

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

WORLD TRADE ORGANIZATION AND ITS IMPLICATION FOR
THE AGRICULTURAL SECTOR OF LESS DEVELOPED
COUNTRIES: LESSONS FOR ETHIOPIA

BY
ALEMU LETA MAMUYE

ADDIS ABABA
APRIL 2011

WORLD TRADE ORGANIZATION AND ITS IMPLICATION FOR
THE AGRICULTURAL SECTOR OF LESS DEVELOPED
COUNTRIES: LESSONS FOR ETHIOPIA

BY
ALEMU LETA MAMUYE

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES
OF ADDIS ABABA UNIVERSITY IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF
MASTER OF ARTS IN INTERNATIONAL RELATIONS

ADVISOR
DR. VENKATARAMAN

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF SOCIAL SCIENCE DEPARTMENT OF POLITICAL
SCIENCE AND INTERNATIONAL RELATIONS

ADDIS ABABA
APRIL 2011

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF SOCIAL SCIENCE DEPARTMENT OF POLITICAL
SCIENCE AND INTERNATIONAL RELATIONS

WORLD TRADE ORGANIZATION AND ITS IMPLICATION FOR
THE AGRICULTURAL SECTOR OF LESS DEVELOPED
COUNTRIES: LESSONS FOR ETHIOPIA

BY
ALEMU LETA MAMUYE

APPROVED BY BOARD OF EXAMINERS SIGNATURE DATE

ADVISOR

EXAMINER

Acknowledgments

First and for most, I would like to express my heart-felt respect and deepest gratitude to my advisor Dr. Venkataraman for his scholarly advice and assistance throughout the research process. This thesis would not have been completed on time without his tireless effort.

I would also like to extend my deepest gratitude to my mother, brothers and sister for encouraging me throughout my study.

TABLE OF CONTENTS

Contents	Page No.
Acknowledgements	I
Table of contents	II
Acronyms and Abbreviations	V
Abstract	VII
Chapter One	
1. Introduction.....	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem.....	3
1.3 Objectives of the Study.....	5
1.3.1 General Objective.....	5
1.3.2 Specific Objectives.....	5
1.4 Research Questions	5
1.5 Methodology and Methods of Data Collection	6
1.6 Significance of the Study	7
1.7 Scope and Limitation of the Study	7
1.8 Organization of the Study	8
Chapter Two	
2. Literature Review.....	9
2.1. Introduction	9
2.2. Definition of Terms	9
2.2.1. Agriculture Sector.....	9
2.2.2. Least Developed Countries (LDCs)	10
2.3. Historical Background of the WTO.....	12
2.4. WTO: Objectives, Principles and Functions	16
2.5. Agriculture: From GATT to WTO.....	18
2.6. The Agreement on Agriculture (AOA).....	20
2.6.1. Principles of the AOA	20
2.6.1.1 Market Access.....	20
2.6.1.2 Domestic Support	22
2.6.1.3 Export Subsidies	23

2.7. Special and Differential Treatment for LDCs	23
2.8. Chapter Summary.....	25
Chapter Three	
3. The Experience of some Selected Countries	26
3.1. Introduction	26
3.2. Nepal.....	26
3.2.1. Agriculture in Nepal	27
3.2.2. Agriculture Policy.....	28
3.2.3. Accession Process.....	29
3.2.4. The AOA and the Experience of Nepalese Agriculture	30
3.2.4.1. Domestic Support Principle and Nepalese Agriculture	31
3.2.4.1. Market Access Principle and Nepalese Agriculture.....	34
3.2.4.3. Export Subsidy Principle and Nepalese Agriculture.....	37
3.3. Uganda.....	39
3.3.1. Agriculture in Uganda.....	39
3.3.2. Agriculture Policy.....	41
3.3.3. The AOA and the Experience of Uganda’s Agriculture	42
3.3.3.1. Domestic Support Principle and Uganda’s Agriculture.....	43
3.3.3.2. Market Access Principle and Uganda’s Agriculture	46
3.3.3.3. Export Subsidy Principle and Uganda’s Agriculture	49
3.4. Chapter Summary	51
Chapter Four	
4. An over View of Ethiopia’s Agricultural Sector, Accession Process and Lessons for Ethiopia.....	52
4.1. Introduction	52
4.2. Agriculture in Ethiopia.....	53
4.3. Agriculture Policy	56
4.4. Accession Process.....	60
4.5. Lessons for Ethiopia	61
4.5.1. Market Access.....	62
4.5.2. Domestic Support	68

4.5.3. Export Subsidy.....	71
4.6. Chapter Summary	72
Chapter Five	
5. Summary, Conclusion and Recommendations.....	73
5.1. Summary	73
5.2. Conclusion.....	74
5.3. Recommendation	75
Reference	77

Acronyms and Abbreviations

ADLI-	Agriculture Development Led Industrialization
AOA-	Agreement on Agriculture
APP-	Agriculture Perspective Plan
EPRDF-	Ethiopian People's Revolutionary Democratic Front
FAO-	Food and Agriculture Organization
FDRE-	Federal Democratic Republic of Ethiopia
GATT-	General Agreement on Tariffs and Trade
GDP-	Gross Domestic Product
GNI-	Gross National Income
IMF-	International Monetary Fund
ITO-	International Trade Organization
LDCs-	Least Developed Countries
MFN-	Most Favoured Nation
MFTR-	Memorandum of Foreign Trade Regime
MoARD-	Ministry of Agricultural and Rural Development
MoFED-	Ministry of Finance and Economic Development
MoT-	Ministry of Trade
MoTI-	Ministry of Trade and Industry
NY-	No Year of Publication
PASDEP-	Plan for Accelerated and Sustained Development to End Poverty
PEAP-	Poverty Eradication Action Plan
PMA-	Plan for Modernization
SDPRP-	Sustainable Development and Poverty Reduction Programme
UNCTAD-	United Nations Conference on Trade and Development
UNEP-	United Nations Environment Programme
WB-	World Bank
WTO-	World Trade Organization

***THIS THESIS IS
DEDICATED TO MY
FATHER LETA MAMUYE***

Abstract

The World Trade Organization (WTO) which was established in 1995 is a landmark development in the history of international trade in agriculture. Before its establishment, trade in agriculture has been distorted and not liberalized. But due to the coming into effect of the Uruguay round Agreement on Agriculture (AOA), trade in agriculture has been fully liberalized. However, despite its establishment one could observe several drawbacks in fully realizing the benefit from being part of it. This is particularly so with the Less Developed Countries (LDCs) who have been caught between the need for developing their agricultural and industrial base on the one hand and unable to secure the benefits from their membership on the other hand. The central objective of the study, therefore, is to analyze the implications of WTO for the agricultural sector on selected less developed countries and to draw lessons for Ethiopia.

The research was undertaken by raising some guiding questions such as Does membership to the WTO benefit the agricultural sector of LDCs? What lessons Ethiopia can learn from the experience of LDCs? To understand the extent to which membership in the WTO have implications for LDCs, the study employed qualitative approach. In order to do that, data from the experience of Nepal and Uganda has been gathered from primary and secondary sources and analyzed.

The finding of the study reveals that under the existence of internal and external factors membership in the WTO could not benefit the agriculture sector of LDCs. Internally, lack of surplus products, diversification, infrastructure, quality product, technology and sufficient capital are the major factors that hinder the benefit of being a membership. Along with these, the study identified that there are external factors, like domestic support, export subsidy, tariff and non-tariff barriers which are practiced in developed countries that could affect the benefit of membership. The study concludes that Ethiopia which has the same agricultural context with other LDCs could face the same problem.

Chapter One

Introduction

1.1 Background of the Study

In today's globalized world, trade has become an important aspect of international relations and it is a very crucial activity for a country's over all development. It is also a necessity for all countries, rich or poor. Since all countries are not endowed with everything they need, they have been engaging in a more intense trade relation than ever in the history of mankind. As a result, trade has expanded rapidly and the world has entered into an era of growing economic interdependence (Kegly and Wittkopt, 1989). To liberalize this interdependence and to avoid different trade related problems such as tariff and non- tariff barriers, countries established many regional and international institutions. Among these, the General Agreement on Tariffs and Trade (GATT), which was established in 1947, was the most important one (Rourke, 2005).

The purpose of establishing the GATT was to facilitate international trade between countries which mainly focused on trade in industrial products (Tewolde Brhane, 2005). It fully liberalized trade in industrial products and the use of subsidies on them was totally prohibited. However, subsidizing agricultural products was allowed and liberalizing agriculture was not an issue under the first GATT negotiations (Selahaddin, 2010). Through time the issues of agriculture has become the agenda of GATT. Hence, the Agreement on Agriculture (AOA) was concluded under the Uruguay round in 1994 and the World Trade Organization (WTO) came to exist in 1995. The WTO is the first rule based organization with the aim to regulate trade between nations by removing artificial trade barriers that have for many years practiced by nations through negotiations (Melaku, 2002).¹

¹ The WTO is different from the GATT by its scope. GATT had mainly dealt with trade in goods, but the WTO covers trade in services and its agreement include trade interventions, creations and designs. Moreover, the GATT was mainly focused on tariff reduction whereas the WTO focuses not only on tariff reduction but also the abolishment of non-tariff barriers (WTO, 2003).

Since its establishment, it is widely argued that increased participation in the WTO can serve as an engine for economic growth and development. The WTO has also raised expectations that the world as a whole would benefit from trade liberalization. It is under this expectation that many states including the Less Developed Countries (LDCs)² have already joined and applied for joining the WTO (Mussie, 2005). LDCs, whose agriculture sector is the backbone of their national economy, play marginal role in the World Trade Organization. Although there is intense debate on whether LDCs are beneficiary of the AOA, some countries have embarked on the accession process. Ethiopia is one of these countries, which applied for membership and the government submitted application of membership to the WTO on January 2003 (Fikremarkos, 2008).

Ethiopia, like other LDCs, has also recognized the importance of being a member of WTO. And for years, Ethiopia has been negotiating accession to WTO as part of its integration into the world economy. Subsequently, to look into the application, the General Council³ of the WTO established working party in 2003. And in 2007 Ethiopia has submitted its memorandum of trade regime which is the initial requirement for accession process (Amdissa, 2007 and Degene et al., 2006).

The government of Ethiopia argues that WTO accession will help to accelerate its agriculture sector development (Selahaddin, 2010). But one should not ignore the pains that less developed member countries faced and are facing. There are different challenges which member LDCs are experiencing. In order to mitigate potential problems which are expected to come with the accession of Ethiopia to the WTO, the government should take in to account the experience of these LDCs. This thesis is, therefore, intended to show the implication of WTO on agricultural sector of those LDCs acceded to it and tries to draw relevant lessons that Ethiopia should consider in its accession process.

² For this study the term less developed countries refers to those countries which are characterized by low income, weak human assets and economic vulnerability.

³ According to the accession rule of the WTO, to examine the application of a country, the General Council of the WTO Secretariat is authorized to establish the working party which consists of interested countries (Hoekman and Kostecki, 1995)

1.2 Statement of the Problem

The overarching assumption in the contribution of trade liberalization to agriculture sector is premised on the improvement and productivity of the sector through export competition, market access and reduction in tariff. The WTO's AOA clearly indicates that liberalization of trade in agriculture will be realized through market opening, reduction of domestic support and export subsidy (Zenebe, 2008 and Glipo, 2003).⁴ It is also argued that membership to the WTO can create more access to foreign market and improved tariff reduction (ibid). This has encouraged some LDCs to become a member of WTO and export their product to other states. Since the LDCs are isolated in the multilateral trading system, their membership in the WTO will help the integration of these poor countries in the global economic system (Mussie, 2005).

The AOA which is the result of the Uruguay round agreement is intended to benefit the agricultural sector of member countries through market access, domestic support and export subsidy principles. In market access principle, membership could benefit the agriculture sector of member states if there are surplus products, diversification of exports, developed infrastructure, advanced technology and sufficient capital. But this is not the case in the agricultural sector of most LDCs. The LDCs which are mainly dependent on agriculture sector are characterized by the absence of those mentioned qualities (Koroma, 2007 and De Vylder, 2007).

In addition to the above mentioned internal problems of LDCs, the developed countries agricultural markets are protected by high tariffs such as tariff peaks⁵ and tariff escalation⁶. Although market access principle obliged member states to open their foreign

⁴ Domestic support and export subsidies are special incentives provided by governments to encourage their agricultural sector. Since these subsidies distorted trade in agricultural products, the provision of the AOA prohibits such kind of subsidies on agricultural products (Cordella and Mamo, 2005).

⁵ It is extra high charges for certain individual products. It is higher rates apply primarily to products which other countries label "sensitive" (De Vylder, 2007).

⁶ It is tariff rates that tend to rise with the degree of processing. The combination of low or non-existent tariffs on raw materials and higher tariffs on processed products creates tariff escalation which acts as a barrier to processing products. For example, the USA and EU import tariffs are much higher on roasted coffee and chocolate as compared to coffee and cacao beans (De Vylder, 2007).

markets, LDCs access to developed countries market is also hampered by non- tariff barriers. Among these non- tariff barriers sanitary and phyto-sanitary measures⁷, import quotas and quality standards of agricultural products paralyzed the agricultural export of LDCs and hence not able to enter into the market of developed countries (De Vylder, 2007). Demesse (2005) also argued that, due to market access principle LDCs are forced to open their markets to foreign products and this resulted in food insecurity and the collapse of their agricultural products.

As far as domestic support principle is concerned, there is also problem in the agricultural sector of LDCs. Although the AOA make provision for limits to domestic support, developed states still provide producers support (Wiggerthale, 2004). This highly distorting international trade in agricultural products and the domestic agricultural sectors of LDCs are hard hit by dumping of food surpluses by rich countries surpluses that are the result of heavy subsidies to their agricultural production and exports (Ostensson, 2007). In addition to developed states subsidy, lack of sufficient capital in LDCs further complicated the problem. Although LDCs are exempted from the domestic support commitment, they have no enough capital to support their agriculture sector. Due to this fact, LDCs are not able to compete with the agricultural product of developed countries in international market. In terms of export subsidy principle, like that of the domestic subsidy, there is no enough capital to support the agricultural export of LDCs. In addition to the internal financial problem of LDCs, the export subsidy given by other member countries further aggravated the problem (Ostensson, 2007).

Like other LDCs, both Nepal and Uganda, which are selected to draw lessons, have joined the WTO under the expectation that their membership would benefit their agriculture sector. Since these countries have the same agricultural context with most LDCs, they could face the same problem. Ethiopia, which is under the category of LDCs,

⁷ Sanitary and phyto-sanitary measures are those measures necessary to protect human, animal or plant life and health. According to article 20 of the AOA, countries are permitted to impose these measures but they do not constitute a means of arbitrary or unjustifiable discrimination. The same article further states that countries must primarily base their sanitary and phyto-sanitary measures on international standards (Croome, 1999).

is in the process of accession. Similar to other LDCs, the country's economy is based on agriculture sector. It is obvious that the sector is the main source of export and supports approximately 50 percent of the GDP. As high as 80 percent of the country's population is also earn their livelihood from agriculture (Badege, 2006). Since the economic foundation of the country is similar with other less developed WTO member countries, the problems which less developed member countries faced can be the source of lessons for Ethiopia. So this research examines the experience of selected LDCs which are a member of WTO and draw lessons for Ethiopia.

1.3 Objectives of the Study

1.3.1 General Objective

Generally, this study aims at analyzing the implication of WTO for the agricultural sector of less developed member countries. By doing so it attempts to draw lessons that Ethiopia could learn from others experience.

1.3.2 Specific Objectives

The specific objectives of the research are:

- to assess the benefit and costs of WTO principle for the agriculture sector of selected LDCs
- to evaluate the principle of AOA in relation to the agriculture sector of selected LDCs
- indicate the competitive nature of agriculture market and its impact on LDCs
- identify lessons that Ethiopia could have to consider in being a member of WTO

1.4 Research Questions

The research addressed the following questions:

- What are the problems that the LDCs have faced after being a member of WTO?
- Does membership to the WTO benefit the agricultural sector of LDCs?
- What are the costs of WTO AOA for LDCs?
- What lesson Ethiopia learns from the experience of selected less developed member countries?

1.5 Methodology and Methods of Data Collection

The research methodology of this study is qualitative in its approach. This method is important to study the implication of WTO on agriculture sector of LDCs for various reasons. First, this approach is suited for the collection and analysis of relevant data on the experience of some selected countries. Since the research is mainly based on different literature, it helps to improve the validity of the finding. Second, there are some aspects of the object under investigation whose data cannot be expressed and analyzed through quantitative methods. According to Cresswell (2009), qualitative approach is best suited for detailed and complex analysis of a given issue as well as for problems that cannot easily be quantified. Since the research is not concerned with quantifying its results through statistical summary or analysis, it is best to use the qualitative approach. The other reason for adapting qualitative approach is that this research seeks to describe the implication of WTO's AOA on the agriculture sector of selected LDCs and explains the reason why LDCs are not benefited from the WTO. Hence, it is basically a descriptive and explanatory research which tries to understand and describe the implication of WTO membership for LDCs. Finally, since the researcher analyzed the experience of some countries, the method helped to interpret and analyze the result obtained from those experiences.

