HS 405

ISSUES IN INTERNATIONAL TRADE AND FINANCE

ASSIGNMENT/REPORT

World Trade Organization (WTO) and Developing Countries

Author :
AJIT SINGH

Roll no:
1801010

Instructor:
DR.KAVERI DEB

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1 World Trade Organization - A brief introduction

General Agreement on Tariffs and trade (1947)

- **Principles/Objectives of GATT:**

The primary objectives of GATT can be listed down as:

1. Non discrimination among developed and developing/under-developed countries whilst agreeing on terms of trade.
2. Elimination of non tariff barriers (like Import Quotas which were a big problem in 1950s).
3. Solving trade disputes among countries.

GATT and the necessity to form an international trade organization

The WTO's creation on 1 January 1995 marked the biggest reform of international trade since after the Second World War. It also brought to reality : in an updated form : the failed attempt in 1948 to create an International Trade Organization.
From 1948 to 1994, the General Agreement on Tariffs and Trade (GATT) provided the rules for much of world trade and presided over periods that saw some of the highest growth rates in international commerce. It seemed well-established, but throughout those 47 years, it was a provisional agreement and organization.
The original intention was to create a third institution to handle the trade side of international economic cooperation, joining the two "Bretton Woods" institutions, the World Bank and the International Monetary Fund. Over 50 countries participated in negotiations to create an International Trade Organization (ITO) as a specialized agency of the United Nations. The draft ITO Charter was ambitious. It extended beyond world trade disciplines, to include rules on employment, commodity agreements, restrictive business practices, international investment, and services. The aim was to create the

ITO at a UN Conference on Trade and Employment in Havana, Cuba in 1947.
Meanwhile, 15 countries had begun talks in December 1945 to reduce and bind customs tariffs. With the Second World War only recently ended, they wanted to give an early boost to trade liberalization, and to begin to correct the legacy of protectionist measures which remained in place from the early 1930s.

This first round of negotiations resulted in a package of trade rules and 45,000 tariff concessions affecting $ 10 billion of trade, about one fifth of the world's total. The group had expanded to 23 by the time the deal was signed on 30 October 1947. The tariff concessions came into effect by 30 June 1948 through a "Protocol of Provisional Application". And so the new General Agreement on Tariffs and Trade was born, with 23 founding members.

The Tokyo Round: The first step in new direction of reform (1973-1979)

The Tokyo Round lasted from 1973 to 1979, with 102 countries participating. It continued GATT's efforts to progressively reduce tariffs. The results included an average one-third cut in customs duties in the world's nine major industrial markets, bringing the average tariff on industrial products down to 4.7%. The tariff reductions, phased in over a period of eight years, involved an element of "harmonization" — the higher the tariff, the larger the cut, proportionally.

Other Rounds of discussion:

The Tokyo Round had mixed results. It failed to come to grips with the fundamental problems affecting farm trade and also stopped short of providing a modified agreement on "safeguards" (emergency import measures). Nevertheless, a series of agreements on non-tariff barriers did emerge from the negotiations.
GATT's crackdown on tariff barriers on trade continued in nthe subsequent rounds. Many rounds of discussion (including Kennedy and Geneva-Dillon

round before Tokyo round and Uruguay round after it) ensured that tariff rates fell from 35% in 1962 to almost 4% in 1986. Also work was done to remove Quotas on agriculture and textile goods and replace quotas by less restrictive tariffs.

Uruguay Round of negotiations (1986-1994):

The Uruguay round turned out to be the most fruitful round of discussions as multiple pending objectives were realised in this round, which included:

- Tariffs on industrial products were reduced from approx, 4 % to 3%.
- Share of goods with no tariffs was to be increased from 20% to upto 45% among nations.
- Anti-dumping reforms were made.
- Decision was made to reduce volume of agricultural subsidies to be reduced by almost 20% over 6 years.
- New safeguards were made, a means of protecting domestic industry for developing as well as the developed countries.
- The concept of Intellectual Property Rights (IPR) came into being.
- Various other reforms in sectors like Services, Foreign Investments, Removing Quotas, etc. were made.

However, the most important outcome of the Uruguay round was:
The formation of World Trade Organization (WTO) , with a view to form a world with free trade.

2 Doha Round of negotiations - A brief review

Doha Round of Trade Talks(2001-)

The Doha round of trade talks for the period of 2001-2006 was an attempt at a multilateral trade agreement. It would have been between every member of the World Trade Organization (WTO). It was launched at the Doha, Qatar WTO meeting in November 2001, with a goal to be finished by January 2005, but the deadline was pushed back to 2006. The talks were finally suspended in June 2006, because the United States and the European Union refused to reduce agricultural subsidies.

The Doha talks were ambitious. First, all WTO members (almost every country in the world) participated. Second, decisions had to be settled by consensus at the trade talks—every country needed to sign off. Third, there were no piecemeal sub-agreements. There was either an entire agreement or none at all. In other words, unless every country agreed with the whole deal, there would be no deal.

- **The Purpose For the Doha Talks:**

The agreement's purpose was to boost the economic growth of developing countries. It centered on reducing subsidies for the developed nation's agricultural industries, allowing them to export food to developing countries. In return, the developing countries would open up their market to services from developed countries, particularly banking. This would have provided new markets for the developed countries' service industries and modernized existing emerging markets.
Although the agreement negotiated 21 main points, they can be reduced to the following 10 categories:

- **Agriculture:**

1. A proposed reduction in subsidies to 2.5% of the value of production for developed countries (would only be 6.7% for developing countries)

2. A proposed reduction in tariffs on food imports.

3. A proposed end to subsidies for exports.

- **Non-agricultural market access:**

A proposed reduction in tariffs for non-food imports.

- **Services:**

1. Clarified rules and regulations on foreign-provided services.
2. Developed countries wanted to export financial services, telecom, energy services, express delivery, and distribution services.
3. Developing countries wanted to export tourism, healthcare, and professional service.
4. Countries wanted to decide which services they could allow.
5. Countries wanted to decide whether to allow foreign ownership.

- **Rules:**

1. Tightened the rules on anti-dumping, which is a rule prohibiting a country from lowering prices on exports to undermine the businesses in countries they are exporting to.
2. Strengthened prohibitions against launching subsidies to retaliate against another country's subsidies.
3. Focused on commercial vessels, regional aircraft, large civil aircraft, and cotton.
4. Reduced fishery subsidies to cut down on overfishing
5. Countries wanted to decide whether to allow foreign ownership.

- **Intellectual property and Geographical Indication (GI):**

1. Created a register to control country-of-origin for wine and liquor.
2. Protected product names, such as Champagne, Tequila, or Roquefort, that are only authentic if they come from that region.
3. Wanted inventors to reveal the country of origin for any genetic material used in products.

- **Trade and environment:**

Attempted to coordinate trade rules with other agreements to protect natural resources in developing countries.

- **Trade facilitation:**

1. Clarified and improved custom fees, documentation, and regulations.
2. Tightened procedures for customs to attempt to reduce bureaucracy and corruption.

- **Special and differential treatment:**

1. Give special treatment to help developing countries.
2. Included longer periods for implementing agreements.
3. Required that all WTO countries safeguard the trade interests of developing countries.
4. Provided financial support to developing countries to help build the infrastructure needed to handle disputes and implement technical standards.

