countries in general were marginalized in the WTO negotiations.

### Mission

The main purpose of SEATINI is to strengthen the capacity of African trade negotiators and other key stakeholders i.e. the Media, NGOs, Members of Parliament to take a more effective part in the emerging global trading system and to better manage the process of globalization.