To investigate the object of the study and draw lessons for Ethiopia, the researcher chose the experience of Nepal and Uganda. These countries are selected based on their similar context with Ethiopia's agriculture, the availability of resources, landlocked status and geographical representation. Agriculture is the main source of Nepalese and Uganda's economy and about 80 percent of their population earns its livelihood from this sector. In addition to this, the sector is the basic source of their foreign exchange and GDP. The other reason is the availability of resources. Although there are other LDCs which have similar context with Ethiopia's agriculture, there is no sufficient literature on the implication of WTO on their agricultural sector and this creates difficulties to see their experience. Thirdly, landlockedness is the other criterion to select those countries. This is because land locked status is cited as one factor which minimize the benefit of market

access under the AOA. Finally, since LDCs are existing in different continents, it is important to see the experience of one country beyond Africa.

To gather data about the experience of those countries, the researcher collected, organized and interpreted the available primary and secondary sources. Primary sources of data are collected from official websites of their respective government and the WTO. While the secondary source of the study was collected from different sources like books, journal articles and relevant official documents. And communication medias, such as news paper and magazines, and different websites are also employed. Based on the experience of those selected countries, those primary and secondary sources are analyzed and the research tries to draw lessons that Ethiopia could have to consider in its accession process.

1.6 Significance of the Study

The finding of this research has relevance in producing information to the government of Ethiopia, which is in the process of acceding to the WTO. It is also the researcher's firm belief that it could help policy makers to react proactively for the possible impact of AOA on the agriculture sector of the country. Since there are few researches on Ethiopia's accession to the WTO, it will contribute in filling the gap in the area understudy. Furthermore, it could also be used as a spring board for further study on the issue raised. Last but not least, it will create awareness among the public on how Ethiopia's accession could affect the agricultural sector of the country.

1.7 Scope and Limitation of the Study

Although the problem affects all economic sectors of all LDCs, the study focuses only on the experience of the agricultural sector of Nepal and Uganda and it brings out the lessons that Ethiopia should have to consider in its accession process. Since the issue is a recent phenomenon, it was difficult to get enough sources particularly on the experience of those countries. In addition, since the researcher could not travel to Nepal and Uganda, the study was primarily dependent on secondary sources of data collection and this might affect the validity of the study. However, the researcher has used pertinent documents

and research reports from which lesson can be drawn. Furthermore, it was not easy to accomplish the research within the given budget.

1.8 Organization of the study

This study is organized into five chapters. The first chapter introduces the background of the study. This part tries to show the statement of the problem, research questions and methodology that the researcher used. Chapter two gives insights about the historical development of WTO system. It also treats the aim, principle and objectives of the WTO. It further discusses AOA and its three principles. Chapter three deals with the experience of two selected less developed WTO member countries. In this part, there is a brief discussion of the agriculture sector, agriculture policy of these countries and it then discuss the implication that these countries faced after being a member of WTO. The fourth chapter briefly indicates the agricultural sector and policy of Ethiopia and it tries to draw possible lessons. This part also shows the accession process of the country. Finally, in the fifth chapter, the thesis gives summary, conclusion and recommendations.

Chapter Two

Literature Review

2.1 Introduction

International trade is being practiced by states for several centuries. However, this global trade does not take place in a conducive environment; rather trade protection through different mechanism has been a salient feature of international trade. To avoid this problem, efforts have been made by states to liberalize trade among them. Through time in 1947 the General Agreement on Tariffs and Trade (GATT) was established as the first international institution and later the World Trade Organization (WTO) came in to existence in 1995 as a strong organization to govern trade among states. The WTO has its own objectives, principles and performs different functions. The WTO document, for the first time, included the liberalization of agriculture sector and agricultural trade has been fully integrated in to the WTO rules.

This chapter attempts to clarify terminologies such as agriculture sector and Less Developed Countries (LDCs). It also highlights the historical development of the WTO and focuses on its objectives, principles and functions. Moreover, the chapter briefly shows how agricultural trade liberalization was achieved through a long process of negotiation and it discusses the three principles of AOA. Finally, the chapter deals with the special and differential treatment for LDCs.

2.2 Definition of Terms

2.2.1 Agriculture Sector

Although 'Agriculture Sector' is the basic source of many states' economy, the term is open to contestation among scholars. The term, like many other terminologies, is one of the most controversial concept which has no distinct and universally accepted definition. Hence, it is very complicated and difficult to come up with a single accepted definition. Even in some definitions the term has been conceptualized narrowly in terms of specific combination of activities. However, it is proper to see some definitions.

According to Crowley et al. (2003),

Agricultural sector can be defined differently in developing and in higher income countries. In developing countries the term includes all those practices which are related to farming and fishing activities for subsistence purposes or for commercial purpose. While in higher income countries agriculture sector also refers to those practices which derive income principally from primary activities.

The above definition is limited in the sense that the term includes fishing activity, which is beyond agriculture sector. And it doesn't include the production of useful agricultural products from animals. In addition to this, the definition doesn't show which products are classified under agricultural products and which are not. Moreover, the definition includes all primary products, which are not part of agriculture sector. For example, in higher income countries the term includes primary activities. These activities also include mining, which actually is not part and parcel of agriculture sector.

For the purpose of this research, the researcher uses one working definition. This working definition of 'agriculture sector' is derived from the WTO Agreement on Agriculture (AOA). The AOA defines the term as:

All those activity which results from not only basic agricultural products such as wheat, milk and live animals, but also products derived from them such as bread, butter, oil and meat, as well as all processed agricultural products such as chocolate, yoghurt and sausages. The coverage also includes wines, spirits and silk, and raw animal skins destined for leather production (UNCTAD, 2003:5).

This definition is holistic because not only it is derived from the AOA which is the main issue under the research but also it is broad and includes both unprocessed and processed agricultural products. Furthermore, unlike the definition of Crowley et al. (2003), it clearly shows which products are included and which are not.

2.2.2 Less Developed Countries (LDCs)

Like other terms, the notion of LDCs is again one of the most contested, complex and ambiguous concept to define. According to Financial and Investment Dictionary (2006), "LDCs are countries that are not fully industrialized or do not have sophisticated

financial or legal systems. These countries typically have low levels of per capita income, high inflation and large trade deficits”. This definition includes some indicators that could not be accepted. As we know trade deficits and inflations are not the only phenomena that happen in LDCs but also happen in developed countries. If one accepts this definition, some developing and developed countries will be classified as LDCs.⁸ This makes the definition vague and problematic.

Banking Dictionary also defines the term ‘LDCs’ in different way. Accordingly, it defines LDCs as “countries, whose state of economic development is characterized by a low national income, a high rate of population growth and unemployment and dependence on commodity exports” (Banking Dictionary, 2006). Again this definition is ambiguous. For example, if one person uses high rate of population growth and unemployment as a criteria for LDCs, some countries which are not under the category of LDCs could also be considered as LDCs. The term is also defined differently by Accounting Dictionary. This dictionary uses the term to refer to “economically poor nations which exporting raw materials, fuels, minerals, and some food products to the industrialized and developed countries” (Accounting Dictionary, 2005). Like other definition, this too has its own limitation. If one takes this simple definition, some developed countries may be counted as LDCs. This is because LDCs are not the only countries which are exporting fuels and minerals. But some developing and developed countries also export these commodities and generate their income from this export.

⁸ Terms like ‘developing’ and ‘developed countries’ are controversial in their usage. But for the purpose of this study a distinction is made among them based on some criterias such as per capita income, human development index and level of industrialization. For this study the term ‘‘ developing countries’’ refers to those countries with transition economies, have middle levels of per capita income and have a low level of material well being. On the other hand the term ‘‘ developed countries’’ refers to countries which are highly industrialized, have high per capita income, high living standard and have large stock of physical capital. In common practice, Japan in Asia, Canada and the United States in Northern America, Australia and New Zealand in Oceania and Europe considered as developed regions (Rigg, 2007; www.worldbank.org).

The working definition of Less Developed Countries is derived from the UN system. The concept of LDCs arose for the first time from a UN initiative in 1971. According to UN Economic and Social Council,

LDCs are those countries characterized by: low income, based on a three year average estimate of Gross National Income (GNI) per capita. Under US Dollar 750 for cases of addition to the list, above 900 US Dollar for cases of graduation; weak human assets, in the height of a composite Human Assets Index based on indicators of nutrition, health, school enrollment and adult literacy; economic vulnerability, according to an economic vulnerability index based on indicators of instability of agricultural production, instability of exports, economic diversification, export concentration and small economic size (De Vylder, 2007:25).

To sum up, the term agriculture sector and LDCs do not have one agreed definition. As this research aims at looking to the implication of WTO on the agricultural sector of LDCs, it is proper to have a working definition on the two concepts. Hence, the researcher indicated some of those definitions which are related to the issue under discussion.

2.3 Historical Background of the WTO

Trade is a very crucial activity for countries' economic development. Since states are not endowed with all they need and can not produce as much as they want, they are compelled to participate in trade and thereby promote their foreign trade (Demssiew, 2007). But to participate in trade and benefit from it, there must be a conducive environment which promotes the export and import of states. Before 1940s, however, the condition of international trade was not as such liberal. And governments of different states utilized both tariffs and non-tariff barriers as an instrument of controlling foreign trade. These activities distorted international trade in a big way and discouraged open trade among them (Ibid).

However, things changed after the end of the Great Depression and World War II. The Great Depression, which started in 1929 and ended in the early of 1940's, was basically triggered as a result of excessive trade protections and it highly affected the economic activity of many countries (UNEP, 2000). During the World War II countries were also

pre-occupied with war and didn't promote trade with each other. The end of the depression and World War II finally brought about a fundamental change in the architecture of global economic management (ibid). "These two events led to the establishment of Bretton woods institutions such as International Monetary Fund (IMF) and World Bank (WB) which was the outcome of the conference held in 1944" (Van Den Bossche, 2009:78). Although the conference created an agreement which established the charter of IMF and WB, it didn't consider the problem of international trade (Matsushita et al., 2006).

Later in 1947 countries created the International Trade Organization (ITO) as a specialized agency of the UN in Havana. This organization was intended to regulate the cooperation among states and to handle the task of regulating international trade among states. Furthermore, the creation of such organization included aims beyond world trading affairs (Van Den Bossche, 2008 and Melaku, 2002). According to the draft ITO charter, "non-trade issue like rules on employment, international investment, service and regulation on competition were other extra aims of ITO" (WTO, 2003:15). However, the ITO charter never entered in to force because the US Congress was reluctant to ratify the charter and join the organization due to ITO's coverage far beyond the concept of free trade (Orcalli, 2008).

After the failure of the establishment of ITO, the GATT was signed and was intended to administer trade between signatory states (Matsushita et al., 2006). The GATT is a multilateral agreement that clearly defined rules by which the contracting states further negotiate tariff reductions. It was also designed to reduce other non-tariff impediments to international trade (Hoekman, and Kostecki, 1995). Formally, the GATT was not an international organization intended to administer trade but an inter-governmental treaty (Ibid). But with the collapse of ITO, in the absence of an international organization for trade, countries turned to the only existing multilateral institution GATT which became the best means of controlling international trade relations of its signatories (Van Den Bossche, 2009).

According to the preamble of the GATT, its objective included rising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand (GATT, 1994). The preamble goes on to mention reciprocal and mutually advantageous arrangements involving a substantial reduction of tariffs as well as the elimination of discriminatory treatment in international trade will contribute to the realization of these objectives (Hoekman, and Kostecki, 1995).

Through time, due to the needs of contracting parties, GATT developed in to a de-facto organization. After its creation in 1947, the GATT progressively developed into a system of great complexity. In response to developments in the world economy and the interest of its signatories, the GATT further expanded its scope and function (ibid). As a result of the dynamic nature of world trade and the expansion in scope, many rounds of negotiations took place, between 1948 to 1994, under the auspices of GATT. These rounds were a response to questions of the signatory states and further liberalized trade among them (UNEP, 2000).

However, most of the negotiations dealt exclusively with tariff reductions and trade in industrial products. Agricultural trade liberalization was not an issue under these negotiations. Moreover, the GATT was the major focal point of industrial countries whereas the LDCs, due to lack of capital and experts, did not fully participate in the negotiation of different rounds (Hoekman and Kostecki, 1995).

Although the GATT progressively acquired many of the attributes of an international organization, it was increasingly felt that it was not keeping with the rapid change underway in the global economy (ibid). In addition to this rapid change, there were also a number of problems related with the GATT institutional nature such as ineffective dispute settlement mechanism and low enforcement method. So to fit to the dynamic nature of world economy and to alleviate the inherent institutional problems, the Uruguay Round was negotiated between 1986 and 1994 (Croome, 1999).

The Uruguay Round, which concluded after eight years of complex negotiation, was a land mark in the history of the trading system. This round intended far beyond the scope of the original GATT and it dealt with many issues including agricultural trade liberalization which was subjected to stronger multilateral discipline and fully integrated into a rule-based multilateral trading system (Melaku, 2002).

After reaching an agreement in the Uruguay round at Marrakesh, Morocco, the WTO came into being on 1 January 1995 as the organization responsible for administering international trade (Krutilla, 1997). Further more, the WTO provides the institutional and legal foundation for the new multilateral trading system by its members. It also established the rule of trade policy game for its members and included LDCs in the world trading system (Hoekman et al., 2002).

The WTO is the youngest of all the major international organizations and it is the most influential in this time of economic globalization. As compared with the GATT, it is also unique in that it has a well-functioning and binding dispute settlement mechanism. Unlike the GATT, the WTO has clear organizational structure which identifies the scope and functions of its different organs and its dispute settlement mechanism is based on clear procedures and the decision is binding. In the case of GATT, the dispute settlement arrangements had been weak and it had evolved on a largely ad hoc manner (Van Den Bossche, 2009). According to Hoekman et al. (2002: 41),

The WTO is different from the GATT in a number of important aspects. As a means of controlling international trade the GATT was a rather flexible institution; bargaining and deal-making lay at its core, with significant opportunities for countries to “opt out” of specific disciplines. In contrast, WTO rules apply to all members, who are subject to binding dispute settlement. Unlike the WTO, the GATT had also a far weaker institutional basis⁹. In addition to this, the coverage of the GATT is much

⁹ The GATT had weaker institutional basis as the system of rights and obligations for trade in goods were not comprehensively embodied in a single legal document. Although the General agreement's provisions were applied to all its signatory countries, some of the most important agreements had been signed by comparatively few countries (Croome, 1999).

narrow than the WTO. Unlike the GATT, the provision of the WTO includes many issues and its scope is much wider than the GATT.

To conclude, the WTO came in to existence after a long period of negotiation among states. As an organization for international trade, it is effective with its rule-based system than the GATT.

2.4 WTO: Objectives, Principles and Functions

Like other international organizations the reason for the establishment of WTO is to achieve some objectives. As indicated in the preamble of WTO document, the main objectives of the organization are the expansion of trade in goods and services, the attainment of good living standard, increasing of employment opportunity and the growth of real income and effective demand (www.wto.org and Van Den Bossche, 2009). The preamble further states that, the integration and increasing participation of LDCs into the world trading system and the protection of the natural environment are also the objectives of WTO (ibid).

In addition to the above mentioned objectives, WTO has also other objectives. According to Demissiew (2007), “the WTO is an international organization intended to constraint governments from imposing or maintaining a variety of measures, which restrain or distort international trade and give a mutual advantage to its entire member”. The WTO aims to achieve its objectives by reducing existing barriers to trade and by preventing new ones from developing. It seeks to ensure fair and equal competitive conditions for market access and predictability of access for all trade in goods and services (www.wto.org and UNEP, 2000). However, this approach appears to be unrealistic for the reason that developed countries could not give up their power base for the seek of fair and equal completion.

The WTO document clearly shows the way to achieve the above mentioned objectives through different principles, two of which are core principles and are collectively known as the principle of non-discrimination. According to Gashaun (2007), the non-

discrimination principle imposes obligations to member countries. These obligations are the Most Favored Nation (MFN) Treatment and National Treatment (WTO, 2003).

The MFN principle requires member countries to give equal treatment to products originating from all member states (Van Den Bossche, 2009). In other words, if special treatment is given to the goods of one country, it must be applied to all WTO member countries. And no country should receive favors that distort trade. According to Melaku (2002), MFN clause creates the obligation, on every contracting party, to treat all parties in the same manner. The other principle is the principle of national treatment which requires member states to give the same treatment to domestic products and products imported from other member states (Gashaun, 2007). Furthermore, this principle requires a WTO member to treat foreign products, service and service suppliers no less favorably than it treats like domestic products, services and service suppliers (Van Den Bossche, 2009). The principle also implies that “no domestic law should be applied to imported products to protect domestic producers from competing products and imported products should receive the same treatment like domestic products” (UNEP, 2000:28).