- **Dispute settlement:**

Installed recommendations for better settlement of trade disputes

- **E-commerce:**

Opposed customs duties or taxes on internet products or services

3 Case study 1: Effect of WTO reforms on Uganda based on data from Food and Agriculture Organization, 2003

Introduction:

Uganda is a landlocked country bordered by Sudan, Kenya, the Democratic Republic of Congo, the United Republic of Tanzania and Rwanda.
Agriculture has the highest share in the country's GDP. It is estimated that only 30 percent of the land of Uganda is being productively utilized. The vegetation is mainly composed of savannah grasslands, woodlands, bush land and tropical rain forest.
The southern parts of Uganda mainly cultivate perennial crops that include coffee and green bananas, while livestock farming is practised in the drier areas of northern and western

Importance of Agriculture in Uganda's economy:

- **Contribution to GDP:**

The agricultural sector is composed of both the monetary and non-monetary sub-sectors. Its share in GDP has declined from 64.1 percent in 1985 to 41.0 percent in 2001. The non-monetary sub-sector of agriculture has been the most affected declining from 39.9 percent of total GDP in 1985 to 22.7 percent in 2000. Nonetheless, the agricultural sector remains the backbone of Uganda's economy as its main source of livelihood and employment for over 60 percent of the population. It contributes over 70 percent of Uganda's export earnings and provides the bulk of the raw materials for most of the industries that are predominantly agro-based.
Agricultural output primarily comes from about 3 million smallholder subsistence farmers, who own an average farmland area of 2.5 ha. The agricultural sector is dominated by the production of food crops, but cash crops, livestock, fishery and forestry are also important.
Food crops accounted for 72.4 percent of agricultural GDP in 1985, falling

to 65.3 percent in 2000.
The main food crop is bananas, which accounted for 28 percent of the total cropped area in 2000, followed by cereals, root crops, pulses and oilseeds with 25 percent, 17 percent, 14 percent and 8 percent of the area, respectively. Despite the dominance of food crop production, only one-third is marketed. Cash crops, livestock, fish and forestry accounted for 4.5 percent, 16.5 percent, 4.0 percent and 2.6 percent of agricultural output in 1985, and 8.9 percent, 6.9 percent, 4.6 percent and 4.3 percent in 2000, respectively. Although Uganda is able to meet its domestic food needs, food products like wheat and rice are imported to cater for the urban population.

- **Exports:**

Uganda's exports are dominated by traditional cash crops such as coffee, cotton, tea and tobacco, with coffee being the principal export crop. However, the share of traditional cash crops in total exports has declined from 96.0 percent in 1985 to 38.3 percent in 2001. This fall is mainly attributed to the collapse of world coffee prices and failure to add value to the cash crops as well as the high dependence on a few export commodities. The contribution to export earnings of non-traditional export products that include fish, maize, hides and skins has increased because of trade liberalization and an aggressive export promotion campaign by government.

Uganda's trade policies:

Trade is viewed as an important stimulus to economic growth and trade policies should contribute to Uganda's poverty reduction efforts, promotion of employment and diversification of exports.
In the last 16 years, Uganda's trade policy objectives have been pursued through continuing liberalization with increased involvement of the private sector, deregulation, privatization and participation in regional agreements, particularly the East African Community (EAC) consisting of Uganda, Kenya and the United Republic of Tanzania and COMESA(Common Market for Eastern and Southern Africa).

- **Liberalization:**

The liberalization of agricultural marketing and subsequent abolition of price controls and export taxes reduced Uganda's trade barriers. Though this was accompanied by substantial simplification of the tariff structure, the imposition of an import licence commission and a withholding tax on imports raised concern about Uganda's commitment to narrowing the gap between applied and bound rates. Such adjustments could contribute to full exploitation of Uganda's comparative advantages and the attraction of foreign investment.

- **WTO:**

On 29 September 1994, Uganda became one of the original members of the WTO, and thus it is now bound by all WTO Multilateral Agreements.
Uganda is currently undertaking reforms of all its commercial laws to bring all its trade-related laws, regulations, and procedures into conformity with WTO requirements. An Inter-Institutional Committee, and five Sub-Committees on Agriculture, Services, Implementation and New Issues,
Business Malpractices and Legal Framework, and TRIPS (The Agreement on Trade-Related Aspects of Intellectual Property Rights) and TRIMS (Trade-Related Investment Measures) have also been put in place to ensure continuous consultation and compliance with its WTO obligations.
While Uganda is slowly mainstreaming trade into its development framework, its various institutions dealing with trade policy, including the Ministry of Tourism, Trade and Industry, have insufficient capacity to manage trade arrangements and effectively implement the necessary reforms.

Experience with implementing the WTO agreements

- **Market access and Tariffs:**

Level and structure of bound tariffs
All Uganda's agricultural products are bound, although the bound rates differ from one product to another. The bindings are at ceiling rates of 80 percent

for most agricultural products, except for 60 tariff lines, with bound rates varying between 40-70 percent, while non-agricultural products including photographic goods, rubber and certain machinery are bound between 40 and 80 percent.

Tariffs are the main trade policy instrument used by the Ugandan government. An import licence commission of 2 percent and a withholding tax of 4 percent are collected on all imports, which raise the average rates of import duty. In addition, an excise duty of 10 percent is levied on almost all goods (imported or locally produced), with the exception of cigarettes, alcoholic beverages and soft drinks, which are charged 130 percent, 70 percent and 15 percent, respectively. Special protection exists for local sugar and textile industries. A value-added tax of 17 percent applies to most goods whether imported or domestically produced, with the exception of unprocessed agriculture products.Minimum import prices are maintained on used goods, vehicles, textiles, tiles, batteries and safety matches.
The 2000/2001 applied tariff schedule has all tariffs being **ad valorem** except on fuel

- **Licensing and quantitative import restrictions:**

Uganda has abolished most non-tariff restrictions including quantitative restrictions. The remaining few are maintained for moral, health, security and environmental reasons. While automatic licensing is granted for most imports, import approvals are maintained for a few items in a “negative list” that comprises used tires, firearms, pornographic material, and imports banned under international agreements of which Uganda is a signatory. To import any of the above items, prior authorization must be obtained from the Minister for Tourism, Trade and Industry. Besides, for agro-chemical and pharmaceutical products, approval from the Agricultural Chemicals Control Board and the National Drug Authority is required, respectively.
The importer must complete a single bill of entry for all regimes, i.e. home use, warehousing, temporary importation, re-importation, and transit. The Uganda Revenue Authority may require supplementary documents at the entry point for the importation of certain goods. For human and animal drug medications, “verified” pro forma invoices from the Pharmacy Board are needed, a firearms certificate is required for firearms, while a health certificate is required for live animals (domestic and wild). For wild endangered species, permission from the Wildlife Authority is needed, while a fumigation

certificate is necessary for second-hand clothing. For seeds and plants, a phytosanitary health certificate is required, while certain food imports require Uganda National Bureau of Standards (UNBS) certification.

- **Use of special safeguards, anti-dumping and other remedy measures:**

Uganda has no specific safeguard legislation corresponding to Article XIX of the GATT. Uganda's Customs (Dumping and Subsidies) Act of 1964 provides the current legal framework for anti-dumping and countervailing measures. Reform of this legislation is under way.
Subject to a public interest clause, the President may impose an additional duty on "dumped or subsidized" imports that threaten to cause material injury to an established industry. The Act explicitly requires that such action must be in conformity with the state's obligations under the GATT. Though no measures have been taken under these provisions for over five years, Uganda levied a surtax during 1993/1994 on a range of imports such as sugar, mattresses, soap, plastics, etc. from Kenya. No similar special taxes have been levied for this purpose since 1995.

- **Export Subsidies:**

Uganda does not offer any subsidies specifically designed to promote exports. Uganda maintains no export duties, except the 1 percent cess collected on coffee exports. The major export incentive is a Fixed Duty Drawback Scheme. The fixed duty drawback scheme operates on input-output coefficients calculated in advance on the basis of information provided by the exporter. Under this mechanism, duties paid on imported inputs (not locally available) that go into the production of exports are refunded so that their export is not rendered uncompetitive as a result of duties. The scheme was established to meet the needs of exporters of agricultural and fishery products that rely on a large quantity of imported inputs, especially packaging materials.
In a bid to promote exports, the European Investment Bank launched an Export Promotion Fund (EPF) within the Bank of Uganda, at the end of 1995. The loan scheme aims at helping exporters to carry out export promotion activities.

- **Role of state trading enterprises:**

As part of Uganda's efforts to create favourable conditions for a market-driven economy, the monopoly of state agencies in the marketing of agricultural products was abolished. The government established regulatory bodies like the Uganda Coffee Development Authority and the Cotton Development Organization to ensure that farmers and exporters maintain quality standards of products and to provide technical backstopping.
Uganda has continued with its privatization programme, and almost three-quarters of all public enterprises have either been divested or liquidated.

- **Dispute settlement procedure:**

Uganda is currently involved neither as a complainant nor as a defendant in any trade dispute at the WTO. Besides, though it does not have any legislation for regulating unfair trade practices, Government in consultation with the relevant stakeholders is drafting one to this effect. The Uganda Law Reform Commission was purposely established to review all laws, including commercial laws. The eventual commercial laws will be similar to those of Kenya and the United Republic of Tanzania under the framework of the East African Community.

