

**DENIVA CUTS – LRC
EPA PROJECT TECHNICAL WORKSHOP
FRIDAY MARCH 3RD 2006
GRAND IMPERIAL HOTEL**

REPORT

Presenters

1. Mr. Elly R.Twineyo: Impact of EPAs on Uganda. A synthesis of EPA impact studies.
2. Dr. Bakunda : Importance of EU preferences to Uganda (Lome- Cotonou, EBA,GSP)
3. Ms. Jane Nalunga: The Need to delay EPAs. Options for CSO Engagement.

LIST OF PARTICIPANTS

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**DENIVA/CUTS EPA Capacity Building Project Technical workshop, Kampala Uganda
Friday 3rd February 2006**

PROGRAMME

8.30 – 9.00	Arrival and registration of participants
9.00 – 9.30	Democratising and domesticating the trade debate Prof. JB Kwesiga Executive Secretary DENIVA
9:30 – 10:15	Outline of the EPA background Paper (Elly R. Twineyo)
10:15 - 11:00	BREAK TEA
11:00 – 11:45	Importance of trade preference for Uganda Dr. Geoffery Bakunda
11:45 – 12:00	Discussion
12:00 – 1:00	B/ground Paper Challenges of the EPAs for Uganda (Elly R. Twineyo)
1:00 – 2:00	LUNCH
2:00 – 2:45	Impact of EPAs (Elly R. Twineyo)
2:45 – 3:00	Discussion
3:00 – 3:45	The Need to Delay EPAs or the No to EPAs campaign Ms Jane Nalunga
3:45 – 4:00	Discussion: What should be done to make EPAs work for Uganda?
4:00 – 4:45	Wrap up (Rapporteur Reads workshop recommendations) Closing
4:45 – 5:00	EVENING TEA

Recommendations from the EPA Technical Workshop

Elly Twineyo (the facilitator) gave the outline of the paper on the impacts of EPAs with European Union on Uganda's economy.

He said that the "Cotonou Agreement" which was concluded in 2000 provided for subsequent negotiations of WTO compatible Economic Partnership Agreements (EPAs) which will become the basis of trade relations between the African, Caribbean and Pacific countries and the EU. He said the negotiations will bring about reciprocal trade arrangements between the ACP countries and the EU starting from January 2008.

Challenges of EPAs for Uganda

Elly Twineyo gave the challenges of EPAs to the Ugandan economy which included the following;

- 1 Intensified competition for the EU market as products from various countries will be competing in a large but limited market
- 2 Loss of employment and de-industrialisation because locally protected industries will face competition from imported duty free products from EU

- 3 Loss of revenue due to elimination of tariffs on EU imports
- 4 Shrinking of local manufacturing sector due to competition
- 5 Increased poverty thus affecting the welfare of the people. The poor will benefit the least from EPAs because it requires increased efficiency in producing high quality products.

He concluded by saying that due to the above challenges of the EPAs, a list of potential sensitive products have been suggested for negotiations with EU. He also said that there is still need for development funding, both donor and government funding if Uganda is to get meaningful gains from EPAs.

The need to delay the EPA negotiations: by Jane Nalunga

From the presentation of Jane Nalunga from SEATINI, an overview of the EPA negotiations was given. The negotiations were launched in Sept. 2002 and are to be carried out in two phases.

The first phase is at the pan-ACP-EU level to agree on the principles and approaches to be adopted, the structure and the modalities for the negotiations and cross cutting issues of common interest for the ACP.

The second phase which started in Sept. 2003 is about the negotiations on specific regional EPAs.

She also talked of the negotiations at the regional level, which are also in three phases. The three phases include continuation and finalisation (Jan. 2006-2007), substantive negotiations and areas of disagreement revisited and the last phase of the finalisation and ratification in order for EPA to be in place on 1st Jan. 2008.

Jane Nalunga talked about the “No to EPA Campaign” which was launched by CSOs. She said that the campaign is about saying **No to EPAs in their current form**. The following reasons were given as to why they are saying **No to EPAs**

- 1 The principle of reciprocity is only acceptable in an economic relationship between equals. The challenge here is that the ACP countries and EU are not equal partners.
- 2 The EPA configuration for Eastern and Southern Africa (ESA) undermines the regional integration efforts.
- 3 The Singapore issues which were rejected in the WTO, apart from trade facilitation, have been included in the EPAs and they also go deeper than they were proposed in the WTO.
- 4 The ESA countries and Uganda in particular lack both human and financial capacity to negotiate the EPAs.
- 5 Reconciling the LDCs and non-LDC interests whereby there is a policy challenge of how future trade arrangements between the EU and ESA countries will be structured so as to fully accommodate the needs and rights of LDCs.

6 There is not enough time to prepare and understand EPAs negotiations.

With the above reasons, Jane Nalunga suggested that there is need for positive constructive engagement, advocating for alternatives and advocating for more time for the negotiations.

The participants also gave suggestions which included:

- Civil society involvement through capacity building and providing actual case studies from the ground.
- Impact assessment studies need to be taken forward and involvement of environment issues.
- The Government should work together with CSOs to sensitise the society especially farmers about EPAs.
- Funding of a study on development finding requirements which should be funded by the Government (Ministry of Finance) should be undertaken.
- There is a need for a time frame.