In broad terms, the primary function of the WTO is to provide the common institutional framework for the conduct of trade relations among its members in matters related to the agreements and associated legal instruments included in the WTO agreements. More specifically, the WTO performs the following four functions. According to Article III of the WTO agreements:

1. WTO shall facilitate the implementation, administration and operation of the Uruguay round legal instruments and of any new agreements that may be negotiated in the future.
2. WTO shall provide a forum for further negotiations among member countries on materials covered by the agreements, on new issues falling within its mandate and on further liberalization of trade.
3. The other function of the WTO is that it shall be responsible for the settlement of differences and disputes among its member countries.

4. WTO shall be responsible for carrying out periodic reviews of trade policies of its member countries (GATT, 1994 and www.wto.org).

In sum, the WTO which is the first rule-based organization is established to perform some functions and to achieve some specific objectives. Hence, to perform these things, the organization applies the above mentioned basic principles.

2.5 Agriculture: From GATT to WTO

Agriculture has been one of the great problem areas of international trade (Croome, 1999). Before 1994 one of the most important obstacles of the world agricultural trade has always been the excessive use of agricultural subsidies. While most sectors of trade were increasingly liberalized over the years following the establishment of the GATT, trade in agricultural products remained affected by restrictions and distortions (Windfuhr, 2001). This was the result of agricultural subsidies used by different states. Moreover, the GATT rules which were applied to agricultural trade were weaker than those that applied to manufactured goods (Orcalli, 2008).

Furthermore, the GATT rules, as well as accession conditions and renunciations also permitted signatory states to maintain greater protection against agricultural imports. And states were free to provide wider range of subsidies for agricultural exports than was allowed for industrial goods (Croome, 1999). The reason for this protection and subsidies is that many nations regarded agriculture as a sector of economic activity that should be accorded special status (Hoekman and Kostecki, 1995).

Although few market opening commitments were made under the GATT negotiations, the degree of binding achieved was far less than for industrial products and quantitative restrictions were widely applied (Croome, 1999). According to Melaku (2002), successive attempts were made to bring agriculture into the main stream rules of the multilateral trading system but they largely failed. Later on, very little progress was made on agriculture in the Tokyo Round and agriculture became a subject of trade negotiation. Finally, the ministerial meeting held in Uruguay launched the Uruguay Round. This

round, for the first time, proved able to put agriculture on the table in a comprehensive manner (Hoekman and Kostecki, 1995).

Following the Uruguay Round, the Agreement on Agriculture entered into force in 1995 together with the WTO. The WTO agreement provides specific rules in the liberalization of agricultural products (Glipo, 2003). According to Crome (1999), the WTO agreement on agriculture represents a major break with the past. It was for the first time that agriculture, traditionally heavily protected on most markets, came under WTO rules and regulations. This is a serious beginning to bring agricultural products in to the normal discipline of the international trading rule (Devylder, 2007 and Lal Das, 2001).

2.6 The Agreement on Agriculture (AOA)

The AOA is one of the key agreements within the WTO system. Its importance is reflected by its presence as the first agreement annexed to the Marrakesh agreement that established the WTO. The WTO document indicates that AOA is based on the rational of opening international trade in the agricultural sector (Demesse, 2005). According to Melaku (2002), the AOA presupposes the supremacy of the price system and the comparative advantage of this sector. The implication is that a country must import its agricultural products from countries that produce them with least cost than using its own production. Furthermore, the WTO document states that the AOA was set to establish a basis for initiating a process of liberalization of trade in agriculture (Ibid).

The provision of the AOA clearly indicates its objectives. According to the provision, the long-term objective of the agreement is “to establish a fair and market-oriented agricultural trading system in order to effect a substantial progressive reduction in agricultural support and protection measures and as a result to prevent restrictions and distortion in world agricultural market” (Li, 2008:19). This objective is intended to reform trade in the sector and to make policies more market-oriented. This would improve predictability and security for importing and exporting countries alike (WTO, 2003). The agreement also put specific binding commitments and called member nations to increase market access and reduce trade distorting agricultural subsidies. This

commitment is a long-term reform, with the aim of making agricultural trade fairer through correction and prevention of restrictions (Croome, 1999).

2.6.1 Principles of AOA

The Agreement on Agriculture is based on three main principles. These principles are also known as pillars of the AOA. These are: market access, domestic support (subsidies) and export subsidies (Glipo, 2003).

2.6.1.1 Market Access

Market access is the central problem of international trade. Countries often erect different forms of barriers against the free entry of goods and services into their territories (Melaku, 2002). However, through the AOA this activity dismantled barriers erected by states. Under the AOA market access simply means “the right which exporters have to access a foreign market” (UNCTAD, 2003:6). Although the principle allows the opening of market, the AOA agreements allow members to protect their market when there is import surge¹⁰ which result in the collapse of domestic production.¹¹ In practice “Market access refers to ways in which that protection can be implemented” (Ibid). Besides this, under market access commitment, member countries are obliged to eliminate all non-tariff and tariff barriers and open up their markets to imports (Glipo, 2003).

The key elements of market access commitments for agricultural products are the establishment of tariffication, tariff reduction¹² and the binding of all agricultural tariffs (Croome, 1999). According to Melaku (2002: 67), tariffication is “the process of

¹⁰ It is a situation when the volume of imports increase in real or absolute terms in a year to an extent- or imported products entered into a market at a price below the prevailing average price in a season- which is detrimental to domestic producers (Action Aid International, 2006; FAO, 2006).

¹¹ According to article 5 of the AOA, member countries can impose additional custom duty over and above the amount which they are using when the amount of import products are create import surge. This indicates that WTO members can raise their duties on agricultural products if import surge occurs (UNCTAD, 2003).

¹² It is the process through which a country reduces the tariffs it imposes on import goods in to a level stated by the AOA (Cordella and Mamo, 2005).

conversion of all non-tariff market protection measures into the tariff equivalent¹³”. Prior to the Uruguay Round, broader protection for agricultural products was not always in the form of tariffs. In addition to tariffs, non-tariff measures were applied. But the Uruguay Round negotiation converted those other type of broader protection mechanism into tariffs (UNCTAD, 2003). According to Croome (1999:53),

The tariffication process has brought about radical change in the structure of world-wide protective barriers against imports of agricultural products. As a result, all of the quantitative restrictions, variable levies, import bans and other non-tariff measures that have been wide spread elements in agricultural protection at national frontiers have been replaced by import duty.

Under the tariff reduction provisions, all WTO members are required to reduce and bind all their custom duties on agricultural products (Fikermarkos, 2007). Regarding the tariff reduction commitment, members states agreed, in the Uruguay Round, to reduce their tariffs over time. Accordingly, “developed countries agreed to reduced, over a six year period beginning in 1995, their tariffs on agricultural products by 36 percent on average and with a minimum cut of 15 percent for any product” (UNCTAD, 2003:14). Under the same provision developing countries are required to cut their tariffs by 24 percent on average and 10 percent for any product and apply their reduction over a 10 year period (Glipto, 2003).

Although market access commitment requires the reduction of tariff in both developed and developing countries, it doesn't require the LDCs to make reduction. Because of their level of economic development, the LDCs are exempted from tariff reduction. But the LDCs are required to bind all agricultural tariffs.¹⁴ According to the market access principle of the AOA, the LDCs should clearly indicate the amount of tariff that they have applied in their agriculture sector and they cannot apply new tariff above the indicated level (UNCTAD, 2003).

¹³ It is the amount of tariff which is equal to the amount of non-tariff barriers.

¹⁴ According to the AOA, LDCs should set a clear tariff level beyond which they cannot increase tariff. This bound tariff act as the level above which tariffs will not be raised in the future (UNCTAD, 2003).

2.6.1.2 Domestic Support

The AOA seeks to ensure that agricultural trade is not distorted through the use of subsidies (Fikremarkos, 2007). As Croome (1999:56) states, “The central thrust of the domestic support provision is to encourage a further shift towards measures and policies that distort production and trade as little as possible”. According to UNCTAD (2003:21),

The AOA provision on domestic support is also intended to discipline and reduce all subsidies, while at the same time leaving scope for governments to design effective agricultural policies. This means that although some limitation is put on domestic support, governments of member states are free to design domestic policies which can promote their agriculture products.

The basic consideration under domestic support is whether they are preferable or not. There are three types of domestic support. The first type is called ‘Green Box’. As the name implies, it is assumed not to have effects on production and considered as acceptable and has little or no distorting effect on trade (WTO, 2003). For example, agricultural research, disease control or training provided by the government is regarded as falling in the Green Box category (ibid).

The second type of domestic support is the “Amber Box”. These are measures which are considered as trade distorting and therefore subjected to reduction. For example, market price support is counted as Amber Box. So the agreement forces WTO member countries to make reduction their Amber Box support (Glipo, 2003). The third type of domestic support is called “Blue Box”. These are measures such as direct payments to farmers who are intended to limit production. These are considered as acceptable and are not subject to reduction (WTO, 2003 and Indian Ministry of Commerce, 1999).

The commitment to reduce trade distorting domestic support is clearly stated in the Marrakesh protocol. According to this protocol, the developed countries are required to reduce their support by 20 percent over six years from 1995 whereas developing countries are required to reduce 13 percent over 10 years. But, like other commitments,

LDCs are not required to make any domestic support reduction (Glipo, 2003 and Croome, 1999).

2.6.1.3 Export Subsidies

Export subsidies are those special incentive provided by governments to encourage increased foreign-sales. These subsidies may take the form of cash payments, marketing subsidies, transportation and freight subsidies (UNCTAD, 2003). Since states utilized these export subsidies for several decades, the Agreement on Agriculture sets some commitments for member states. Before the coming into effect of AOA, the GATT explicitly permitted such subsidies (Fikermarkos, 2007). However, the agreement which is a landmark in the history of agricultural trade regulation breaks with the past and bans their use. Following the AOA, new basic rules to govern export subsidies for agricultural products were established and special discipline for the reduction of export subsidies introduced (Melaku, 2002).

According to the export subsidy commitment, developed countries have to reduce their subsidy by 36 percent in value and 21 percent in volume over 6 years (Glipo, 2003). However, for developing countries, the commitments are different. They are subject to lower reduction requirements and hence they are required to lower by 24 percent in value and 14 percent in volume (WTO, 2003). Furthermore, the implementation of these commitments is longer than that of developed countries. As far as export subsidy principle is concerned, like the other two principles of AOA, the LDCs are not required to make reduction commitments (Ibid).

2.7 Special and Differential Treatment for LDCs

This treatment is a collection of different provisions which is intended to protect the interest of Less Developed member countries of the WTO (Pal, 2006). It is also the special provisions within the WTO agreements which give the LDCs special right. According to the WTO provisions, the LDCs receive extra attention in the organization and all the WTO agreement recognize that they must benefit from the greatest possible flexibility and developed member countries must make extra efforts to lower import

barriers on LDCs export (WTO, 2003). At the time of signing of the Marrakesh agreement, member states agreed to assist the LDCs. This agreement arose due to a concern that there would be a negative impact on LDCs as a result of implementation of the AOA. According to Croome (1999), the objective of this special and differential treatment is to ensure the effective share of the LDCs in international trade and to secure their participation in the growth of international needs. Because of this treatment many developed countries have now significantly decreased tariffs on imports from LDCs (ibid). Furthermore, the WTO member countries commit themselves to the objective of duty free, quota free market access for LDCs products and consider additional measures to improve market access for the exports of LDCs (WTO, 2003).

Since the Uruguay Round agreements were signed in 1994, several decisions in favor of LDCs have been taken. The WTO ministerial committee decided on several measures in favor of LDCs. This decision gives them special treatment with regard to all aspects of the agreement (Croome, 1999). The WTO ministers, in 1996, also agreed to give technical assistance to the LDCs. This passed to support the effective participation of the LDCs in the multilateral trading system (ibid).

According to Hoekman and Kostecki (1995), the special and differential treatment of the LDCs includes:

- Longer time for implementing agreements and commitments
- Allow LDCs to introduce certain export related subsidies which are forbidden in other countries
- Provisions requiring all WTO members to protect the trade interest of LDCs
- Fewer obligations or differing rules
- Giving technical assistance and training to LDCs
- Measures to improve trading opportunities for LDCs

Since the LDCs are not in the same level of economic development with that of developed states, this treatment could safeguard their agriculture sector which is a basis of their economy.

2.8 Chapter Summary

Agricultural trade liberalization is achieved over a long period of trade negotiations. Before the establishment of the GATT, there was no strong and rule based international institution for regulating the post-World War II agricultural trade. Although the ITO was intended to regulate trade among states, it was not established as a full-fledged organization and agriculture was not the issue of negotiations. Consequently, the GATT emerged as the first international institution for trade and it regulated global trade for nearly a century. However, due to the institutional weakness of the GATT and the absence of trade liberalization in agriculture, the WTO came in to existence in 1995. It is under this new and highly effective organization that the AOA annexed. Before the establishment of the WTO, agriculture trade was not the main issue and its market was highly protected. But the WTO AOA changed this situation and clearly focuses on the principles by which agricultural market can be regulated. Furthermore, the WTO indicates the different treatments through which the LDCs agriculture sector can be protected.

Chapter Three

The Experience of Selected Countries: Nepal and Uganda

3.1 Introduction

Agriculture is the backbone of most LDCs' economy. A majority of LDCs are dependent on this sector for the livelihood of their population, growth of real out put and export earnings (De Vylder, 2007). Due to this fact the multilateral trade liberalization in agriculture is crucial for them. Currently there are 32 LDCs which are members of WTO. The commitment made by these countries in the context of the WTO AOA has a significant impact for their agricultural sector. Although such implications could be seen in all less developed countries, this research focuses only on the experience of two selected member countries: Nepal and Uganda. As indicated in the methodology part these countries are selected based on their similar context with Ethiopia's agriculture. Therefore, this chapter aims at revealing the experience of these two countries by treating them separately in terms of accession process in both countries and implications on their agricultural sector.

3.2 Nepal

Nepal is a small land locked country situated in southern Asia between two emerging economic powers, China to the north and India on other three sides. It lies 2800 N and 8400 E, in the southern slopes of the Himalayas. It is rectangular in shape with a total area of 147,181 sq km, about 800 km length and mean breadth of about 190 km (Shrestha, 2009). In July 2009 estimation, Nepal has a population of nearly 29 million and has the population growth rate of 1.28. It is the home to many ethnic groups with diverse languages and religions. Nepal is one of the LDCs in the world and net food importer. And to pursue its economic development goals, the country is heavily reliant on foreign aid (Bhatt and Bhattaria, 2006).

3.2.1 Agriculture in Nepal

Agriculture is the foundation of Nepalese economy and it is part of the culture, knowledge system and way of life of Nepalese society. It is the most important sector in terms of employment, GDP and source of export in the country (Shrestha and Stads, 2006). In terms of employment, agriculture is the source of people's livelihood. It provides employment opportunities to about 80% of the total population. Despite the decline of its contribution to the GDP from 47.4 percent in 1991 to 39.2 percent in 2004, agriculture remains as the main source of Nepalese GDP (Jull, 2006). Besides being the source of GDP, the sector also accounts to about three-fourth of the total exports. Like many LDCs, most exports of the country consist of primary agricultural products such as coffee, tea, cotton, tobacco and sugarcane (ibid).

As LDC, Nepal is mainly dependent on few exports and the sources of its imports are also from few countries. In other words, Nepalese export of agricultural products is highly concentrated in few products and also in few countries (Adhikari R. and Adhikari K., 2005). In its foreign trade USA, Germany and India are the major destinations of Nepalese exports covering more than 80% of the total exports. And this makes the country vulnerable to external shock (Ibid).

Although agriculture is the foundation of Nepalese economy, the sector has been based on subsistence farming and this resulted in lack of surplus production. This is due to the fact that peasants derive their living from fragmented plots of land cultivated in difficult conditions (Nations Encyclopedia, 2010). In addition to this, the agricultural output is highly dependent on the monsoon and is affected by lack of well developed infrastructures. Though Nepal is an agricultural country with the majority people involved in farm related work, the country's farmers depend on traditional methods like using animals for ploughing (Sharma and Karkee, 2004). Moreover, the production of crops fluctuates widely as a result of weather conditions. Because Nepalese farmers depend highly on rain, the absence of it leads to low level of production (ibid).

In sum, due to the above mentioned problems, agricultural production in Nepal is insufficient to keep with the population growth of the country and this has resulted in the country to be a net food importer.