Review of food and agricultural trade:

- **Background on Uganda's macroeconomic situation:**

Over the past decade, Uganda's real GDP has grown at an average rate of 6 percent per annum. Fiscal deficits (including grants) have been contained below 3 percent of GDP and inflation (measured by changes in consumer prices) dropped from 32 percent in 1990/1991 to 8 percent in 1994/1995 and 3.5 percent in 1999/2002. Despite positive results recorded through the relative stability in domestic prices, the Bank of Uganda has continued to implement a tight monetary policy. Tax administration is being restructured, albeit with some delay. Following the adoption of the PEAP (Poverty Eradication Action Plan), public expenditures have been redirected towards poverty reduction and infrastructure development projects.

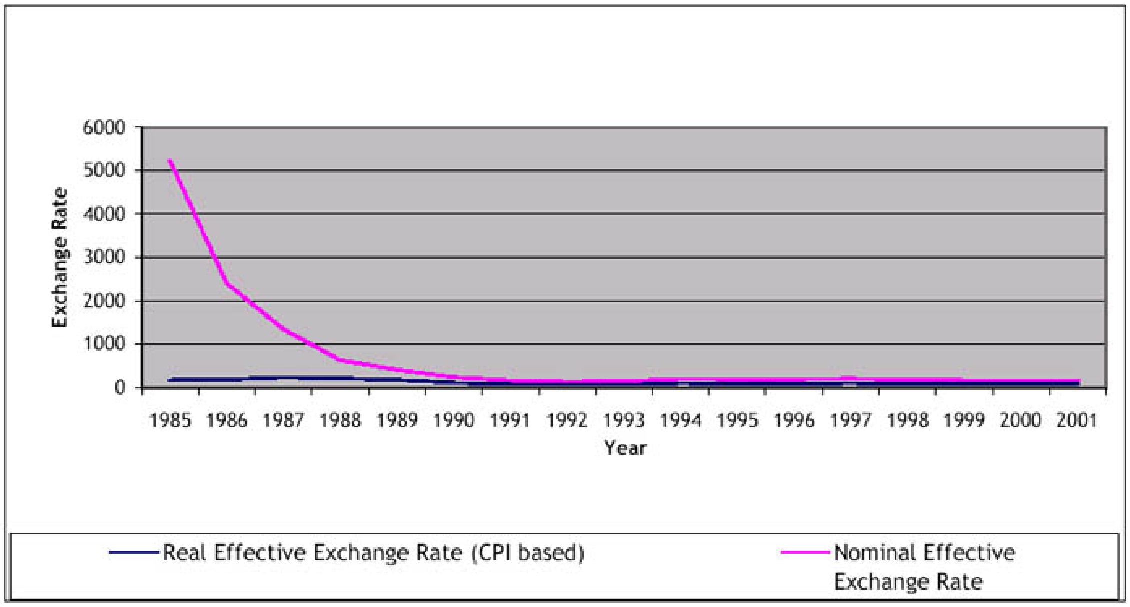

Figure 1: Uganda's nominal and real exchange rates.

Uganda's gross international reserves increased to cover about five months of prospective merchandise imports. Uganda's economic performance has made it eligible for the HIPC (Heavily indebted poor countries) initiative. However, owing to its poor export performance and delays in the realization of savings from the Enhanced IMF/World Bank's HIPC initiative, debt ratios worsened in 1999/2000. The stock of Uganda's external debt was estimated at US$3.68 billion as of June 2000.
Traditionally, Uganda runs a current account deficit on its trade and services accounts. In the last few years, the deterioration in Uganda's external terms of trade has contributed to a decline in export earnings, from 11.2 percent of GDP in 1994/1995 to 7.9 percent in 1999/2000. Imports, however, have increased, widening the trade balance.
In a bid to improve the competitiveness of exports, Uganda adopted a marketdetermined foreign exchange regime in the early 1990s, narrowing the gap between the nominal and real exchange rates, as shown in Figure below. Despite the improvement in Uganda's real exchange rate, the response of Uganda's exports has been sluggish mainly because of supply-related bottlenecks.

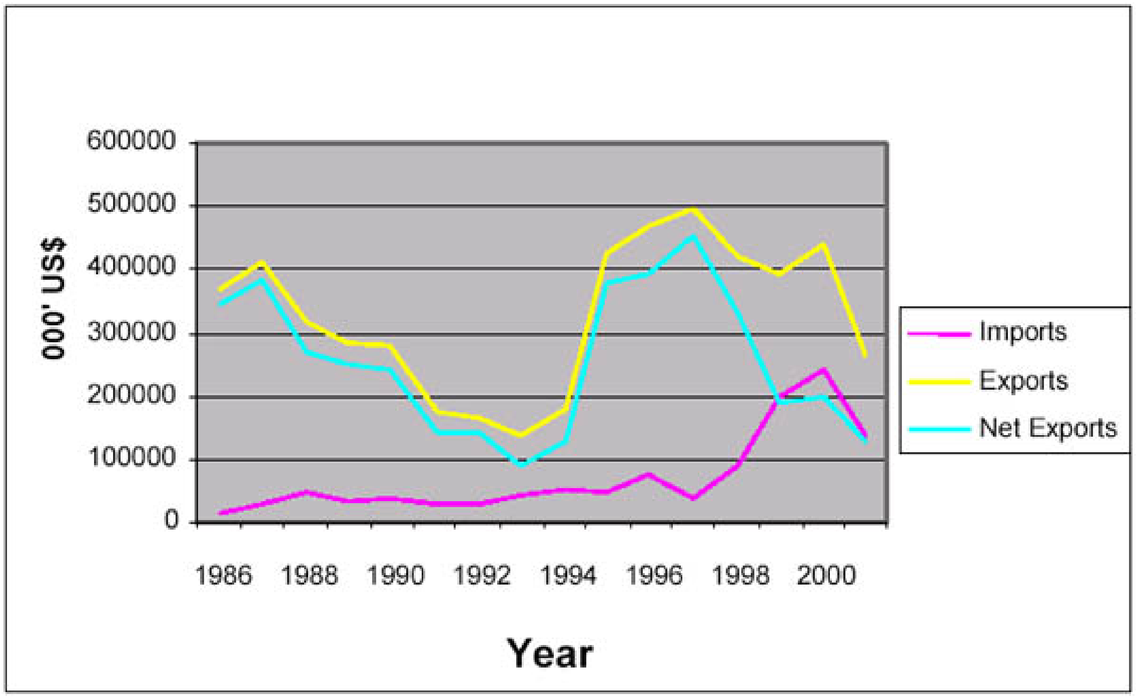

Figure 2: Uganda's agricultural trade.

- **Agricultural and food trade aggregates:**

Over the period 1985-2000, Uganda's total agricultural exports have exceeded its total agricultural imports, resulting in a net export surplus. The trend in the balance of trade over time is shown in Figure below. A review of the growth of agricultural exports relative to agricultural imports by period reveals that only in 1990-1994 did export growth exceed import growth, while in the other two periods, the reverse happened. The net agricultural export balance peaked at US$29.8 million in 1985-1989, then dropped to US$17.5 million in 1990-1994 but rose later to US$28.2 million in 1995-2000.
The share of agricultural imports to agricultural exports has grown from 10 percent in 1985-1989 to 31 percent in 1995-2000. **This persistent growth of agricultural imports, as compared with agricultural exports, could *worsen* Uganda's trade position over time.**

Uganda's food exports are smaller than its food imports, which explains the net food deficit between 1985 and 2000. Food imports constituted 77-87 percent of the total agricultural imports over the years 1985-2000. This high

Period	Imports		Exports		Net exports	
	Agriculture	Food	Agriculture	Food	Agriculture	Food
US$ thousand *per annum*						
1985-1989	33 236	26 605	331 596	772	298 360	-25 833
1990-1994	40 405	31 225	215 631	27 952	175 226	-3 273
1995-2000	129 418	112 013	411 506	33 761	282 088	-78 252
Period growth rates (%)[a]						
1985-1989	13.4	12.6	-8.9	10.8	-22.3	-1.9
1990-1994	16.2	16.9	24.0	31.1	7.7	14.3
1995-2000	22.1	21.6	-8.5	-18.7	-30.6	-40.3

Figure 3: Uganda's agriculture and food trade position.

proportion of food imports is attributed to the increased investment in food processing industries that use refined sugar and the rising urban population that mainly consumes wheat and rice.
Food exports as a percentage of total agricultural exports were 0.2 percent in 1985-1989, peaked at 13 percent in 1990-1994 and dropped to 8.2 percent in the period 1995-2000. This small contribution of food exports to total agricultural exports is partially attributable to the dominance of subsistence agricultural farming and the continued exportation of food items with little value added.
A review of food imports and exports reveals that while the former manifested a positive growth trend between 1985 and 2000, the latter first increased from 10.8 percent to 31.1 percent in 1985-1994 and then dropped to -18.7 percent in 1995-2000, as shown in Figure below. Uganda's non-food agricultural imports consist of tallow and machinery, while non-food agricultural exports include cotton, tobacco, cotton seed cake, flori-cultural products, and hides and skins.