Importance of EU Preferences to Uganda by Dr. Geoffrey Bakunda

In a paper presented by Dr. Geoffrey Bakunda: “Importance of EU preferences to Uganda”, it was cited that trade preferences under the GATT and later the WTO relate mainly to the concessionary non-reciprocal trade arrangements as provided by the developed countries. UNCTAD (2005) observed that market access preferences granted under autonomous preferential regimes are among the most concrete examples of the special and different treatment of developing countries.

Under the Lome I-IV bis (1975-2000), the Cotonou Partnership Agreement (CPA) (2000-2007) and Everything but Arms (EBA) initiative, market preferences have been provided to Uganda by the EU. With most of Uganda’s products entering the EU having a zero rating, duty free and quota free. However stringent rules of origin have hampered its benefits to the country. Looking at the three mentioned preferences, it’s important an analysis is made:

The Cotonou Partnership Agreement is supposed to provide for market access for all products originating from the ACP countries .Yet a specific quota system exists for sugar, veal and beef. The current rules of origin under CPA are restrictive rules of accumulation such as textiles and fish products. The rules limit Uganda’s efforts to add value to her agricultural products and export them to the EU. What are therefore the implications of this to Uganda’s economy?

The EBA (Everything but Arms)

In February 2001, all goods from LDCs (48 in number) were granted free access with the exception of arms and ammunitions. *Though this is a beneficial initiative, agricultural products like bananas, rice and sugar will be fully liberalised by 2006 for bananas and 2009 for sugar and rice.* All in all one can say Uganda has not benefited under the EBA.

Total export to the EU still remained at 0.05% in 2004 (Mutahunga 2005) despite Uganda being a beneficiary of EBA.

The Generalised System of Preferences (GSP):

In 1968, UNCTAD recommended the creation of the above system. In this, industrialised countries would grant trade preferences to developing countries. The EC was the first to implement this scheme in 1971, since then a series of preferential tariff treatments for developing countries have been accorded. For certain products such as textiles, a quota system was implemented alongside preferential tariff treatment. With a whole new picture given to the GSP in May 2005 to run from 2006-2008, there will be a reduction of the previous more than five GSP arrangements to three tariff preferences to 'vulnerable countries' who meet the objective criteria for sustainable development and good governance among others.

EU being Uganda's main trading partner absorbs over 33% of total exports (Government of Uganda 2005). It is important to mention that Uganda whose main exports are primary commodities and semi-processed goods has so far failed to take full advantage of the benefits of the various market agreements especially EBA.

The rules of origin and supply side constraints remain a major block to utilisation of market access initiatives provided by EU. The real issue here is the criteria provided for specified products and the cost of conformity to the requirements.

The situation of Uganda's trading strength would change if only these issues are dealt with. Poor infrastructure development, lack of market information, weak technological capacity, scarcity of long term finance, expensive trade credit and preshipment finance, lack of a coherent strategy for export sector development, weak enabling institutions are among the many reasons

To solve some of these existing stringent situations, Dr Bakunda suggested the following measures:

Uganda should consider negotiating for better rules of origin including up to 50% tolerance level of non-originating products for a period of at least 25 years. During the 25 years, there would be an opportunity for Uganda to invest and develop domestic production capacity of value added industrial products. Like AGOA which allows 70% non-originating products for sub-Saharan countries, the CPA, EBA should allow 50%!

Uganda should demand that under an EPA the full accumulation rule within the ACP countries be maintained and that she can cumulate with all developing countries regardless of geographical considerations as long as it complies with the 50% as provided for in the CPA.

It is important that Uganda negotiates for lenient rules of origin under the EPA if it is to enjoy any meaningful market access for its value added products. In addition to the above, there is need for more negotiations on market access under the EPAs so as to

focus on achieving less stringent and favourable rules of origin and a removal of trade – distorting non-tariff barriers such as sanitary and phytosanitary measures as well as other standards and technical regulations.

Other recommendations that would be done within the country as suggested by the participants were:

The Government of Uganda under the Ministry of Trade and industry should improve the investment environment.

The policy space to talk and interact with policy makers on issues of trade is very limited and tied down to specific agendas which on its own are an obstacle. Therefore a more interactive forum with policy makers is needed to address trade and its related issues.

The media is important to help Civil Society advance its position on trade but there is need for a comprehensive media strategy.

Conclusion and Way forward

The nature of future EPA rules of origin will be a major determinant of the impact of the agreement on trade and investment flows, and thus on Uganda's ability to benefit from an EPA. Since the majority of Uganda's exports are mainly raw materials, the EPA will be of relevance for Uganda if more favourable EPA rules of origin would provide a stimulus to future trade diversification and investment in value-adding activities.

Development funding is very important if Uganda is to address supply side constraints and engage in Agro processing. There is need for positive constructive engagement, incorporating the alternatives provided and advocating for more time for the impact assessment studies on the EPA negotiations.

In addition to the above, there is need for more negotiations on market access under the EPAs so as to focus on achieving less stringent and favourable rules of origin and a removal of trade–distorting non-tariff barriers such as sanitary and phytosanitary measures as well as other standards and technical regulations.

Therefore, the Ugandan government and negotiators should carefully analyse the possible EPAs consequences before signing on the new EU-ACP Economic Partnership Agreements.

Abbreviations

EPA Economic Partnership Agreement

ACP African Caribbean and Pacific countries

ESA Eastern and Southern Africa

EU European Union

EBA Everything But Arms

AGOA African Growth and Opportunities Act

SEATINI Southern an Eastern African Trade, Information and Negotiations Institute

WTO World Trade Organization
CPA Cotonou Partnership Agreement.