3.2.2 Agriculture Policy

Since 1950's Nepal has been undertaking a free trade policy. Despite this liberalization, the country had not achieved the intended goal of its policy such as economic development. This is because there was a very high level of state intervention in all economic sector of the country. Due to this state intervention and distortion, there were high fiscal and external sector deficits (Trade Promotion Center, NY). Later on, Structural Adjustment Programmes, initiated and introduced by other external factors, was implemented in Nepal. These programmes targeted the economic problem of the country and to open up the Nepalese economy. However, like the experience of other LDCs, these programmes did not achieve economic development (Jull, 2006).

But when the Nepalese congress united left front coalition government came to power in 1991, Nepal embarked on a more liberal trade policy. Although the new government's market oriented policy focused on the areas of trade, industry and taxes and did not target the agriculture sector, each have the potential contribution to agricultural sector development (Acharya, 2007). Under this new trade policy, the government aimed to accelerate the economic and social development of the country by way of promoting national production and improved foreign market access (Bhatt and Bhattaria, 2006 and Jull, 2006).

Reforms in the agricultural sector were primarily implemented under the 1995 Agricultural Perspective Plan (APP). This plan was the outcome of Asian Development Bank to provide a framework to encourage agricultural growth, stimulate the economy and reduce poverty over a 20 year period. Nepal, as LDC in South Asia, to get aid and technical assistance from the Asian Development Bank formulated this new Agricultural Perspective Plan (Mosoti and Gobena, 2007 and Basnet, 1999).

The primary objective of APP was to improve the diversity of agricultural production and to develop commercial agriculture. It also sought to increase investment in irrigation, rural roads, fertilizers and technology. Moreover, under the new APP, the government of Nepal took efforts to boost agricultural economy and focused on easing dependence on weather conditions by diversifying the range of crops for exports and industrial inputs and increased productivity (Shrestha and Stads, 2006). Finally, the other objective of APP is to reduce the proportion of population living below the poverty line and to specifically include rural women in that process through agricultural interventions (Mosoti and Gobena, 2007).

3.2.3 Accession Process

Nepalese accession to the WTO was a result of long and complicated process of negotiations at multilateral level that lasted many years (Sharma and Karkee, 2004). As part of a strategy to promote broad based growth and economic development through global integration, the Task Force for Trade and Commercial Policy has formed by the government during 1970s (Trade Promotion Center, NY). And this policy recommended the integration of the country into the multilateral trading system. However, Nepal was not integrated at that time and the country formally applied for membership in GATT in 1989 following which it was given observer status in 1993 (www.wto.org and Bhatt, 2006).

As per the guidelines of GATT, a working party was established to examine Nepalese application for accession into the GATT. During that time Nepal realized that GATT membership was essential to ensuring predictable and stable trade relation with other states (Jull, 2006). But efforts to obtain membership under the GATT lost momentum after the GATT was transformed in to the WTO in 1995. In the same year Nepal again presented a formal application to accede to the newly created WTO and then its observer status to the GATT was transformed in the WTO in December 1995. Following this the existing working party of Nepal's accession into the GATT was converted to a WTO accession working party (Shrestha, 2007).

Subsequently, in 1998 as a prerequisite to the accession procedure Nepal submitted a Memorandum of Foreign Trade Regime (MFTR) to the working party. Then the WTO secretariat circulated the memorandum to the WTO members and a direct question and answer between members and Nepalese government concluded (www.wto.org and Sharma and Karkee, 2004). This was followed by the meeting of the working party and the government was engaged in follow-up activities to expedite the process. To fulfill its function, the working party convened regularly over the course of 2000-2003 and considered the application and made recommendations (Ibid).

Following years of negotiations, Nepal was finally approved for membership in September, 2003 along with another LDC, Cambodia, during the 4th WTO ministerial meeting in Cancun, Mexico (WTO, 2003). On March 24, 2004 Nepal notified the WTO that the process of ratification and acceptance of the protocol of accession were completed by Royal ordinance. And on April 23, 2004 the protocol entered into force and Nepal becomes the first LDC to join the WTO (Baumuller, 2008).

3.2.4 The AOA and the Experience of Nepalese Agriculture

Nepal acceded to the WTO with the firm belief that its membership in the WTO would help its integration into the global economy. When the country acceded to the WTO, the government was believed that WTO membership is essential for expanding trade opportunities and facilitating competition (Bhatt, 2006). However, Nepalese accession to the WTO brought about mixed consequences. While the benefits of membership are only potentialities in the long-run, many risks and costs associated with the new WTO were bitter realities that faced Nepal (Bhatt and Bhattarai, 2006). According to Malaker (2008), agricultural liberalization in Nepal brought both benefits and cost where benefits are potential in the long-run but the costs are immediate. Bhatt and Bhattaria (2006) also argue that trade liberalization might help to expand trade but does not necessarily guarantee immediate or even long-term agricultural development. Sharma and Karkee (2004), on the other hand, argue that after Nepal became a member of WTO, the country has been facing many problems in the area of agriculture export and international competition. They further stated that since the WTO AOA obliged member countries to

avoid export subsidies and promote export competition, Nepal faced several problems. Hence, from the above one can see that all WTO agreements has not highly benefited Nepalese agricultural sector.

In view of the AOA principles, Nepalese agricultural policy also underwent changes (Shrestha, 2007). Under the term of its accession to the WTO, Nepal committed to review existing laws and regulations to ensure compliance with several technical agreements affecting trade in agricultural goods. Many of these legislative changes and amendments made prior to accession as well as the commitments made during accession to the WTO have a direct impact on Nepalese agricultural trade policies (Ghimire, 2010). Since the existing policies of the country should be compatible with the AOA principle, a change in agricultural policy of the country was inevitable. For example, 10 new legislations were made and 25 existing acts were amended. As part of the commitment, Nepal has to undertake a number of policy and institutional reforms in its agriculture sector. This in turn had some implication for its overall economic development (Ibid).

As a member of WTO, Nepal is obliged to abide by the WTO Agreement on Agriculture especially by the three principles of AOA. This has some crucial and challenging implications on Nepalese agricultural sector (Shrestha, 2007). The following section analyzed the implication of the three principles of the AOA on Nepalese agriculture.

3.2.4.1. Domestic Support Principle and Nepalese Agriculture

The focus of the domestic support provision of the AOA is on limiting subsidies on those areas that distort trade in agricultural products. At the same time, it leaves ample scope for designing domestic agricultural policies that are not trade distorting. Given the importance of agricultural development for most LDCs, domestic subsidies measure area is the most important principle for them (Sharme and Karkee, 2004).

The AOA does not place any limitation on the expenditure of any government on exempt cases. From the stand point of the AOA, the agreement by itself has no implication for Nepalese agriculture. But given the situation in Nepal and the subsidy applied by other

member states, the principle seems not benefiting Nepalese agriculture. At the time of its accession, Nepal committed to limit these subsidies to the minimum level that is 10 percent of the value of the agricultural output (Ghimire, 2010). Since Nepal accepted the principle of domestic support in its accession, the country cannot provide trade and production distorting subsidies above the determinant level of 10 % (ibid).

As the LDC, Nepal is exempted to reduce its domestic subsidies and allowed to provide measures that fall under the Green Box¹⁵, Blue Box¹⁶ and development measure¹⁷. Although the AOA does not restrict or limit government expenditure on those measures, due to scarcity of resource and reduction of agricultural expenditure, the support to Nepalese agriculture is very low relative to what the AOA permits (Ghimire, 2010 and Jull, 2006). The AOA allows the use of exempt measures if the government wishes to implement such programme in the future. But, currently Nepal does not have any product specific support programs. Due to this, the country does not take the advantage of all of the exempt measures¹⁸ (ibid). Moreover, the policy of the funding institutions also affects the chance of the Nepalese government to support the sector. In this case the funding for such subsidy often originates from international institutions which have removed any subsidies in agriculture sector. This policy of the donor institutions in turn resulted in a reduction of the rate of subsidy (Young Cho, 2004).

In addition to the influence of donor institutions, Green Box and other exempt measures are not fully utilized by the government of Nepal due to its domestic policy. Since the implementation of economic reform programs in 1990's, there has been the reduction and elimination of subsidies in various areas. Hence, the share of agriculture in total expenditure has fallen steadily from about 22 percent in 1994 to around 5% in 2009

¹⁵ It is a kind of domestic support which is considered as acceptable and has no, or at most minimal, distorting effect on trade or production (WTO, 2003).

¹⁶ It is a direct payment to farmers which are tied to production limiting. Under the AOA, countries are allowed to use this subsidy (ibid).

¹⁷ It is a domestic support to encourage agricultural and rural development, which are an integral part of the development programmes of less developed countries (ibid).

¹⁸ These are measures which are allowed to the less developed member countries. According to the AOA, due to their low level of economic development, the LDCs enjoy these measures (Croome, 1999).

(Kakra and Bhattacharjee, 2009). To large extent this may reflects the government decision to lower Nepalese agricultural funding and this has its own implication for the reduction of government expenditure on agriculture extension, research, irrigation and fertilizer. This further affects Nepalese agriculture products which are not only low but also declining in real term (Awasthi and Adhikary, 2006). Hence, from the above data it is possible to see that public expenditure to agriculture in Nepal is not only low but also declining through time.

Furthermore, domestic support principle does not benefiting Nepalese agriculture due to the huge agricultural support in the developed countries. This practice has distorted trade in agricultural products in Nepal (The World Trade Review, 2005). The nature and the extent of the negative impact of farm subsidies in developed countries on the agriculture of LDCs is an intensely debated topic in the context of the AOA. Although the domestic support principles obliged member states to reduce their support, the support given by developed countries increased. Hence, the nature and level of subsidies of the trade partners of Nepal has a strong influence on its agricultural sector (Trade Promotion Center, NY and Sharma and Karkee, 2004). Awasthi and Adhikari (2006) argued that, because of the subsidy in developed countries, the product of Nepal is not in a position to compete with the developed countries products. For example, the large subsidies and price support programme in India provide important cost advantage to Indian farmers. This highly subsidized Indian agriculture makes Nepalese product expensive and results in high cost of production to Nepalese farmers. This leads to import surge in Nepal which results in the lowering of price in the domestic market of Nepal. And at the end this leads to the collapse of domestic products (Acharya, 2007).

To sum up, as far as domestic support is concerned the AOA has some exempt measures such as agricultural research, extension, agricultural infrastructure and irrigation. This shows that the AOA provide ample room for Nepal to support its agriculture. However, due to lack of capital and policy change, the actual level of support in Nepalese agriculture is very low. Besides, there are also domestic subsidies in developed states. So,

given the existence of budget constraint and trade distorting support by others, domestic support principle seems not highly benefiting Nepalese agriculture.

3.2.4.2 Market Access Principle and Nepalese Agriculture

Nepal joined the WTO under the expectation that its membership would result in predictable market access in other countries. However, its economic policy reform and the obligation of market access principle minimize the benefit of membership. Prior to its membership in the WTO, Nepal liberalized its tariff structure and this put the country as the most liberal state among south Asian nations (Trade Promotion Center, NY). This is the result of the implementation of economic reform by the then government of the country. As was mentioned, since early 1990's the government liberalized its foreign trade regime by reducing import tariff rates and imports. This is underlined by Nepalese un-weighted average tariff rate, which is less than 9 percent and the reduced peak tariff rate, which is 40%. There has also been substantial liberalization in non-tariff barriers such as elimination of quantitative restriction on import and phasing out of import license (www.wto.org).

Besides its policy change, Nepal further eliminated tariff and non-tariff barriers in the accession process. In the WTO context "market access" is about both obligations and rights. Nepalese obligation as a WTO member is to provide market access to other member countries in return for its right of access to other member countries (Baumuller, 2008). At the time of WTO accession, the country committed to bind all agricultural tariffs. As the obligation of market access, Nepal ended up binding its tariff rates at very low levels compared to LDCs at 26 percent (ibid). Since Nepal reduced its tariff due to its policy change and market access obligation, there are various products that are being dumped in Nepal from other countries (Federation of Nepalese Chamber of Commerce and Industry, 2007).

According to Adhikari R. and Adhikari K. (2005), after its commitment to open its domestic market for foreign products, Nepalese farmers faced stiff competition from cheaper, better quality and higher value imports from industrialized countries and

domestic production lose their share in domestic market. This, in turn, resulted in the reduction of revenue in Nepalese agriculture (Federation of Nepalese Chamber of Commerce and Industry, 2007).

In addition to market access obligation, due to the existence of tariff and non-tariff barriers in member states, market access principle doesn't seem to benefit Nepalese agriculture. This is because Nepal has been exporting its agricultural products to foreign markets where there are tariff and non-tariff barriers (ibid). In terms of tariff barriers, the exports of Nepal face tariff peaks in the neighboring and international market. Due to the fact that members have the right to raise their tariff to the bound level, if circumstance so dictate, the tariff barriers are very high with bound tariffs as high as 2000 percent maintained by neighboring countries (Adhikari R. and Adhikari K., 2005). For example, India which is the major trade partner of Nepal still applies high tariff rates on various products, that is about 150 percent. This hinders the free entrance of Nepalese agricultural products in Indian market. This is also true in other trading partner of Nepal such as Japan, US and others (Acharya, 2007). Hence, Nepalese exports are facing tariff barriers while exporting its agricultural product to neighboring and international markets.

Further more, the incidence of non-tariff measures¹⁹ is also high. In the non-tariff barriers, the application of sanitary and phyto-sanitary measures and quality standard in developed and other states hinder the free access of the Nepalese export (Baumuller, 2008). Under the AOA member states are authorized to apply sanitary and phyto-sanitary measure which is necessary to protect human, animal and plant life. Due to this authorization, developed countries imposed the measure on the export of Nepal. However, the lack of financial and technical resources to fulfill the criteria hinders the free access of Nepalese exports to their market (Adhikary R. and Adhikari K., 2005).

¹⁹ These are measures, such as quality standard, sanitary and phyto-sanitary measures, other than tariffs that states use to restrict imports or that have the potential for restricting international trade (De Vylder, 2007).

Moreover, the rules of origin requirements, which Nepalese exporters have to fulfill in order to qualify for market access, are often inefficient and resource demanding. Safety and quality standards that are applied particularly in developed countries market also poses significant challenge for Nepalese exporters (ibid). In terms of quality standard, Nepal reported that EU uses stringent criteria and standard which largely discourage its agricultural exports. Even the standard is far higher than those required by some standard setting institutions. For example, Nepalese coffee is below the standard quality specified by the developed countries. The qualities obligatory for agricultural products are very high that Nepal in many situations is not able to afford it. As a result of this, the export of Nepal is not able to enter into developed states markets without restrictions (Tiwari, 2010).

Besides the above mentioned problems of tariff and non-tariff barriers, internal problems in Nepal have added to complications. Nepalese bid for membership was motivated by a desire to ensure predictable market access and become eligible for the special concessions available to LDCs under WTO rules (Baumuller, 2008 and Ghimire, 2010). However, the intended objective is not achieved since its agriculture is characterized by lack of diversification, supply side constraints, low productivity, low technology and low infrastructure. In the case of diversification, both Adhikari (2005) and Baumuller (2008) argue that market access is not the problem; rather the challenge is to increase Nepalese export type in the international markets by diversifying its exports profile. Nepal, like other LDCs, is depending on very few products, such as coffee, tobacco and tea, for export and on few destinations. For example, 90 percent of its exports go to India, Germany and U.S. and the production of the country is not diversified, with cereal crops accounting for more than 80 percent of gross cropped areas. As a result, this lack of diversification highly affects Nepalese market access opportunities and the country is not benefiting from the AOA principles (Acharya, 2007).

Since agricultural sector of Nepal is characterized by supply side constraint, trade liberalization alone brings little benefits to the country. In Nepal both trade liberalization and WTO membership occurred at a time when production in agriculture sector was not

only low but also declining. This further undermined the potential gains from market access principle of the AOA (Baumuller, 2008). In Nepal farming mainly depends on subsistence and there is no commercialization of agriculture. Even land holding is small which is not productive. For example, 40 percent of small scale farmers operating less than 0.5 hectares of land. Due to this fact exporters ability to expand have limited thereby hindering the country to take full advantage of market access opportunities and ensure that trade effectively contribute to socio-economic development (Ghimire, 2010).

In quality side, quality problem is also minimizing the benefit of market access principle. According to Tiwari (2010), due to lack of quality product the export of Nepal is not accepted and it faces international competition in agricultural markets. Although Nepal produces few animal and agriculture related products, the quality is very poor and hence the country is unable to benefit from market access principle (Tiwari, 2010). More over, lack of technology is the other constraint to exploit market access opportunity. In Nepal most agricultural production is based on traditional methods and minimum use of improved technology. Agricultural practices are traditional labor intensive and not mechanized. This lacks of adequate technology leads to low level of production and quality which can not be compete with other products in foreign markets (Thapa, 2004 and Tiwari, 2010).

It can be seen from the above that the market access principle of the AOA is not benefiting the agriculture sector of Nepal. Although the principle is good by itself, due to internal and external factors, the country is not in a position to exploit the market access opportunity of its membership in the WTO.