- **Agricultural Exports:**

Uganda's agriculture sector still accounts for over 70 percent of its exports. These exports are mainly dominated by coffee, as shown in Table below. Uganda ranks ninth in the world (accounting for 3 percent of the

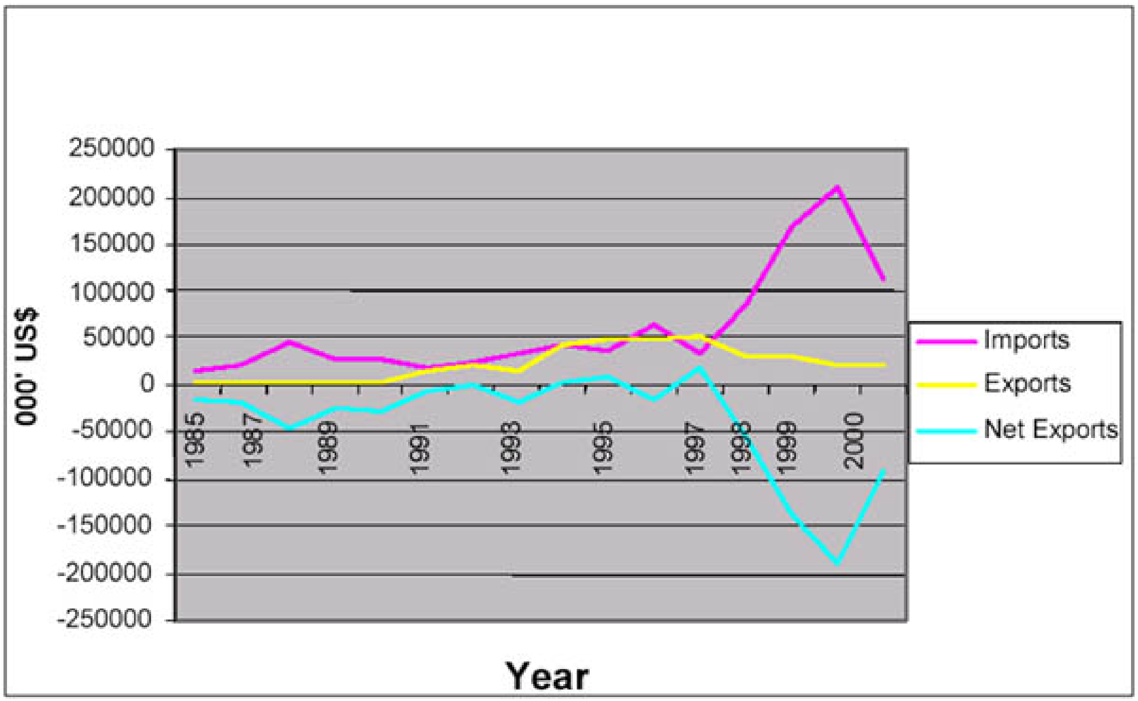

Figure 4: Uganda's food trade.

world's coffee production) and is second in Africa to Côte d'Ivoire. Coffee provides employment to approximately five million Ugandans, either directly or indirectly. Smallholder farmers produce 99 percent of total coffee output.

In the period 1990-1994, coffee registered a decline in both price and quantity, but in the subsequent period (1995-2000), the decline was reversed. The instability in coffee export earnings is attributed to fluctuations in international coffee prices and the ravaging of farms by coffee wilt disease. Besides, the failure to add value on coffee exports through processing has resulted in the continued loss of Uganda's international market share to other competitors. This phenomenon underscores the need for commodity-exporting LDCs like Uganda to capture a larger share of the international market through value addition.

Uganda still has a ***comparative advantage*** in coffee production. This explains why the Government continues to focus its efforts on coffee as one of the prime agricultural subsectors that can have a major impact on poverty eradication. Indeed, coffee rejuvenation is an important part of the government's poverty reduction strategy (Poverty Action Fund). The Government for the first time has allocated USh500 million in 1999/2000 for new planting and is expected to continue with this support for at least two more years. The National Agricultural Research Organization has intensified research on the coffee wilt disease that poses a threat to the coffee sector. The Government also wants to add value to coffee and is looking for investment partners, although this may be difficult to attain since the investment needed is heavy. Cotton has experienced an upward growth trend in output over the period 1985-2000, although instabilities were registered in its price. These variations in cotton export earnings are mainly attributable to fluctuations in international cotton prices, political instability in major growing areas as well as a heavy dependence on weather. However, Government is committed to reviving the cotton industry because it is the second most important cash crop in Uganda. The cotton industry (including textiles) employs 1.4 million people including farmers, ginners, textile workers, middlemen, oil millers, transporters and exporters. Besides, Ugandan cotton is generally of a high quality and enjoys a comparative advantage in the region.

Tobacco as a significant contributor to Uganda's export earnings has been registering steady annual growth in both price and volume since 1985. However, cocoa has been experiencing mixed fortunes, recording a decline in its price, although the quantity has been on the increase.

Commodity	Period average			Period change	
	1985-89 (A)	1990-94 (B)	1995-2000 (C)	B over A	C over B
Total (US$ thousand)	331 596	215 631	411 506	0.7	1.9
Coffee					
Value (US$ thousand)	315 665	115 043	252 880	-63.6	119.8
Quantity (thousand tonnes)	152 232	140 848	204 541	-7.5	45.2
Unit value (US$/tonne)	2.1	0.9	1.3	-56.5	38.2
Cotton					
Value (US$ thousand)	6 030	7 812	12 306	29.6	57.5
Quantity (thousand tonnes)	4 456	6 168	9 184	38.4	48.9
Unit value (US$/tonne)	1.4	1.2	1.4	-12.3	16.5
Tea					
Value (US$ thousand)	2 326	7 302	25 695	3.1	3.5
Quantity (thousand tonnes)	2 469	7 442	21 183	3.0	2.8
Unit value (US$/tonne)	0.9	0.9	1.2	1.0	1.3
Tobacco					
Value (US$ thousand)	205	5 062	15 215	14.8	3.0
Quantity (thousand tonnes)	166	2 915	7 188	10.5	2.5
Unit value (US$/tonne)	1.2	1.7	2.3	1.3	1.3
Cocoa					
Value (US$ thousand)	542	675	1 154	24.5	71.0
Quantity (thousand tonnes)	290	586	1 356	102.1	131.5
Unit value (US$/tonne)	1.9	1.2	0.9	-37.6	-28.3

Figure 5: Uganda's agriculture exports by commodity.

Among the more significant Ugandan non-traditional exports in recent years are fish products, maize, beans, horticultural products, oilseeds, and fixed vegetable fats and oils. The value of these products averaged US$87.4 million per year during 1995-1999, which represented 18.6 percent of agricultural exports and 15.1 percent of total national exports. The trend towards some export diversification appears to have benefited from the past devaluation of the shilling encouraging the recovery of export crop production and, more fundamentally, regional trade liberalization under COMESA.
Uganda's major food exports are maize, beans, pulses, fruits and oil seeds, as shown in Table below. Food exports, particularly maize and beans, are mainly exported through formal and informal cross-border trade and through international aid agencies. International agencies (especially WFP, EU and IRCC) procure food to deliver to displaced people as well as relief supplies for neighbouring countries. Formal cross-border trade involves the use of export licences and certificates. There are few data available on informal cross-border trade, which usually involves quantities of less than US$1 000 in value.
The decline in maize earnings in the period 1990-2000 is mainly attributable to a fall in output as price remained constant. Pulse earnings have steadily increased in the period 1990-2000 owing to a rise in both price and output.
Since 1985, export earnings from fruits and vegetables have been growing steadily. This is due solely to increased output exported, as this was not accompanied by a price rise. Fruit and vegetable exports earned Uganda US$8 million and US$13 million in 1990-1994 and 1995-2000, respectively. The primary markets for Uganda's fruits and vegetables are the United Kingdom, Belgium and Sweden.
Bananas are the most abundantly cultivated food crop in Uganda. Annual production is estimated at 8.5 million tonnes, accounting for 15 percent of the world's production. However, banana production is primarily for domestic consumption. In addition to providing food, bananas are a source of income to farmers throughout the year.