3.2.4.3 Export Subsidy Principle and Nepalese Agriculture

Since the introduction of prohibition of new export subsidy, the system has in fact been advantageous to the developed countries as these were the only category of states to have significant export subsidies in place prior to the entry into force of the AOA (Deschutter, 2009). Export subsidies are the most harmful form of subsidies for LDCs. They lead to subsidizing products of developed countries arriving on domestic markets of LDCs and

displacing local production which typically cannot benefit from level of support (Ibid). This is also true for Nepalese agriculture. Like other LDCs, Nepal did not make any commitments to bind export subsidies for its agriculture sector under the terms of its accession to the WTO. Nonetheless, the government asserted that at the time of accession it did not provide subsidies on agricultural exports (Jull, 2006).

Common to all LDCs, Nepal does not subsidize its export. In fact at the time of WTO accession, it committed not to subsidize exports. In addition to this commitment, the economic reform of the government, which was implemented in the 1990's, also led to the reduction and elimination of subsidies in export sector (Awasthi and Adhikary, 2006). After Nepal became a member of WTO, due to the existence of export subsidy in developed states the country is facing some difficulties in the area of agricultural export and international competition. Although the export subsidy principle obliged member countries to avoid subsidies which distort trade and promote export competition, still there is export subsidy in developed states which has some negative effective on Nepalese agriculture (Ghimire, 2010). Due to export subsidy, the export of developed countries gets supremacy and benefit from cheaper price. As a result, the agriculture sector of Nepal loses its share in the world market. Furthermore, because of export subsidies in developed countries, there are import surges in the internal market of Nepal which intern leads to the lowering of price and this put the Nepalese farmers disadvantageous (ibid).

In addition to the issue of subsidy, there is internal factor that hinders the benefit of export subsidy. Although there are provisions in the WTO AOA that allow LDCs to assist export sector through various means, Nepal does not utilize this opportunity. This is due to the fact that there are no enough financial resources in the country to support its sector through exempt measures (Dawe, 2007). Because of its low level of economic development, there is no ample resource to allocate in Nepalese export sector and the country could not afford export subsidies. In the absence of capital to support the exporters, the country is unable to export competent products. Hence, this hinders benefiting of the exempt measures (Ghimire, 2010 and Sharne and Karkee, 2004).

Generally, like other principle, the export subsidy principle of the AOA has not highly benefited the agriculture sector of Nepal. This is because there is no enough finance to support this sector of the country. In addition to this, the subsidy by developed states also makes it difficult for Nepalese export to compete in the world market.

3.3 Uganda

Uganda is a land locked country located in East Africa bordered by Sudan, Kenya, the Democratic Republic of Congo, the United Republic of Tanzania and Rwanda (FAO, 2003). It lies on the north western shores of Lake Victoria, extending from 1 south to 4 north latitude and 30 to 35 east longitude. Uganda is a home to nearly 30 million populations. It is, in many respect, a typical sub-Saharan African country which is low income, dependent on aid and encounters a persistent trade deficit and dominated by agricultural production and processing with a small manufacturing sector. Furthermore, it suffers internal security problem and is caught up in regional conflicts and hence face threat of political instability (Bibangambash, 2002 and Nations Encyclopedia, 2009).

3.3.1 Agriculture in Uganda

Uganda is one of Africa's LDCs whose agriculture sector is the main stay of economy. The sector dominates both economic and social activity of the people (Bakunda, 2008). Although the contribution of the sector has been declining over the years, agriculture has continued to dominate the economy of Uganda. According to Tumushabe et al. (2007), agriculture in Uganda is the source of people's livelihood, GDP and export. The majorities of the poor reside in rural areas and depends on the agriculture sector for their livelihood. At the level of rural communities within Uganda, the proportion of the rural population directly involved in agriculture activities is even higher within the sector itself (Ibid). Even where agriculture may not be the major activities in questions, it still provides the main source of employment and income indirectly through activities such as agricultural processing, domestic trade and transportation of products (Abdalla and Egesa, 2005). Hence, the sector serves as a basic source and provider of food self-sufficiency and security for the majority of the population.

Although the share of the sector in GDP has declined through time from 40.8 percent to 34.0 percent, agriculture remains the back bone of Uganda's economy and serves as an important provider of inputs for other production activities, including the manufacturing sector, which is heavily tied to agricultural sector development. Due to this, the sector is a foundation for a number of agro-based industries and provides the bulk of raw materials for the largely agro-based industrial sector (www.wto.org). Apart from maintaining its share as the main source of GDP, agriculture is also the main source of foreign exchange earner accounting for over 90% of total exports. These exports are classified as traditional and non-traditional exports (Bakunda, 2008). According to Tumushabe et al.(2007), the traditional exports include coffee, cotton, tobacco and tea while the non-traditional export include items such as maize, hides and skin, beans, fish and the like. Although all of these products are the sources of exports for Uganda, coffee is still the primary export earner for the country. For example, in 2001 coffee receipts 11% of the total exports (ibid).

Despite its contribution to the economy, Uganda's agriculture, like other LDCs, is characterized by lack of surplus production, lack of technology, the absence of diversification, poor transport communication and geographical problem (Gollin and Rogerson, 2010). In terms of surplus production, Uganda faces challenges. Although the sector is the main source of income for the majority people of Uganda, the farmers do not engage in substantial commercial agricultural farming where 70% of the area under cultivation is used to produce locally consumed food crops (Abdalla and Egesa, 2005). Moreover, the sector is dominated by smallholder farmers who depend on small plot of land. And the agricultural out put which primarily comes from small farm land can not be surplus and this in turn result in supply side constraint (ibid).

The other characteristic of Uganda's agriculture, like that of Nepal, is also lack of appropriate use of technology which delays the agricultural development of the country (Tumushabe et al., 2007). Since the agricultural sector used primarily unimproved methods of production, the sector is not productive and unable to support the overall of growth of the population (Ibid). In addition to this, the absence of diversification is the other characteristic feature of Uganda's agriculture sector. According to Gollin and

Rogerson (2010), agriculture sector is dependent on few products for export. This is due to the fact that there is no diversification in Uganda's agricultural production. For example, Uganda's exports are dominated by traditional cash crops such as coffee, tea and cotton. This dependence also results in low level of profit from exports (FAO, 2003). Furthermore, the sector is characterized by lack of infrastructure. Due to poor transport communication, the market system is destroyed and the price of products is low. This infrastructure problem is contributed to low volume of export commodity production. The dependence on rain-fed farming system also characterizes the agriculture sector of Uganda. Since small holder farming is based on rain-fed agriculture, they are vulnerable to changes in weather condition. This in the long run significantly affected the supply of agricultural products (Tumushabe et al., 2007).

3.3.2 Agriculture Policy

Uganda embarked on a long term economic reconstruction program when the new government assumed power in 1986. In 1987 the government formulated and implemented a comprehensive economic recovery programme which focused on a number of issues such as liberalization of domestic markets, removal of restrictive tariff and non-tariff barriers and the abolition of tax on exports (Abdalla and Egesa, 2005). The reform was also intended to move away from traditional towards non-traditional exports. It was designed to restoring economic growth and development through diversifying the agricultural exports. Furthermore, the reform was centered on privatization of public enterprise (Blake et al., 2002).

However, the 1987 reform did not achieve the intended result such as economic development and hence amended and consolidated into an all inclusive government development framework called the Poverty Eradication Action Plan (PEAP) in 1997 and later the PEAP revised in 2000 (Potts and Nagujja, 2007). The PEAP is the central policy planning framework between the government of Uganda and its development partners. The purpose of the PEAP is to provide an over arching framework to guide public action towards eradicating poverty. According to FAO (2003), the major goal of the PEAP is to reduce the poverty level in Uganda from 35% in 2005 to less than 10% by the year 2017.

It is within the PEAP that reforms in the agricultural sector and new policies are initiated. Under the main objective of PEAP, agriculture is seen as a pivotal component for economic growth. Hence, the government enacted the Plan for Modernization of Agriculture (PMA) as part of the broader strategy of PEAP in 2001 (Greenbelt Consult Limited, 2006). According to FAO (2003), the primary goal of the PMA is poverty eradication through a profitable, sustainable and dynamic agricultural and agro-industry sector. This is expected to raising farm products, increasing the share of agricultural production and creating more farms and off farm employment opportunities (Ibid).

3.3.3 The AOA and the Experience of Uganda's Agriculture

The accession of Uganda was largely a consultative process coordinated by the inter-institutional trade committee, which included government institutions, the private sectors, academics and civil society organizations (Rudaheranwa, NY). After becoming a member of GATT, due to the transformation of GATT into WTO, Uganda ratified the Marrakesh agreement and became original member of the WTO on September 1994. And thus it is bounded by all WTO multilateral agreements. Uganda is treated as an LDC within the WTO and it grants MFN treatment to all of its trading partners and has made special efforts to establish appropriate machinery to implement the WTO agreements (WTO, 2001). Despite the difficulties involved in drafting and making notification as required by the various agreements, Uganda continues to attempt to fulfill all the requirements on the basis of their frequency as summarized for those agreements relevant to agricultural trade (FAO, 2003).

In an effort to become WTO compliant, Uganda has undertaken steps towards economic development through the liberalization of its agricultural sector (Abdalla and Egesa, 2005). Because of the AOA commitment, Uganda is currently undertaking reforms of all its commercial laws to bring all its trade laws, regulation and procedure into conformity with WTO requirements. This process highly affects the agricultural sector of the country. Although the AOA raised the expectation that member countries would benefit from the agreement, Uganda's experience seems to contradict the central aim of agricultural liberalization (Bakunda, 2008).

Under the AOA members have to make significant change in their food and agricultural policies. They are also obliged to open up their economies to cheap food imports and to reduce and severely limit support for their farmers. This gives rise to an increased competition from imports and intensify rural poverty and destroy small holder livelihoods. This is also true in Uganda where the majority farmers depend on small scale farming (Madeley, 2000).

It seems that Uganda, in view of the above commitments, do not benefit from WTO membership. Although the AOA provides exempt measures and special and deferential treatments, the country seems not to have fully taken the advantage of this opportunity largely in view of the liberalization of world trade in agriculture is negatively affects prices of the product of Uganda's exports. Due to this fact, the country is experiencing negative balance of trade in its agricultural exports (Balke et al., 2002 and FAO, 2003). Therefore, the section below attempts to show the implication of the three principles of the AOA on Uganda's agriculture.

3.3.3.1 Domestic Support Principle and Uganda's Agriculture

Since Uganda is the original member of the WTO, it is obliged not to give any trade distorting subsidies to its agriculture sector. According to the AOA, Uganda cannot support the agricultural sector above the established level which is set by the Marrakesh agreement. Due to this, the country is scheduled to reduce its domestic support. But there is the chance to support its agriculture sector based on the exempt measure (FAO, 2003). Although Uganda is required to reduce trade distorting supports, there is exempt measure by which it can support its agricultural sector. When Uganda approved the Marrakesh agreement, the expectation was that the AOA will benefit the country through the use of exempt measures (ibid). It is true that under the Green Box, Blue Box and development measures, there is no restriction on expenditure on agriculture.

Even though the AOA allow the use of exempt measures, Uganda doesn't seem to benefit from this principle. In the regional workshop on the WTO AOA which was held in Nairobi, Kenya in 1999, the delegates of Uganda stated that the main elements of the

current agreement of the AOA are not very relevant to their economy. In this workshop Uganda reported its experience of adverse effects from implementation of domestic support principle (Demesse, 2005). The government of Uganda also reported that the provisions of domestic support measures remain unbalanced and in favor of developed countries and did not help the growth of Uganda's agricultural sector (Abdalla and Egesa, 2005).

One reason for the unfavorable nature of domestic support measure is due to lack of sufficient capital to support the agriculture sector of Uganda (FAO, 2003). Like other LDCs, Uganda is characterized by lack of sufficient capital and hence depends on the aid of international institutions for which certain pre-conditions are required to be fulfilled. Among the conditions, free trade or trade liberalization is the one which require the abolishment of domestic subsidies. Due to this donor states obligation, Uganda cannot utilize the exempt measures effectively (ibid). Therefore, similar to the case of Nepal, financial constraint is one internal factor which affects the capacity of Uganda's government to provide domestic support under the exempt measures.

The other factor which hinders the benefit of Uganda's agriculture from the AOA is the domestic support given by the developed states for their agriculture sector. The AOA clearly indicates the obligation of member states to lower and then eliminate their support. However, the support given by developed states have increased through time (Khor, 2005). In developed countries domestic support for their agriculture sector are not decreased; rather increased. Since the AOA allows some form of domestic support, developed countries, due to their financial capacity, use this measure effectively. For example, in 2002 the total support of the developed countries for their agriculture sector is 318 billion US dollars. Out of which about 90% is in the EU and U.S., which are the major trade partners of Uganda. This measure in effect destroys the market of the agricultural product of Uganda (Abdalla and Egesa, 2005).

The effect of these agricultural subsidies in developed countries is that their farm production levels are kept high and they depose their surplus in other countries, by often

dumping on world markets at less than production cost (Khor, 2005). According to Abdalla and Egesa (2005), high internal producers support measures in developed states results in surpluses which end up decreasing in world price. For example, there is domestic support for cotton producers in US, China and EU. This subsidies results in surplus cotton products which is sold in lower price. Since cotton is Uganda's third export earner, the surplus cotton products in the world market damages the cotton product of Uganda (Gillson et al., 2004).

Further more, the government of Uganda reported that food insecurity has been aggravated by the collapse of domestic agricultural production due to dumping of cheap food from subsidized agricultural products of developed country. Since the AOA discouraging subsidizing of farm in puts, this led to reduction of fertilizer use in Uganda due to high costs of inputs. This in turn results low level of productivity (Demesse, 2005).

In addition, due to subsidies in developed states, farmers in Uganda losses their export opportunities in other countries. This is because subsidizing countries are exporting to the third countries at artificially low price. Hence, because of the inflow of artificial cheap subsidized imports, Uganda's farmers lose their market share in foreign and domestic markets and thereby lose their livelihoods (Khor, 2005). Since the domestic support is not tight and allow the use of exempt measures, the agricultural products of developed states become very cheap. And this also lowers the price of the same agricultural products. In the long run this results in import surges in internal markets of Uganda. Due to this the agriculture sector of the country gets badly affected (FAO, 2003). For example, the domestic support in developed countries affects coffee price in the world market. Because of domestic support measures in developed states, the price of coffee beans dropped sharply, and the share of the coffee market revenue accruing to producer countries has also decline sharply. The effect of the final coffee price has been very serious for many countries including Uganda where a quarter of the population depends on coffee production (Khor, 2005).

3.3.3.2 Market Access Principle and Uganda's Agriculture

Uganda implemented a liberalized agricultural trade regime in 1990s. This reduced and in many cases reduced tariffs and eliminated quantitative restrictions²⁰ and removed import quotas as well as implementing the MFN and National treatment principles (www.wto.org). Following the implementation of this new trade policy, the government introduced a more rational tax and tariff system. The tariff structure was simplified through a reduction of the number of bounds from five to three and the maximum tax rates were reduced from 60% to 15% (Bakunda, 2008).

In addition to the internal trade policy reform, the government further liberalized its agricultural sector as part of its commitment for the AOA. Since 1995 Uganda, as a founding member of the WTO, has implemented the requirements of the WTO AOA. As part of the commitment, it reduced the average tariffs on all import from around 250% in 1991 to an average of 90% in 2000/1. More over, the tariffs on agricultural imports reduced to an average of 11.2% in the same year (www.wto.org). Since the approval of the Marrakesh agreement, all of Uganda's agricultural products are bounded in tariff. The tariffs are at calling rates of 80% for most agricultural products, with rates varying between 40 to 70 percent. Because the AOA requires the abolishing of non-tariff barriers, the country has also avoided most non-tariff restrictions including qualitative restrictions (FAO, 2003).

Although the idea of market access principle is to benefit member states, Uganda's experience seems to contradict the central objective of the market access principle (Bakunda, 2008). Since market access encourages states to give priority for export crops than domestic consumption, there is high food import in Uganda. Due to market access commitment and government policy, there is a significant increase in agricultural imports from the EU. For example, more than 150 items are imported as compared to about 70 items in 1995. The total annual imports grew by an average growth rate of between 5% and 6% between 2000 and 2004, from the level of USD 22.6 million to the level of USD

²⁰ It is a restriction on trade, usually imports, limiting the quantity of the product (www.termwiki.com).

24 million by 2004. This shows the steady growth of imports in Uganda (ibid). This in turn resulted the dumping of import goods which is cheaper than domestic price putting farmers in a position unable to compete with other cheap import agricultural goods and this make them out of business (Khor, 2005).

In addition to this commitment, there are also internal and external factors which affect Uganda's agriculture sector ability to benefit from this principle. Internally, one reason which minimizes the benefit of Uganda's agricultural trade liberalization under the AOA is lack of capacity to produce products in quality and quantity (Khor, 2005). Even if there is market access opportunity for Uganda, there is supply constraint and quality problem. Since Uganda's agricultural activity is based on traditional methods and subsistence farming, there are no enough products to supply in to foreign markets (Abdalla and Egesa, 2005). Besides its supply constraint, the sector also faces quality problem. As compared to the product of developed countries, the qualities of Uganda's agricultural products are below standard. All these problems prevent the country from being able to take advantage of market access principle and its products do not compete with others in foreign markets (Tumushabe et al., 2007 and Gollin and Rogerson, 2010).

The other factor which hinders market access opportunity is lack of well developed infrastructure. According to Gollin and Rogerson (2010), there is no adequate physical infrastructure in Uganda's agricultural sector (ibid). This weak infrastructure coupled with land locked status of the country has impaired the growth of its exports to foreign markets. Due to this geographical factor, there is a delay of deliveries to the export markets (Madeley, 2000). Further more, remoteness, land lockedness and poor communication infrastructure do not only isolate the country but also increase transport costs of doing export agricultural products to other states. As a result of this, the country is not benefiting from market access provisions (Gollin and Rogerson, 2010).

The third internal factor is weather problem. Although the AOA encourage the export of less developed countries, Uganda's farmers are not able to use this opportunity because of dependency in weather and poor harvest handling practice (Khor, 2005). In Uganda

most of the agricultural activities depend on nature and the ecological integrity of the environment. Any change in climate and weather condition result in low level of productivity. Hence, Uganda's market supplies, especially to the export market, can not be sustained over the entire year (Tumushabe et al., 2007). Finally, lack of modern farming technology is also another internal factor which hinders Uganda's agriculture to benefit from market access principle. As mentioned earlier, the majority of farmers depend on traditional unimproved method of farming. This activity results low level of production and quality which is not enough to export in to foreign markets (Tumushabe et al., 2007).

In the case of external factors, the existence of tariff and non-tariff barriers are the most important factors that hinder the free entrance of Uganda's export in foreign markets. Despite the establishment of the AOA, aimed at reducing tariff and eliminate non- tariff barriers, the developed countries have continued high protection of their agriculture sector. There are high tariffs on selected agricultural products of Uganda (Khor, 2005). After the implementation of the AOA, a number of problems arise related to tariff reduction. One concern is the issue of "dirty tariffication" arising from new significant tariff peaks in agriculture of developed countries as well as wider dispersion of tariff rates (Abadalla and Egesa, 2005:19). According to Abdalla and Egesa (2005), high tariff in general and tariff peaks and escalation in particular serve as major barriers to the exports of Uganda. Tariff quota system on the other hand provides limited opportunities for Uganda's export (Ibid). For example, FAO studies in 2003 have stated that high tariffs and tariff escalation are the major barriers to products of export interest to Uganda. This activity of the developed states highly affects the export revenue of the country (FAO, 2003).

Since the developed countries still have high degree of tariff escalation for processed agricultural products Uganda has shifted its export from processed to unprocessed products (FAO, 2003). According to Bakunda (2008), there was a steady decline in the value of processed agricultural exports to the EU, decreasing by 25.2% from 2000 to 2004. This indicates that there is the decline in the value of processed agricultural exports

where the value of unprocessed export is increasing. This suggests an increasing shift from exporting processed products to exporting unprocessed products. This substitution of processed to unprocessed agricultural exports further suggests that processed agricultural exports are less competitive and decline in terms of competitive conditions in the local markets (Bakunda, 2008).

In addition to tariff barriers, the agricultural exports from Uganda face non-tariff barriers in foreign markets. These barriers limit market access for the country's products. Among these non-tariff barriers the application of sanitary and phyto-sanitary standards are the most important one that hinder the free entrance of Uganda's export in other states. The other barriers are technical barriers and anti-dumping measures which also utilized by developed states. As a result of these factors, Uganda's agriculture is not benefiting from market access principles (Nyangito, 2004).

To sum up, market access principle is does not seems to benefit the agricultural sector of Uganda. This is due to the existence of internal and external factors which hinder the country to exploit the market access principle.

3.3.3.3 Export Subsidy Principle and Uganda's Agriculture

The central aim of the export subsidy principle of the AOA is to oblige member states to lower their export support measures. Within this principle there are exempt measures that allow LDCs to use them in their agriculture sector. However, Uganda does not offer any subsidies specifically that is designed to promote exports (FAO, 2003). Although Uganda as LDC is exempted from export subsidy reduction, the country does not use it effectively. According to FAO (2003), this is the out come of low financial capability and the government policy to liberalize its export sector. Since there is no adequate financial resources to provide export subsidies, Uganda can not use the export enhancing facilities even if it is allowed to do so (Ibid). In this regard, Abdalla and Egesa (2005) have stated that Uganda's exports are constrained by the lack of access to reasonably priced working and investment capital. This is partly due to the absence of export credit as well as the lack of sufficiently adequate financial resource in Uganda. Consequently, the market for

credit to exporter was characterized by high lending rates and therefore it undermines the competitiveness of Uganda's exports (ibid).

Although the AOA obliged member states to reduce export subsidies, there is an increase in subsidies in developed countries export sector. Due to this, there is an increase in the food imports in Uganda which is greater than increase in agricultural exports. According to Nyangito (2004), export subsidies that are dominantly used by developed countries make the products of sub-Saharan countries difficult to compete in the world market and also dampen domestic production when they are exported in sub-Saharan countries. For example, the EU accounts the majority subsidies granted by developed countries. This action allows the product of this region to under cut price for local agricultural products and this in turn affects the domestic market for small farmer in Uganda (Wiggerthale, 2004).

Furthermore, Nyangito (2004) has stated that the export subsidies in developed countries hinder the efforts of Uganda to increase its agricultural exports. Due to this, the sub-Saharan countries, including Uganda, which are heavily dependant on a few primary commodities, suffered from both volatility and secular decline of export since the establishment of the WTO. Moreover, FAO indicated that exports subsidies, in many cases, have contributed to the displacement of products from Uganda within their domestic as well as regional markets. According to the study carried out by FAO in 2003, export subsidies in developed states damaged the production of small scale producers in Uganda (FAO, 2003).

As far as export subsidies are concerned in developed countries, they are prevalent on commodities such as cereals, dairy and beef products in which Uganda is a net importer. However, these commodities are also important export for at least 50% of total exports of Uganda (Nyangiot, 2004). The fact that these commodities are subsidized makes it difficult for Uganda to compete with other developed states products in the world and domestic markets (Ibid).

In sum, the export subsidies provision of the AOA and its exempt measure less benefit the agricultural sector of Uganda. This is because there is no enough amount of capital to support the sector. In addition, the subsidy by developed states hinders Uganda's ability to benefits from the provision.

3.4 Chapter Summary

Nepal and Uganda which are under the category of LDCs are mainly depending on agriculture sector. The sector of these countries is mainly characterized by lack of quality, infrastructure, technology, surplus products and diversification. Both Uganda and Nepal believed that there membership in the WTO would benefit their agriculture sector and then economic development. However, as indicated earlier, these countries are not benefiting from their membership. There are different internal and external factors that minimized the benefit of membership. Although the AOA provide some exempt measures for LDCs, due to lack of budget and experts both Nepal and Uganda are not in a position to benefit from exempted measures.

Chapter Four

An Overview of Ethiopia's Agricultural Sector, Accession Process and Lessons for Ethiopia

4.1 Introduction

Ethiopia is a land locked country and one of the largest countries in Africa both in terms of land area and population with diverse socio-cultural and agro- ecological features (Berhane, 2009). It is the seventh largest country in Africa, covering a total area of 1.1 million square kilometers. Ethiopia is the second most populous country in sub-Saharan Africa after Nigeria. In 2007 estimation, it has a population of more than 74 million with annual rate of growth of 2.9%. It shares international borders with Somalia and Djibouti in the east and south east, Eritrea on the north and north east, Kenya on the south, and Sudan in the west (Badege, 2006). With a per capita income of only about 20% of the African average, Ethiopia is one of the world's poorest countries with 38% of its population living under the poverty line. In addition, persistent food crises have left a significant proportion of the population food insecure (Diao and Nin Pratt, 2005).

Like other LDCs, Ethiopian economy is predominantly agrarian where agriculture plays a key role in the social and economic development. The sector is also the source of raw material for the local industries (Berhane, 2009). Despite its importance, agricultural policy has undergone several swifts and changes under three different regimes. And since the overthrow of military regime in 1991, the country has formulated different policies and strategies to guide its agricultural development (ibid). As part of its economic policy reform, the government has applied for membership in the WTO in 2003 with the hope that the participation of the country in the WTO and further liberalization of the agriculture sector through the AOA will benefit the sector (Fikremarkos, 2008). However, the experience of acceded and original member countries of WTO indicates that the AOA has some implication for their agriculture sector. The experience of these countries may serve as the source of lesson for other acceding countries which have the same agricultural context with them. Since Ethiopian context is similar to those LDCs,

their experiences may be a good lesson for the country. Therefore, this chapter discusses the features of agriculture sector of Ethiopia, its agriculture policy and then the accession process of the country. At the end of the chapter, based on the experience of those selected countries, attempt is made to draw possible lessons for Ethiopia.

4.2 Agriculture in Ethiopia

Agriculture is the basis of Ethiopian economy. The country is heavily dependent on agriculture sector for generating employment, income and foreign currency (Badege, 2006). As far as employment is concerned, the sector absorbs at least 85% of the population. This is considerably high when compared to most of the sub-Saharan African countries where the share of agriculture in total labor force has declined from about 70 percent in 1980s to lower 60 percent in 1990s. But the trend in share of labor force in Ethiopian agriculture shows no appreciable decline (Badege, 2006 and African Development Bank, 2008).

In addition to being the source of people's livelihood, agriculture is the major sector of the economy contributing an average 40-50% of the GDP. Although its share of the total GDP has declined from 53 percent to 43 percent between 1995/96 and 2008/09, the sector continues to be the major source of the GDP (Temesegen, 2010). Besides its contribution to the GDP, it is the source of raw material for local industries as a factor of production to the country's manufacturing sector. According to the Federal Democratic Republic of Ethiopia (FDRE) (NY), about 70% of the country's raw material requirements for large and medium sized agro-based industries come from agriculture sector. Moreover, the sector is also the major source of capital for the majority population. Hence, the sector plays a key role in generating surplus capital for the economy. And given the majority of the population is dependent on the agriculture sector as a source of income, the existence of surplus capital in the sector expands and creates home markets for other sector (Temesegen, 2010).

In terms of generating foreign currency, a lion's share of the country's earnings also comes from agriculture sector (Getachew, 2009). If we look at the contribution of the

sector for export, we can see that the country generates almost all the export earnings from agricultural products. In other words, agriculture is the source of about 90% of the export earnings. For example, on average (for the period between 1988 and 2000) agriculture constitutes about 92% of the total export. These exports are traditional export items, such as coffee, hides, oil seeds, chat and live animals, which are primary commodities that could be easily produced and exported (Berhanu, 2009 and Badege, 2006).

Even for traditional commodities like coffee, the largest share is exported as primary goods. Although the country exports other non-traditional exports, coffee, which is the dominant cash crop and the largest export earner, continues to dominate its exports (Estandards Forum, 2009). According to Musebe et al. (2007), coffee continues to be the major agricultural product with respect to export flow. It accounts for 3% of the agricultural GDP. In other words, it accounts for about 60% of export earnings. This put Ethiopia as the largest coffee producers in Africa. Besides being the source of GDP, coffee is also the source of livelihood for the people. For example, as per the 2005 estimation around 15 million people depend on coffee for their livelihoods (www.economywatch.com).

With respect to the destination of Ethiopian exports, Switzerland, China and Germany are the major export destinations. Moreover, neighboring states, such as Sudan and Somalia, are important markets for Ethiopia's exports (Access Capital Research, 2010). In addition to being the source of export earnings, the sector also finances import of goods essential for the socio-economic development of the country. The foreign currency obtained from export sector helps the country to import products from abroad (Fikremarkos, 2008).

Despite the huge dependence on agriculture and its enormous contribution for the economy, the performance of the sector is disappointing and its production does not meet with the growth rate of the population. For example, during the past two and half decades agricultural production has increased only by 59 percent which is lower than population growth which has double in the same years. Even the contribution of the agricultural

sector to the national economy decreased from 47 percent to 41. Thus, it is not in a position to feed the rapid growth of the population (Demesse and Chanyalew, 2010 and Samuel, 2006). A glance at the available literature reveals reasons for this dismaying state of affairs. One reason for this problem is the heavy reliance of the sector on rain-fed farming system. According to Temesegegn (2010), the sector is mainly depending on weather conditions and it is subjected to natural calamities such as drought and famine. Since the sector is based on rainfall, change of weather condition leads to low level of production. As a result, the majority of the rural population is vulnerable to a persistent and frequent food shortage (Berhanu, 2009 and Samuel, 2006).

The other reason for the low level of productivity is the absence of improved production technology. Agriculture in Ethiopia is dependent on low level of farming technology which is very backward and unproductive (Temesegegn, 2010). According to Temesegegn (2010), agriculture is dominated by small-scale farmers who adopt traditional farming practice. In Ethiopia farming system is traditional and managed with simple production technology and ploughing is usually oxen-driven (Institute of Bio-Diversity Conservation, 2008). Hence, the productivity of the sector is very low and not able to feed the population.

The third reason for the declining of agricultural production in Ethiopia is the dependence of the sector on small-scale farming. Smallholder farming is the dominant livelihood activity for the majority of Ethiopians (Devereux and Guenther, 2007). According to Demesse and Chanyalew (2010), the production of crop is dominated by small scale subsistence farmers. These small scale farmers on an average account for 95% of the total area under crop and for more than 90% of the total agricultural output. Most of food crops and export crops are produced by small scale farmers. Due to small size of land holding, these small-scale farmers are not very productive (ibid).²¹ For example, on average 55% of the rural households cultivate less than two hectares per house hold.

²¹ There is an intense debate on the relationship between land holding size and productivity. Some argued that large farm holdings is necessary for attaining the economies of scale- an essential condition for agricultural commercialization and production promotion. Differently, others argued that there is an inverse relationship between landholding size and productivity. However, such debates are beyond the scope of this study.

According to the FDRE (NY), about 96% of cultivated area is under smallholder farming and only 4% is used for commercial farming. The fourth reason is the inherent drawbacks of the sector such as under capitalization of infrastructure and in-adequate capacity, transaction costs and low market transaction, and poor complimentary service such as extension credit (African Development Bank, 2008). This in turn hinders the capability of the farmers to produce surplus of products.

To sum up, due to the above mentioned reasons, Ethiopian agricultural production is declining from year to year and there is varied in yield. Since the productivity of the sector has declined through time, it does not meet the rapid population growth.

4.3 Agriculture Policy

Ethiopia over the last fifty years has experimented both socialist and capitalist strategies of economic growth in agriculture. During the previous two regimes the country undertook significant measures at reforming its agricultural policies. However, its experiments failed to bring about self-sufficiency in food production (Tadesse, 1999). Hence, in the mid 1990's the Ethiopian People's Revolutionary Democratic Front (EPRDF) led government formulated a development strategy centered on agriculture, which aimed at stimulating agricultural growth and rural development by way of inaugurating a new strategy known as- the Agriculture Development Led Industrialization (ADLI) in 1995 (Samuel, 2006 and Diao and Nin Pratt, 2005).

The central idea of ADLI was that "agriculture should be the starting point for the structural transformation of the economy". In other words, agriculture is seen as the sector from which growth should emanate and growth in agriculture lead to industrial growth (Deron and Zeitlin, 2009). Through ADLI the government believed that farming is the backbone and potential source of growth for the Ethiopian economy upon the assertion that the primary initiator of demand for industrial output will be domestic, rather than foreign demand. As its name indicates, ADLI can be seen as a phased development strategy starting in agricultural sector which then will offer labor and inputs

and serve as a source of demand for other non-agricultural sector (Dercon and Zeitlin, 2009 and Devereux and Guenther, 2007).

According to Samuel (2006), under the ADLI agriculture serve as a primary stimulus to generate increased output and income for the people and by doing this it serves as the facilitator for the development of other sectors of the economy. To implement this strategy, the government intensifies the smallholder agriculture to ensure food self sufficiency and induce growth in the rest of the economy (Temesegen, 2010). The ADLI strategy is the government's over arching policy response to Ethiopia's agricultural productivity challenges. Hence, with ADLI strategy as a basis, the government restored its national agricultural extension programs and promoted a new technology package of high yielding seeds and fertilizers to smallholder farmers (Samuel, 2006).