- **Imports:**

Table below shows that expenditures on food imports have grown steadily over the period 1985-2000. Wheat and rice imports increased significantly in 1995-2000 as compared with 1990-1994, although prices remained steady. Expenditure on sugar imports reflects a similar trend with significant volumes registered in the same period, although accompanied by a price rise.

Commodity	Period average			Period change	
	1985-89 (A)	1990-94 (B)	1995-2000 (C)	B over A	C over B
Total food exports					
Value (US$ thousand)	772	27 952	33 761	36.2	1.2
Quantity (thousand tonnes)	156 211	249 764	313 653	1.6	1.3
Unit value (US$/tonne)	0.005	0.1	0.1	22.0	1.2
Fruits and vegetables					
Value (US$ thousand)	288	8 188	12 984	28.5	1.6
Quantity (thousand tonnes)	600	25 603	30 077	42.7	1.2
Unit value (US$/tonne)	0.5	0.3	0.4	0.7	1.3
Beans					
Value (US$ thousand)	-	6 940	2 518	-	0.4
Quantity (thousand tonnes)	-	22 538	14 390	-	0.6
Unit value (US$/tonne)	-	0.3	0.1	-	0.4
Maize					
Value (US$ thousand)	-	28 261	1 228	-	0.04
Quantity (thousand tonnes)	-	70 097	40 993	-	0.6
Unit value (US$/tonne)	-	0.3	0.3	-	1.1
Pulses					
Value (US$ thousand)	-	6 997	8 131	-	1.2
Quantity (thousand tonnes)	-	22 615	22 667	-	1.0
Unit value (US$/tonne)	-	0.3	0.4	-	1.1
Oil seeds					
Value (US$ thousand)	-	6 192	4 588	-	0.7
Quantity (thousand tonnes)	-	13 289	8 802	-	0.7
Unit value (US$/tonne)	-	0.5	0.5	-	1.1

Figure 6: Uganda's food exports by commodity.

Expenditure on maize imports have been rising as a result of increased import volumes, rather than price changes. It should be pointed out that wheat and rice are mainly consumed by the urban population.

- **Export market access:**

Information on market access conditions, as measured by simple average tariff rates, was applied to products of export interest to Uganda excluding and including preferences. The preferential rates that were used are those extended to Uganda such as the GSP (Generalized System of Preferences). The results reflect the fact that Uganda's exports globally have a better market access in the developed country markets because of preferential trade arrangements.
Uganda is among the 70 ACP (African, Caribbean and Pacific Group of States) states granted non-reciprocal preferences by the European Union under the Lomé Convention (now the Cotonou Agreement). All Ugandan exports, except those covered by the Common Agricultural Policy, enter the EU market free of customs duties and quantitative restrictions. Uganda also qualifies for GSP treatment in major developed markets including the United States, Japan and Canada.
Until recently (1999), about half of Uganda's exports were taken by the EU (Figure below). The United Kingdom is the largest single destination for Ugandan exports. Since 1995, there has been a significant increase in exports to Asia and Africa. COMESA, in particular Kenya and the United Republic of Tanzania, is also rapidly becoming a major export market for Uganda's exports, owing to the recent increase in non-traditional exports.
Up to 1995, the EU was Uganda's single most important source of imports, but since then, its share has been decreasing, as shown in Figure below. From 1996 to 2000, imports from other European states, Asia and COMESA have grown rapidly. Kenya is the largest single supplier, accounting for nearly one-quarter of total merchandise imports to Uganda.

- **Link between trade liberalization and investment:**

Uganda adopted a new incentive regime of investment capital allowances to replace the tax holiday facility embodied in Section 14 of the Finance Statute 1997. The new incentives fall into three categories: capital allowances and expenses, deductible annual allowances and annual depreciation allowances.

Commodity	Period average			Period change	
	1985-89 (A)	1990-94 (B)	1995-2000 (C)	B over A	C over B
Total food imports					
Value (US$ thousand)	26 605	42 048	147 925	1.6	3.3
Wheat					
Value (US$ thousand)	2 016	7 208	21 089	3.6	2.9
Quantity (thousand tonnes)	12 120	32 619	75 797	2.7	2.3
Unit value (US$/tonne)	0.2	0.2	0.3	1.2	1.5
Rice					
Value (US$ thousand)	2 000	1 260	11 086	0.6	8.8
Quantity (thousand tonnes)	6 025	2 867	33 103	0.5	11.5
Unit value (US$/tonne)	0.3	0.4	0.4	1.2	0.9
Sugar					
Value (US$ thousand)	8 040	7 978	20 496	1.0	2.6
Quantity (thousand tonnes)	27 146	20 441	46 470	0.8	2.3
Unit value (US$/tonne)	0.3	0.4	0.5	1.4	1.0
Barley					
Value (US$ thousand)	582	15 581	9 561	2.7	6.1
Quantity (thousand tonnes)	1 600	2 991	16 011	1.9	5.4
Unit value (US$/tonne)	0.3	0.5	0.7	1.5	1.3
Maize					
Value (US$ thousand)	417	2 891	10 592	6.9	3.7
Quantity (thousand tonnes)	2 633	18 882	52 392	7.2	2.8
Unit value (US$/tonne)	0.2	0.2	0.2	0.9	1.5
Milk					
Value (US$ thousand)	5 720	2 734	1 899	0.5	0.7
Quantity (thousand tonnes)	21 695	9 597	6 175	0.4	0.6
Unit value (US$/tonne)	0.3	0.3	0.3	1	1.2

Figure 7: Uganda's food imports by commodity.

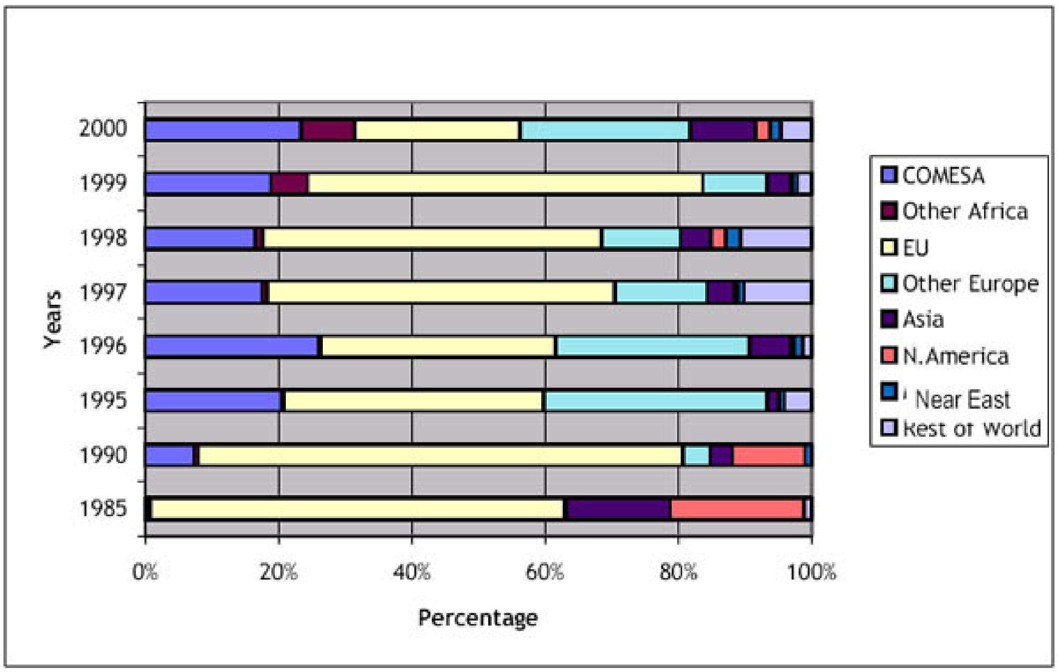

Figure 8: Destinations of Uganda's exports by region.