The ADLI strategy is mainly focused on agriculture and rural development with the objective of improving productivity, commercialization and diversification of smallholder agriculture; ensuring prudent allocation and use of existing land; strengthening of human resource capacity and effectively utilizing it (African Development Bank, 2008). Under this strategy, the government believed that growth in smallholder agriculture provides a diversified base for rural industrialization driven by expansion of effective demand for non farming goods and services (Getachew, 2004). In addition to the above mentioned objectives, ADLI has other objectives such as a shift to higher valued crops, promotion of niche high value export earnings, and support for the development of large scale commercial agriculture and promote the use of labor intensive methods (ibid). Berhane (2009) states that the ADLI strategy focuses not only the above objectives but also on commercialization of subsistence agriculture through capacity building of various actors, development and adaption of high yielding technologies, diversification of high value commodities and development of irrigation (ibid).

To achieve the above objectives, the government launched a series of development and poverty reduction programs, which includes Sustainable Development and Poverty Reduction Program (SDPRP) in 2001 and the Plan for Accelerated and Sustained

Development to End Poverty (PASDEP) in 2004/05. These two strategies have been perceived as the most significant policy statements of recent years, which have significant implication for the agricultural sector development (Diao and Nin Pratt, 2005). Both SDPRP and PASDEP seek sustainable, rapid and equitable economic growth and human resource within a decentralized federal administrative structure to reduce poverty in its income and non-income direction (Africa Development Bank, 2008).

Following wide-ranging of public consultations, Ethiopia launched the SDPRP strategy in 2001. It focused on improving human and rural development, food security and capacity building through transformation of the agriculture sector (Devereux and Guenther, 2007). According to Ministry of Finance and Economic Development (MoFED) (2005), the SDPRP is not a stand-alone strategy; rather it is built on existing government policies, strategies and programs. The SDPRP was built on four pillars. These are: - 1) ADLI, 2) decentralization and empowerment, 3) capacity building in public and private sector and 4) justice system reform (www.ethioembassy.org.uk). Although all of these pillars are not directly related to agriculture sector, they indirectly affect the sector. In terms of agricultural development plan, the main elements of the SDPRP program include: improved research and extension packages for Ethiopia's farmers, expanding irrigation and fertilizer reform. Furthermore, in SDPRP the government also aimed to encourage the participation of private sector in agricultural production and marketing (MoFED, 2005).

The broad thrust of Ethiopia's strategy with SDPRP includes, over-riding and planned focus on agriculture; strengthening private sector growth and development; rapid export growth through production of high value agricultural products; and strengthen agricultural research, water harvesting and small-scale irrigation (www.ethioembassy.org.uk). From this one can see that the over arching objectives of the government's SDPRP strategy is to reduce poverty and at the same time maintaining macro-economic stability (Ibid).

PASDEP is the second strategy perceived as important program for agricultural development. The draft version of PASDEP was released in December 2005 and designed to implement for the period 2005-2009 (Amdissa, 2006). The PASDEP is the legal document defining the national development plan and is a strategic framework guiding the development policies of the country for the five year period. Its policy process was coordinated by the MoFED (MoFED, 2005). The PASDEP is a plan embarked on a significant and ambitious shift towards agricultural commercialization for income generation and wealth creation at house hold and national level. As a strategy, PASDEP is the continuity of both ADLI and SDPRP and builds on the strategic direction pursued under both strategies (Devereux and Guenther, 2007 and Amdissa, 2006).

However, PASDEP has introduced some new policy direction. Although PASDEP is the continuity of ADLI, its aim towards large scale commercialization represents a departure from the ADLI, which saw small scale farmers as source of growth in agriculture and the wider economy (Amdissa, 2006). Moreover, the PASDEP moved away from the ADLI strategy which focuses with growing food for subsistence and delivering food aid for survival when food production is inadequate. In addition to this, PASDEP also renews the commitment of the government to supporting small holder farmers (Devereux and Guenther, 2007).

Like ADLI, the PASDEP takes forward a number of similar measures emphasizing upon SDPRP, prioritizing food security, rural development and capacity building. But it also includes some new issues beyond the SDPRP. According to Devereux and Guenther (2007), PASDEP aims to double agricultural production in Ethiopia in five years, with consequent improvement in smallholder incomes and Ethiopia's foreign exchange earnings. It also aims to commercialize the agriculture sector and renews the government policy towards food security program (Amdissa, 2006).

In sum, from the above, one can see that the government gives high emphasis to the agriculture sector. And to enhance the development of the sector the government

formulated the above mentioned policies which could improve the productivity of the sector.

4.4 Accession Process

LDCs in the WTO and those in the process of accession see WTO membership as a means to achieve their developmental need. They also believe that membership in the WTO is a means to accelerate their economic development. It is under this expectation that many LDCs, including Ethiopia, have applied for membership (Fikremarkos, 2008). Ethiopia in particular applied for observer status two years after the establishment of WTO and also expressed its interest to enter into the organization through negotiation. The WTO ministerial conference accepted Ethiopia's request for observer status in 1997 and since then Ethiopia has been accorded an observer status at the WTO (Kaleyesus, 2009). Based on the rule of the WTO, any country which submitted its application for observer status should start negotiation within five years of its application. However, due to war with Eritrea the country was not able to start its negotiation within the given years. As a result, the country requested the continuity of its status and this request has been accepted by WTO member countries (Yabowork, 2008).

After six year stay as an observer, Ethiopia formally submitted an application to accede to the organization in January 2003 and then, Ethiopia's request for accession was circulated in the WTO. A month later, after Ethiopia's application was accepted, the WTO General Council established a working party under the Chair-person of N. Mac Millan. This working party which was established in 2003 started to examine the application of the country (www.wto.org). Following this, the government prepared a road map for WTO accession and organized a workshop for government officials and private sector representatives in September 2004. In this workshop, the road map was discussed widely and the participants raised different issues regarding the benefits and costs of membership (MoFED, 2005).

After its establishment, the working party submitted its recommendation to the general council which include a draft of protocol of accession (Hailu, 2010). In December 2006,

Ethiopia submitted the Memorandum of Foreign Trade Regime (MFTR) to the WTO secretariat. The MFTR, which clearly showed the trade regime of Ethiopia, was prepared by a technical committee which was formed by the national committee. To perform its function effectively, the technical committee's members were drawn from various public institutions (www.wto.org). In 2007 Ethiopia received the first round of questions from WTO member countries. These questions were about service and agricultural sector liberalization and it also included the economic policy, direction and implementation of the country. Later, in 2008 the Ministry of Trade and Industry (MoTI) responded to the questions (Wendwesson, 2008). Since then the country provided information on its agriculture and service sector policies and its tariff structure (ibid).

In summer 2008, Ethiopia received a second round of questions from WTO members. Like the first round, the country also responded to these questions. Currently, the working party is preparing to hold its second meeting in May 6, 2011 and the chair-person of this working party, Steffen Smidt, came to Addis Ababa in February 2011 and he discussed with different government and private sector representatives. In this discussion, the chair-person pleads to accelerate the accession process as much as possible (Asrat, 2011).

4.5 Lessons for Ethiopia

When the AOA was agreed by member states in 1995, the intention was to liberalize trade in agricultural products by removing tariff and non-tariff barriers. At the time, it was argued that trade liberalization in agriculture would contribute to growth, better income and employment opportunity (Bhatt, 2006). Since trade in agriculture has been a problem of many states for decades, the agreement is the turning point as far as agriculture sector is concerned. However, the evidence from the experience of Nepal and Uganda does not support this argument. Rather than benefiting from agricultural liberalization, these countries have not been benefiting from their membership. Although the AOA included some exempt measures for LDCs, due to lack of sufficient capital the influence of donor institutions these countries do not use effectively those exempt clauses.

Ethiopia is now in the process of accession. In this process the country is expected to be abiding by the AOA principles. Since any country that wishes to join the WTO is requested to make its agricultural policies in compatible with the AOA, like that of Nepal and Uganda, the country could oblige to formulate new agricultural policy. As indicated in chapter 3, during its accession Nepal was obliged to formulate agricultural policy which is compatible to that of the AOA principles. This results in the amendment of existing policies. Ethiopia, having the same agricultural context with both Nepal and Uganda could also face the same problem in agricultural policy formulation. However, some people including the government argue that the agricultural policy of the country is compatible with WTO principles. According to Mussie (2005), since the introduction of the new economic policy in the 1990's, Ethiopia has liberalized its agriculture sector. Due to this policy change, the country's agricultural policy is more or less compatible with the AOA. The following section will focus on the three principles of the AOA and try to draw possible lessons for Ethiopia.

4.5.1 Market Access

In the AOA, market access is about obligations and rights. As a right, countries could get the free market access in other countries and as an obligation member states should also open their market for other states. This is done through tariff reduction and the change of non-tariff barriers²² in to tariff equivalent (Bhatta, 2006). In other words, market access means accessing other members market and letting other members into one's market. Accordingly, member states and states in the processes of accession are expected to open their market to foreign products (ibid). In order to fulfill this obligation both Nepal and Uganda reduced their tariff and converted all non-tariff import measure into their tariff equivalent. As was discussed in chapter 3, because of their liberalization policy and WTO commitment, both countries opened their market. But the free entrance of cheap and quality products into their domestic market put farmers out of business. Since the exports of developed countries are subsidized, it lowers the cost of production and its final

²² Non-tariff barriers are barratries, such as import monitoring systems, quantitative import restrictions, minimum import prices and voluntary export restraints, other than tariffs that restrict imports or that have the potential for restricting international trade (De Vylder, 2007).

price.²³ Because of tariff reduction in Nepal and Uganda, the subsidized agricultural products enter freely and result in an increase in import surges. Due to this fact, there is stiff competition from cheap foreign products which has lower price and this leads to the further impoverishment of farming communities. This Nepalese and Uganda's experience indicates that market access obligation caused serious problem for their respective agriculture sector. Hence, this could be one lesson for Ethiopia where there are no high tariff rates and non-tariff barriers.

Ethiopia as a LDC is under no obligation to reduce its tariff rates under the AOA, although it is required to change its non-tariff import restriction measures such as import quotas, minimum import price and bind the same and all existing tariffs against future increase (Gashaun, 2009). However, like Nepal and Uganda, in its accession process Ethiopia is expected to reduce its tariff rates and convert non-tariff barriers in to tariff equivalent. Though this is the requirement of accession process, Ethiopia has reduced its tariff and avoided non-tariff barriers through its economic liberalization and structural adjustment programs (Mussie, 2005). For example, the country reduced its tariff rates from over 230% to 35% and its average import tariff from 41.6% to 17.5%. This reduction put the country as one of the most liberalized state (Gashaun, 2009). This shows Ethiopia's applied tariff is considerably low and compatible with the domestic support principles. Although this is the outcome of economic policy reform, it is not based on the idea of concession which involves its trading partners. Since the country is under accession, it is obliged to reduce tariff rates. So any commitment under accession process might lead to further reduction of tariffs below the current level and this in turn might result in an increase in import surges in domestic markets. The economic liberalization of Ethiopia coupled with further WTO commitment might create a situation like that of Nepal and Uganda.

The other lesson is in the area of the right of market access principle. According to the AOA, member states would benefit from predictable and better market access in other

²³ This is not the result of WTO agreement per se. It rather arises out of developed countries failure to comply with the major requirement of subsidy avoidance.

states. It is on this understanding that countries joined the WTO. As a concession for their market opening, member states have the right to get the free market access in other countries. However, the experience of those selected countries indicates that there are internal and external factors which minimize and hinder their right of market access. Internally, there are problem of supply side constraint, lack of infrastructure, lack of diversification, low productivity and quality. In addition, external factors such as tariff and non-tariff barriers in developed states hinder the benefit of market access.

One lesson from the experience of Nepal and Uganda is the existence of supply side constraint minimized the benefit of membership. Since both countries are depending on small scale-farming and traditional method, they are not able to produce surplus products which can be a source of supply for domestic and foreign markets. As indicated earlier, the major export crops of these countries are grown in fragmented land which in turn results in low level of production for export. Due to this fact, the amount of exports has declined through time and even this continues after these countries become a member of WTO. For example, although membership is important to get free entrance to foreign markets and increase exports, the amount of exports in Uganda declined after the country signed the Marrakesh agreement. And this is also true for Nepal where the amount of export is not increased significantly. This shows how these countries are not exploiting the market access right which they have got from being a member of WTO.

This could happen to Ethiopia where there is no enough agricultural output. As discussed earlier, supply side constraint or lack of surplus production is one characteristic of Ethiopia's agriculture. In Ethiopia, where there is no commercialization of agriculture and high dependence on small-scale farming, the productivity of the sector is low and this might affect the would be benefit of market access right. Due to supply side constraint, the amount of the country's export fluctuated through time. For example, the volume of Ethiopia's export decreased from 600,380 in 2006 to 579,341 in 2009 (MoT, 2010). If one looks at the export of the country during these years, agricultural export has decreased through these years. Under this condition, if this trend continues, membership might not help the country to benefit from market access principle.

The second internal factor which hinders the benefit of market access principle is lack of infrastructure. As far as infrastructure is concerned the main lesson from Nepal and Uganda is that the absence of well developed infrastructure minimizes the benefit of market access right. As discussed in the experience of Nepal and Uganda, the weak infrastructure and the land locked status of these countries have impeded the growth of exports to foreign market and increased the cost of production. Since there is no well-established physical infrastructure, there is a delay of delivery to domestic and foreign markets.

In the case of Ethiopia, infrastructure and land lockedness might be the challenge for Ethiopian export to foreign markets. Like most LDCs, Ethiopia has very low level of physical infrastructure. All forms of infrastructure are underdeveloped and this is widely cited as one of the country's main constraint to agricultural export (Temesegen, 2010 and Berhanu, 2004). This lack of infrastructure is particularly acute in rural areas where the sector is the basis of people's livelihood. According to African Infrastructure Knowledge Program (2011), only 10% of Ethiopia's rural population lives close to an all-season road. This poses a challenge to 80% of Ethiopian's population living in rural areas. Even existing road networks leave many rural areas inaccessible by vehicles. Because of this the products cannot be easily transported and the cost of transportation is high (ibid). Although the government invests large amount of money on infrastructure, it is not enough to solve this difficulties and still the problem is persisting. Moreover, the land locked nature of the country might increase the transport costs of the products, which, in turn, minimize the profit. Under this condition, like Nepal and Uganda, the country may face similar problems.

The third internal factor which can be drawn from the experience of Nepal and Uganda is the absence of export diversification. The majority of LDCs are exporting few agricultural products which are vulnerable to price fluctuation. On average three products, such as coffee, cotton and tobacco, account for over 70 percent of LDCs export revenue. Consequently, these countries often compete against each other on export market where demand for these crops is stagnating (De Vylder, 2007). The experience of

selected countries shows that their dependence on few agricultural exports minimizes the benefit of market access. Since the exports of these countries are few in number and destination, they are subject to lower price which is the result of similar agricultural exports. This could also be a problem for Ethiopia which is mainly dependent on few export commodities and few destinations. As discussed earlier, Ethiopia's export commodities are few in number and destination and hence it might be vulnerable to price fluctuations. For example, the lion's share of the country's export is taken by coffee (www.economywatch.com). The market access principles would help if there is diversification of exports and diversification of export destination. But this is not the case for Ethiopia's agriculture. Because there is no diversification in Ethiopia's export, the problem that Nepal and Uganda have faced may happen in Ethiopia.

The last internal factor which can be a lesson for Ethiopia is the problem of quality. As was discussed in chapter 3, the agricultural sector of Nepal and Uganda is based on traditional method and hence both the quality and quantity of their products are very low. As a result of this low quality, the product of these countries are not able to compete in international market where there is quality standard. Due to competition from developed states, the export of Nepal and Uganda lose their share in foreign markets and their price is lower than its normal price. This makes farmers of both countries disadvantageous. This might be a good lesson for Ethiopia.

Although market access principles encourage the export of member states, quality problem hinders the export of member LDCs. As indicated in the experience of Nepal and Uganda, market access opportunity is not highly exploiting due to lack of quality product. This could true for Ethiopia where there are no quality products which fulfill international standards. Since there is no improved farming technology, the quality of agricultural products is low. Moreover, plant disease and harvesting mechanism further aggravated the problem (Berhanu, 2009 and Cordella and Mamo, 2005). For example, in the first six months of 2010/ 2011 budget year, the country intended to export 140,000 tons of coffee. However, only about 80,000 tons of coffee fulfilled international standards

(Elias, 2011). If the country joins the WTO, this quality problem might hinder the benefit of market access principle.

Besides the internal factors, there are also external factors which minimize the benefit of market access principle. The experience of Nepal and Uganda indicates that the existence of tariff and non-tariff barriers in developed countries and other member countries makes it difficult for the free entrance of their agricultural products. In terms of tariff, one lesson from those experiences is the existence of high tariff rates in their trading partners. Despite the obligation of the AOA to minimize tariff rates, still there are high tariff rates in Nepalese and Uganda's major trading partners (see chapter 3). This results in the high price of the agricultural products of both countries in the domestic market of their trading partners. Due to this, they are not able to compete with foreign products which have lower price than imported products. As a lesson, Ethiopia's government should consider the existence of tariff barriers in foreign markets. Like Nepal and Uganda, the major trade partners of Ethiopia could erect high tariff rates which might hinder free entrance in to their markets.