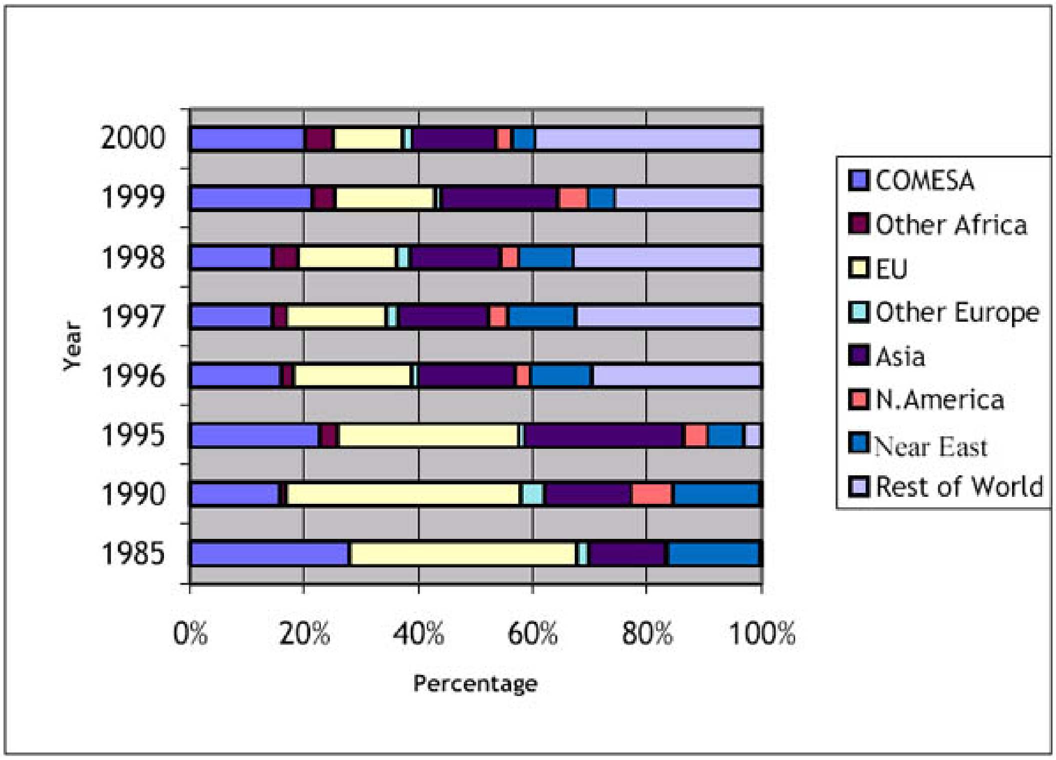

Figure 9: Origin of imports by region.

Period	US$ million	Percentage of US$ thousand GDP
1986-90 (annual average)	-0.6	-0.3
1991-95 (annual average)	54.3	12.4
1996	12	21.6
1997	175	29.3
1998	210	34.7
1999	222.1	38.7

Figure 10: Net FDI inflows to Uganda, 1986-1999.

Licensed investors enjoy a deferred value added tax (VAT) payment facility on plant, machinery and raw material for drugs, seedlings, greenhouse equipment, plastic sleeves and tea clones. The facility is granted on a consignment basis, as approved by the Commissioner for VAT. In addition, the Budget for the 2000/2001 financial year provided VAT exemption to producers of all types of agricultural inputs, waived customs tariffs on some imported raw materials, import licence commission and the withholding tax on all imported raw materials.

- **FDI:**

Uganda has been attracting increasing amounts of foreign direct investment (FDI) since the beginning of the 1990s. Between 1987 and 1993, Uganda attracted an annual average of US$9 million of FDI. These inflows have increased steadily since 1994 to a peak of US$222.1 million in 1999, as shown in Table below. Uganda attracts more FDI than any other country in the Great Lakes region, although the inflow is still low in relation to the economy's needs. Foreigners have mainly invested in manufacturing (about 52 percent of the total FDI over the period 1991-1998). Other areas of interest to foreign investors include transportation, communication, storage, real estate, agriculture, forestry and fishing, as shown in Table below.
Mirroring their importance as trade partners, the EU, United States, Canada and increasingly the COMESA countries are Uganda's leading foreign investors. Starting from very low levels, commitments have picked up, reflecting confidence in the country's economic management, the abolition of restrictive approval procedures and possibly the pull effects of incentives.

Sector	Approved	Percentage	Actual	Percentage
Manufacturing	906.2	37.7	422.8	52.1
Real estate	343.3	14.3	56.7	7.0
Transport, communications, storage	291.2	12.1	70.3	8.7
Mining and quarrying	194.3	8.1	47.7	5.9
Tourism (hotels, casinos)	132.3	5.5	52.0	6.4
Agriculture, forestry and fishing	112.5	4.7	57.2	7.0
Other business services	99.1	4.1	13.6	1.7
Water and energy	74.2	3.1	0	0
Trade	69.9	30.1	..	3.7
Financial services	67.4	2.8	31.2	3.8
Construction	55.4	2.3	18.1	2.2
Social services	51.9	2.2	12.1	1.5
Total	2 397.6	100	781.7	100

Figure 11: Foreign direct investment inflows by sector, 1991-1998 (US$ million and percentage.

Country	Amount FDI	Number of projects
United Kingdom	406.1	165
Canada	197.9	47
Kenya	176.8	117
United States	173.3	25
South Africa	144.9	8
India	109.3	62
Sweden	36.9	22
Republic of Korea	16.4	12
Denmark	12.4	15
United Republic of Tanzania	..	14
Others	1 141.3	142
Total	2 415.6	629

Figure 12: Country of origin of accumulated FDI flows to Uganda, 1991-1999.

The leading investor countries in Uganda include the United Kingdom, Canada, Kenya, the United States, South Africa and India. These countries together account for more than half of accumulated FDI inflows to Uganda over the period 1991-1999, as shown in Table below. There is still regional investment interest from Kenyan companies as well as from other traditional sources. Other countries in Europe have also expressed greater interest in Uganda, according to the Uganda Investment Authority.

- **Food security impacts,Effects on trends in poverty and malnutrition:**

Table below shows that cereals, followed by coarse grains, dominate the food aid that Uganda received between 1985 and 2000. Food aid was highest in the period 1990-1994 with 142 224 tonnes, but later dropped to 125 174

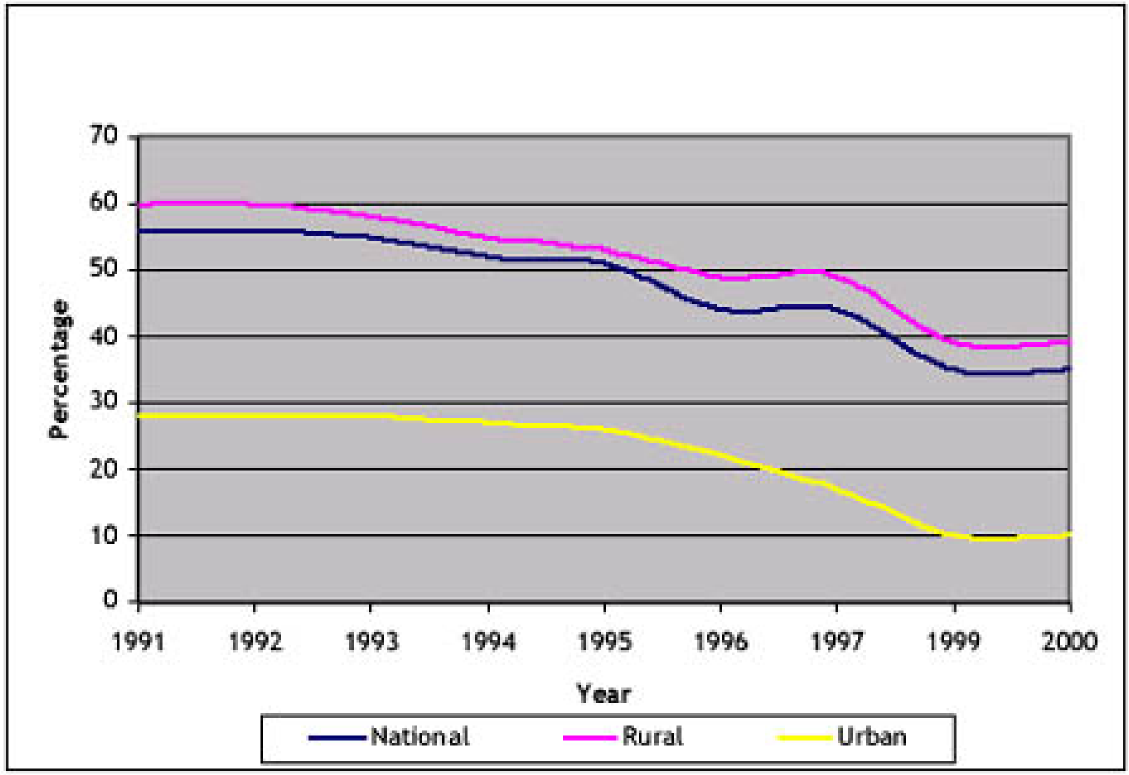

Figure 13: Poverty in Uganda.

tonnes in 1995-2000. The United States and the EU are Uganda's major sources of food aid.

The poverty line is defined, based on the food poverty line. Data from household surveys show that poverty in Uganda declined from 56 percent in 1991 to 44 percent in 1995 and 35 percent in 2000, as shown on Figure below.

Uganda's per capita income in 1990 stood at US$350, dropped to US$190 in 1994 and rose to US$290 in 2000. This implies that, in the year 2000, Uganda's per capita income was still below that of the year 1990. However, there was a steady increase from 1995, the year when uganda implemented the WTO reforms.

The rate of growth in the Consumer Price Index has been declining over the past decade. The period between 1991 and 1994 registered significant price inflation. However, since 1995, inflation has remained in single digits. Malnutrition is still a problem in Uganda, since there are high levels of

Stuntedness, wasting and Underweightness among children under five years of age. Stuntedness and Underweight decreased slowly from 44.5 percent and 23.3 percent in 1988 to 39.1 percent and 22.8 percent in 2000, respectively. However, the proportion of wasted children rose from 1.9 percent in 1988 to 4.1 percent in 2000. This implies that feeding and nutritional management is still a major problem in Uganda.

(Conclusion)Interests and concerns of Uganda in Doha round of negotiations:

Since the inception of the WTO, world trade has continued to expand. However, Africa's share of world trade has diminished over the same period, a situation that is by no means acceptable and needs to be addressed. The Government of Uganda strongly believes that the current asymmetries in international trade pose a great challenge to the LDCs (Least Developed Countries) . It is from this viewpoint that Uganda calls for a reassessment and review of several aspects of the multilateral trading system.

- **Market access:**

Generally, high tariffs and tariff escalation are a major barrier to products of export interest to Uganda, adversely affecting its export revenues. Tariff escalation hinders the diversification of agricultural products into agricultural processing industries, which not only provide new trading opportunities but also increase the value of exports. Developed countries still have high degrees of tariff escalation against products like processed coffee. The recent financial crises illustrate the fragility and vulnerability of commodity-dependent economies to external shocks and the need to improve Uganda's competitive position so that it can benefit from agricultural diversification and broader-based economic development. Hence, the multilateral trading system should be oriented towards establishing a fair and market-oriented agricultural trading system. Uganda wants to improve its market access through the following:

1. Negotiating for tariff reductions on value-added products.
2. Ensuring that special and differential treatment continues to be an integral part of the AoA (Agreement on Agriculture) and structured in

such a manner so as to respond to its development needs rather than being just “a best endeavour”.

3. Ensuring that special and differential treatment continues to be an integral part of the AoA and structured in such a manner so as to respond to its development needs rather than being just “a best endeavour”.

4. Protecting the trade preferences it enjoys under the Cotonou Agreement, the GSP (Generalized System of Preferences), EBA (Everything But Arms) and AGOA (African Growth and Opportunity Act) in a liberalized multilateral trading environment. It therefore seeks waivers for these initiatives and advocates bound duty-free, quota-free preferential treatment.

5. Advocating special and differential treatment in respect of the SSG (Special Agriculture Safegueard) by seeking its modification because of its vulnerability and weakness as an LDC (Least Developed Country). The SSG will help Uganda because it is much easier to invoke compared with the ordinary safeguard, since it does not need proof of serious injury.

- **TRQs(Tariff-rate quotas):**

Uganda supports the expansion of TRQs to accommodate larger quantities in the protected market as well as reform of TRQ administration, especially the allocation of export licences to various suppliers. The negotiations should bring in reforms in this system to simplify it and make it transparent.

- **Domestic support measures:**

Agriculture is a way of life for the majority of the population in Uganda, and support to agricultural production is essential to ensure food security and alleviation of poverty. It employs over 70 percent of rural population and is a significant contributor to GDP as well as an important source of foreign exchange revenue. As regards food consumption, the sector accounts for a large share of expenditure out of total household income. Besides, it is not easy to provide alternative sources of employment for the rural poor in Uganda. **It is imperative that ongoing trade negotiations on the Agreement on Agriculture do not undermine the viability of the agricultural sector in the multilateral trading system**.
The Blue and Green Box exemptions in practice set no limit to the level of domestic support provided by developed countries, despite the reduction commitments. Total OECD (Organization for Economic Cooperation and Development) support for agriculture is US$362 billion annually, of which 90 percent is in the EU, United States and Japan. These figures compare poorly with total agricultural exports from developing countries of US$170 billion a year. Uganda urges the simplification and tightening of domestic support provisions, particularly on exempt policies, as this has greatly distorted the market for agricultural products to its disadvantage. It also urges that a monitoring mechanism be put in place to guarantee a phased withdrawal of domestic support by developed countries. Furthermore, Uganda joins the Cairns group and those members who are proposing a “Development Box” that would take care of the unique situation to do with employment, rural development and food security.

- **General Agreement on Trade in Services (GATS):**

Trade in services is absolutely important to Uganda because the services sector has continued to grow while facilitating numerous other areas of the economy. Furthermore, the services sector is contributing significantly to Uganda’s foreign exchange earnings. It is imperative, therefore, that the focus of the ongoing GATS negotiations be directed towards further development of the services sector in developing countries.
GATS exempts LDCs(Least Developed Countries) from fully liberalizing their service sector, and thus they have the flexibility to liberalize selected

sectors. However, Uganda is advocating a revisit of the provisions. It advocates that developed countries relax their immigration and visa requirements to allow easy movement of natural persons across their borders.

- **Export subsidies:**

In many cases, export subsidies have contributed to the displacement of exports from developing countries like Uganda within their domestic as well as regional markets. Export subsidies damage production of small-scale producers in the LDCs (Least Developed Countries), who have meagre resources. **Uganda therefore advocates the total *elimination* of these subsidies**.

4 Case study 2: A brief review of Dumping with examples

Introduction:

- **Dumping:**

If a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be "*dumping*" the product.
Governments take action against dumping in order to defend their domestic industries.
The WTO agreement does not pass judgement. Its focus is on how governments can or cannot react to dumping — it disciplines anti-dumping actions, and it is often called the "Anti-Dumping Agreement".
The WTO agreement allows governments to act against dumping where there is genuine ("material") injury to the competing domestic industry. In order to do that the government has to be able to show that dumping is taking place, calculate the extent of dumping (how much lower the export price is compared to the exporter's home market price), and show that the dumping is causing injury or threatening to do so.
Calculating the extent of dumping on a product is not enough. Anti-dumping measures can only be applied if the dumping is hurting the industry in the importing country. Therefore, a detailed investigation has to be conducted according to specified rules first. The investigation must evaluate all relevant economic factors that have a bearing on the state of the industry in question. If the investigation shows dumping is taking place and domestic industry is being hurt, the exporting company can undertake to raise its price to an agreed level in order to avoid anti-dumping import duty.

- **Anti-Dumping Actions:**

Anti dumping actions have been rising in the past 3 decades. While these measures were used by developed countries upto 1990, the developing countries have also started using them more and more in the recent years after the establishment of WTO. It is also observed that the mutual anti dumping actions among developing countries are more than the anti dumping actions between developed countries and developing countries and mutual anti dumping actions between developed countries.

- **Some Examples of Disputes related to Dumping:**

- **US on South Korea (1998):**

US had imposed Anti Dumping Duties on South Korea on imports of Color Television Recievers (CTVs). Korea argued that the US had for twelve years maintained an anti-dumping order for Samsung's CTVs despite the absence of dumping and the cessation of exports from Korea, without examining the necessity of continuing to impose such duties. The Case was resolved in 1998 by mutual agreement of US and South Korea.

- **On-going review of Dumping by India (2020):**

India is currently reviewing a case where it has alleged that China is dumping melamine in India. Anti-dumping duty was first imposed on the product in 2004 and was extended after multiple reviews. The existing duties will expire on January 27, 2021. Hence a review is being carried on to check whether the duties have to be extended further or duly abolished.

- **India and Dumping:**

India has emerged as one of the biggest players in using anti-dumping actions, and most of it, unlike the expectations, is targeted against other developing countries, rather than the developed OECD (Organization for Economic Cooperation and Development)countries. Much of these actions have been in those industries where there exists monopoly and high concentration in Indian industries. In contrast, developed countries have raised the maximum objection to Indian exports under the dumping route, and most of it is in industries that have great export potential for India. India initiated the first anti dumping action in 1992.
India ranks first among the countries initiating anti dumping action between 1-1-1995 (the day on which WTO came into existence) and 31-12-2002.

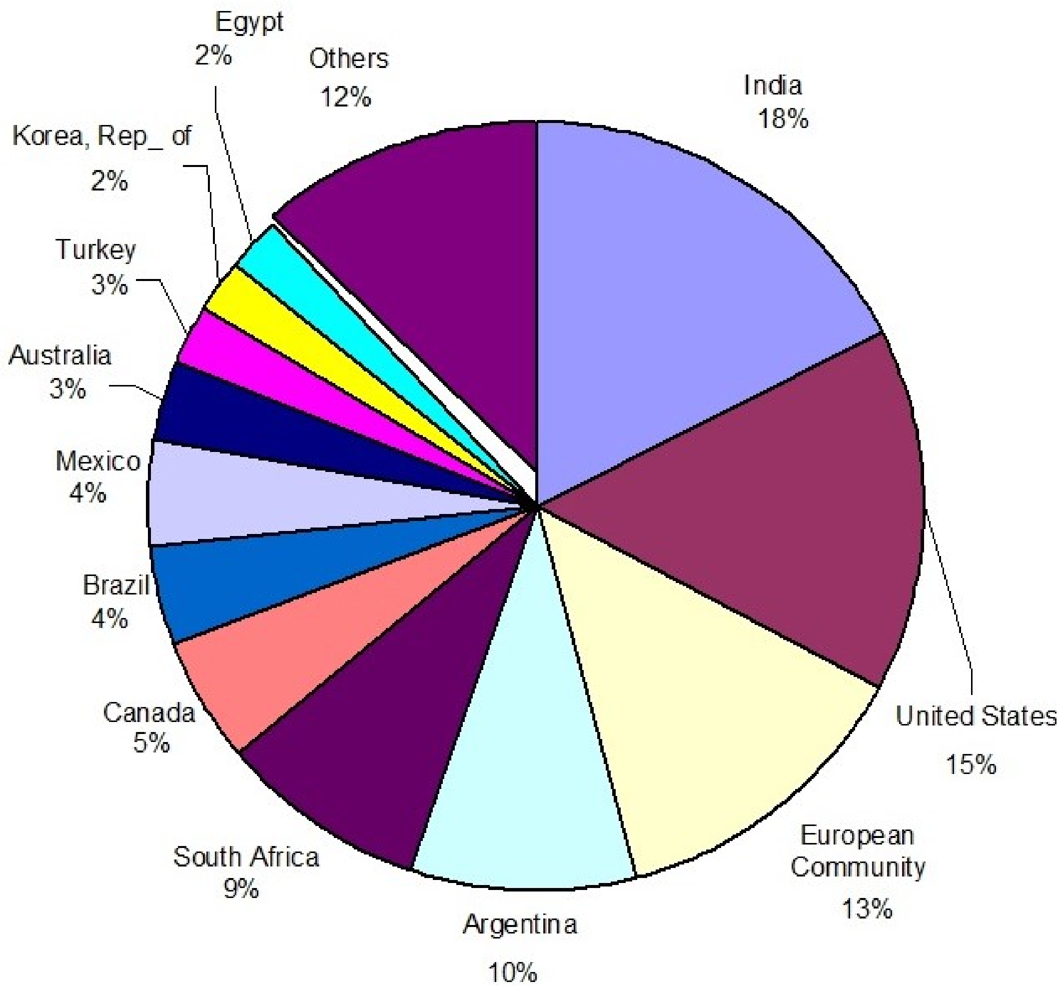

Figure 14: Top Twelve Initiators of Anti Dumping Actions

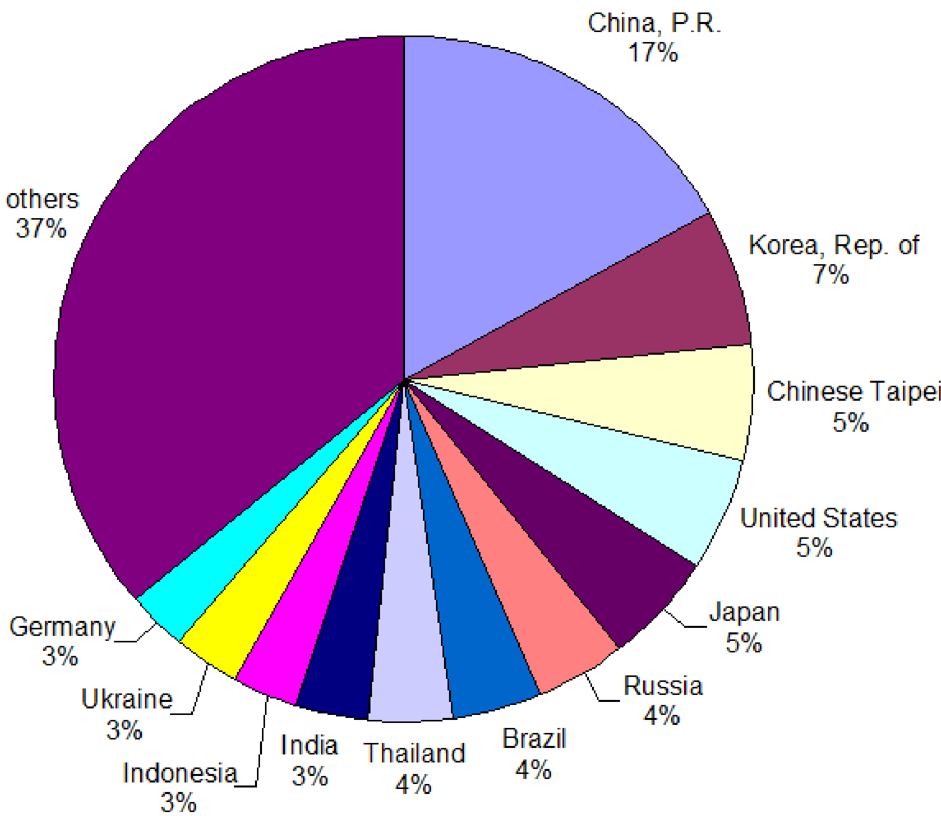

Figure 15: Top Twelve Countries Affected by Anti-Dumping Actions

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6 Glossary of Abbrevations

Abbrevations used:

1. **TRIPS**: Trade Related Aspects of Intellectual Property Rights
2. **TRIMS**: Trade-Related Investment Measures
3. **TRQ**: Tariff-rate Quotas
4. **GATS**: General Agreement on Trade in Services
5. **LDC**: Least Developed Countries
6. **HIPC**: Heavily indebted Poor Countries
7. **GSP**: Generalized System of Preferences
8. **AoA**: Agreement on Agriculture
9. **SSG**: Special Agriculture Safeguard
10. **WFP**: World Food Programme
11. **EAC**: East African Community
12. **COMESA**:Common Market for Eastern and Southern Africa
13. **PEAP**: Poverty Eradication Action Plan
14. **IRCC**: Immigration, Refugees and Citizenship Canada
15. **ACP**: African, Caribbean and Pacific Group of States
16. **AGOA**: African Growth and Opportunity Act
17. **EBA**: Everything but Arms
18. **OECD**: Organization for Economic Cooperation and Development