In addition to tariff, there are also non-tariff barriers in foreign markets such as quality standard, sanitary and phyto-sanitary measures. As indicated in their experience, because of sanitary and phyto-sanitary measures both countries are facing difficulties. Since the products of Nepal and Uganda are not in a position to fulfill those measures, they are not able to enter foreign markets. In terms of implementing the sanitary and phyto-sanitary measures, for example, Nepal has invested large amount of human and capital resources which are very expensive. This can be a lesson for Ethiopia where there is a problem of adequate human and financial resource. To implement the standard, the country may need experts and finance which could not be easily accessed (Cordella and Mamo, 2005). Since the country does not have adequate human and financial resource to fulfill those measures, this might pose a huge challenge to Ethiopia. As Cordella and Mamo (2005) stated in non-tariff barriers the challenge for Ethiopia's export is that there is lack of capacity to put measures like quality and sanitary standard in place at home and

complying with developed country members sanitary and phyto-sanitary measures²⁴. If the country joins the WTO, this might pose problem for Ethiopia to fully exploit the existing and potential market access opportunity.

4.5.2 Domestic Support

The main objective of this measure is to bring agricultural trade distortion subsidies under the minimum level and if possible to avoid it. Although most support measures are equally trade distorting, there are some exempt measures which are allowed under the AOA. This exempt measure is included under the auspices of Green Box²⁵, Blue Box²⁶ and development measures²⁷ (Croome, 1995). But the experience of member countries indicates that due to different factors domestic support principle does not seem to benefit their agricultural sector.

Regarding domestic support, one lesson from Nepalese and Uganda's experience is that because of financial constraint the exempt measure of this principle is not benefiting their agriculture sector. Although both countries are exempted from domestic support commitment, they do not use it effectively. This is due to the fact that there is no adequate capital to support their agricultural sector. As indicated in chapter 3, even the government expenditure in agriculture sector has declined through time. This might show how these countries are not using the exempt measure effectively. In addition to this, since both countries are donor dependent, they are also subject to the influence of donor institutions which need further reduction in domestic support. This donor policy together

²⁴ Sanitary and phyto-sanitary measures are those measures necessary to protect human, animal or plant life and health. According to article 20 of the WTO, countries are permitted to impose these measures but they do not constitute a means of arbitrary or unjustifiable discrimination. The same article further states that countries must primarily base their sanitary and phyto-sanitary measures on international standards (Croome, 1999).

²⁵ It is a kind of domestic support which is considered as acceptable and has no, or at most minimal, distorting effect on trade or production (WTO, 2003).

²⁶ It is a direct payment to farmers which are tied to production limiting. Under the AOA, countries are allowed to use this subsidy (ibid).

²⁷ It is a domestic support to encourage agricultural and rural development, which are an integral part of the development programmes of less developed countries (ibid).

with insufficient capital affects the domestic support capacity of Nepalese and Uganda's government.

Based on an analysis of commitment and policy changes on agriculture subsidy made by both Nepal and Uganda, the following lesson can be drawn for Ethiopia. Firstly, the domestic subsidy principle has not highly benefited the agriculture sector of Nepal and Uganda. This is evident in their experience that WTO commitment and their change of policy resulted in further reduction in their expenditure on agriculture sector. Further more, the policy of donor institutions further aggravated the problem. This make them disadvantageous and not able to exploit the exempt measure. This could be a good lesson for Ethiopia where there is no enough capital to spend on agriculture sector. Ethiopia, due to its economic reform, has removed some form of agricultural subsidies. And this reduction goes beyond the provision of the WTO commitment (Mussie, 2005). Although LDCs are exempted from subsidy reduction, due to policy change and further accession commitment, the capacity of Ethiopia to provide direct subsidy is very weak. And this may have adverse effect on the productivity and competitiveness of the sector (Cordella and Mamo, 2005).

According to the AOA, any acceding country should reduce its agricultural domestic support. This reduction might lead to a reform in the structure and future direction of its agricultural policy. Since Ethiopia has reduced its subsidy through policy change, in the process of accession the country could not face problem in its reduction commitment. According to Gashaun (2007), almost all domestic subsidies of Ethiopia are under the category of Green and Blue box measures which are allowed within the AOA. Hence, the country is not obliged to reduce them. But currently, there is no enough capital to spend on agriculture sector. For example, the share of agriculture in total expenditure decreased from 1.2 percent in 2007/08 to below 0.9 percent in 2010/ 11 (www.mofed.gov.et). This might affect government expenditure on agricultural extension, research, fertilizer and irrigation which are allowed under the exempt measure. If this continues, there could be reduction of agricultural inputs which finally might reduce the productivity of the sector. Although the country is exempted from reduction commitment, because of acute

budgetary constraint Ethiopia may not be able to benefit from exempt measure of domestic principle.

Under the AOA, for example, input subsidy for fertilizer is allowed for LDCs, but this is not effectively used by them. For example, Nepalese government expenditure on fertilizer is declined through time. This might be happen in Ethiopia where there is no input subsidy in agriculture sector. In the absence of input supplies the farmers may face problem, and if so, the sector may become disadvantageous. As discussed in chapter 3, due to the absence of subsidies in Nepal, the price of fertilizer and pesticides are very high and the farmers are not able to afford it. This may happen in Ethiopia where there is no enough budget to support the sector.

The other lesson from Nepalese and Uganda's experience is the existence of subsidy by the developed and other member states. Although the AOA obliges member states to reduce agriculture distorting subsidies, still there is high subsidies in developed countries. As indicated in the experience of Nepal and Uganda, there is domestic support in their trade partners. Due to this support, the agricultural products of developed states are cheaper than that of Nepal and Uganda. Since the subsidy by developed states lower the cost of production, the final price is also low as compared to Nepal and Uganda. This results in the collapse of their agricultural products in foreign markets where there is stiff competition in price. Because of this lower price, the farmers of both countries are not able to compete in domestic and foreign markets.

For example, due to the domestic subsidy, the products of developed states enter the domestic markets of Nepal and Uganda in large quantity. This results in import surge thereby lowering the price. The lower price ultimately results in the collapse of Nepalese and Uganda's agriculture. This might be a lesson for Ethiopian agriculture. The major trading partners of Ethiopia are those countries which are also the trading partners of Nepal and Uganda. Since developed countries are giving domestic support for their agriculture, these may result in similar problem for Ethiopia's agriculture.

4.5.3 Export Subsidy

The export subsidy provision in the AOA is one area, which has its own implication for LDCs. Under the AOA, the principle of export subsidy requires states not to provide subsidies above the level stated in their schedule and it further requires states commitment not to introduce export subsidy that are not included in their reduction commitment (Cordella and Mamo, 2005). Although this is the central goal of export subsidy, still it is being retained in developed states. One lesson from the experience of Nepal and Uganda is that their membership has not benefiting them due to high trade distorting subsidies in developed states.

Since the agricultural exports of few developed states are supported by their respective governments, there is the problem of lower price in the world market where the export of LDCs faces competition (De Vylder, 2007). As indicated in the experience of Nepal and Uganda, the existence of export subsidy in their trade partners affects their competition in other markets. This might also happen for Ethiopia's agricultural export. The trade partners of Ethiopia are those which provide export subsidy for their agriculture. This could lower the price of their export products, which may sell in lower price than Ethiopia's export. This in the long run may put Ethiopia's export out of market competition.

The other lesson in export subsidy principle is existence of budget constraint in those selected countries. Although the export subsidy principle requires the abolishment of trade distorting subsidies, there is the exempt measure that allows LDCs to give subsidies for their agricultural export. But the experience of Nepal and Uganda indicates that they do not use the exempt measure effectively. This is due to the fact that there is no sufficient budget that can be used for export subsidy. This shows that the two countries are not benefiting from this principle. Such assessment generates information, which might show the implication of insufficient capital on the agricultural export of Ethiopia.

Although any state under accession process is required to reduce its export subsidy, there is no problem regarding Ethiopia's export subsidy commitment. This is because of the

implementation of new economic policy in the 1990's, export subsidies are prohibited in Ethiopia. This reduction went beyond what is minimally required according to the WTO rules for LDC (Cordella and Mamo, 2005 and Mussie, 2005). This trade policy together with the commitment of the country under the accession process will not affect the country. But the problem could be lack of capital to invest on exempt measure. Due to policy change and budget constraint, the exempt measure might not be used effectively by Ethiopia. Like Nepal and Uganda, there is no sufficient budget to support Ethiopia's agricultural export. The minimal financial capacity of the government may make it very difficult for Ethiopia to provide any support to its agricultural export.

4.6 Chapter Summary

Ethiopia is one of the LDCs that is dependent on the agriculture sector. Since the sector is the basis of the country's economy, the current government formulated different strategies as a means of improving the sector. But the reality is that the sector is characterized by lack of surplus products, diversification, infrastructure and modern farm technology. As part of the economic policy reform process, the government applied for membership in the WTO and still the process of accession is going on. If this process complete and the country join the WTO, those problems that have happened on Nepal and Uganda might happen in Ethiopia which has the same agricultural context with them.

Chapter Five

Summary, Conclusion and Recommendations

5.1 Summary

In this thesis an attempt is made to analyze the implication of WTO for the agricultural sector of LDCs and draw possible lessons for Ethiopia. As was indicated in the literature review agriculture trade liberalization was achieved through a long and complicated process of negotiations. The Agreement on Agriculture which was concluded in 1995 is a landmark in the history of WTO. Since most LDCs' economy is based on agriculture sector, the implementation of the agreement has huge implication for their economy. Obviously, the expectation of Nepal and Uganda is that their membership in the WTO would help growth in Agriculture sector. However, as discussed earlier, the experience of those selected countries indicates that their membership in the WTO does not lead to growth in their agriculture sector and hence they have not benefited from their membership.

It has been discussed so far that there are various internal and external factors that hinder and minimize the benefit of membership in the WTO. Although application to membership could be seen as a positive step towards integrating the LDCs into the world trading system and a better step to enhance economic growth, yet the AOA pose serious challenges because in countries where there is no well developed farming system, infrastructure, surplus production, sufficient capital and diversification of exports, the benefit accrued from membership to agriculture sector could be minimal. In addition to these internal factors, there are other external factors such as tariff and non-tariff barriers, domestic supports, and export subsidies in developed countries, which affect the benefit of membership in the WTO. Although there are exempt measures, the experience of selected countries indicates that due to lack of sufficient capital they do not use effectively those measures. As a result, what is observed generally from those experiences is that WTO membership has its own implication for the agricultural sector of selected LDCs. Hence, Ethiopia which is under the category of LDCs should consider those experiences.

5.2 Conclusion

Like other LDCs, Ethiopia's economy is mainly dependent on agriculture sector. As indicated earlier Ethiopia has the same agricultural context with those selected LDCs which are already the member of the WTO. Therefore, those problems which are faced by Nepal and Uganda might face Ethiopia's agriculture sector.

As indicated in chapter four there are different internal and external factors that could hinder the benefit of membership. As far as domestic support commitment is concerned, Ethiopia may not face any problem in implementing its commitment since the country has already reduced its domestic support in the 1990's. But, the challenge is in the area of benefiting from exempt measures. Since Ethiopia is the LDC, it is exempted from any reduction commitment and hence can utilize these measures. However, due to lack of sufficient capital and government expenditure policy, the country may not benefit from the exempt measure of domestic support. In addition to this, due to subsidies in developed states the AOA may not benefit Ethiopia's agriculture.

With regard to market access principle, similar challenge lies ahead. Under this principle, Ethiopia is expected to reduce its tariff rates at lower level and change its non-tariff barriers in to tariff equivalents. As indicated in the previous chapter, the country reduced its tariff and abolished non-tariff barriers in the 1990's and hence further commitment of the country under accession process could affect Ethiopia's agriculture sector. Ethiopia might also face problem in the area of market access right. Since there are internal factors, such as supply side constraint, lack of diversification of exports, lack of quality products and low infrastructure, the country may not highly benefit from market access right. Apart from these internal challenges, there are certain external factors that might limit the opportunity of market access principle. In this regard, the existence of tariff and non-tariff barriers in developed countries may minimize the benefit of membership.

In the case of export subsidy, Ethiopia might be facing some challenges. In terms of export subsidy obligation, the country may not face serious problem. Although this

commitment by itself may not pose any challenges, the existence of export subsidy from its trading partners could affect Ethiopia's agricultural sector. Beside the subsidy of developed states, the exempt measure of export subsidy principle could not benefit Ethiopia where there is no enough capital to subsidize over exempt cases.

The study concludes that, due to the existence of the above mentioned situations, Ethiopia which has the same agricultural context with those selected countries may not benefit from its membership in the WTO.

5.3 Recommendations

Since isolation is not the option, Ethiopia is in accession process and the country might join the WTO within few years. But membership in the WTO might benefit the agriculture sector of the country if and only if those limiting factors are reduced and eliminated. Thus, to benefit from the AOA, on the basis of the findings and the lessons drawn from other experiences, the following mechanisms are recommended:

- To benefit from the exempt measures of domestic support and export subsidy principle the existing budget allocation to the agriculture sector has to increase. This possibly helps the sector to effectively utilize those exempt measures which are allowed under both domestic support and export subsidies principles. Hence, the increasing allocation of agriculture budget may indirectly enhance the capacity of the government to spend on irrigation, agricultural extension, agricultural research, fertilizer, and infrastructure.
- The government should design different mechanisms such as giving training and creating awareness, through which the farmers can diversify their products. This in turn might promote the diversification of agricultural products beyond traditional exports which help the country to benefit from niche markets.
- Improving the productivity of the sector through the implementation of high production technology is equally important. This might result in surplus products

which can be the source of supply for domestic and foreign markets. As a result, the country could benefit from market access principle.

- Building the capacity of agriculture sector to produce quality products that are equally acceptable and competitive in international markets so that it may help to enter into foreign markets. To get market access in other markets it is obvious that the agriculture product of any state should fulfill international quality standard. In this regard, Ethiopia has to build the capacity of the sector through providing the necessary inputs such as improved seeds, fertilizer and chemical, which help the sector to produce quality products.
- The government should strengthen and further extend its activities in agricultural infrastructure development in rural areas where agriculture is the main source of people's livelihood. This might help the supply of products on time and it could minimize the cost of transportation.
- Implementing large-scale commercialization of agriculture beyond small scale farming should be practiced by the government and private investors. This can be achieved if the government encourages the participation of investors in large scale commercialization. This could improve the productivity and quality of the sector which will help the export of agricultural goods to be acceptable and competitive in foreign markets.
- The government, together with other LDCs, should further negotiate trade preference with those trading partners who are giving domestic and export subsidy to their agriculture sector and with those who erect tariff and non tariff barriers. This may contribute for the reduction of subsidies and elimination of barriers which help the increase in Ethiopia's export and the free entrance of its products into foreign markets.

References

- Abdalla, Yusuf and Egesa, Kenneth, (2005), "Trade and Growth in Agriculture: A case Study of Uganda's Export Potential within the Involving Multilateral Trading Regime", *A paper Submitted to the Global Development Network*, Bank of Uganda Working Paper: Bank of Uganda. Available at <http://www.aacb.org/IMG/AGRICTRADEGROWTH.pdf>, Accessed 3 January 2011.
- Access Capital Research, (2010), "Ethiopia's Export Performance". Available at <http://www.accesscapitalsc.com/downloads/Ethiopias-Export-Performance-Review.pdf>, Accessed 22 January 2011.
- Accounting Dictionary, (2005), "Definition of LDCs", *Dictionary of Accounting Terms*, Barron's Educational Series Inc. Available at <http://www.answers.com/topic/lDCs>, Accessed 15 November 2010.
- Acharya, B.N, (2007), "Indian Trade Policies and Performance of Nepalese Agriculture", *Paper Presented on International Conference on Sustainable Development: Challenges and opportunities for GMS*, 12-14 December 2007. Available at <http://dl.gmseenet.org/handle/bitstream/123456789/693/DPO5%20-%20Acharya%20-%20Indian%20trade.pdf?sequence=1>, Accessed 12 December 2010.
- Action Aid International, (2006), "the Impact of Agro-Import Surges in Developing Countries", *Working Paper*, Action Aid International.
- Adhikari, Ratnakar and Adhikari, Kamalesh, (2005), "Market Access Barriers to Select Nepalese Agricultural Exports", *South Asia watch on Trade, Economics and Environment*, International Institute for Sustainable Development, Winnipeg: Trade knowledge Network. Available at <http://www.iisd.org/tkm/pdf/tkn-market-access-nepal.pdf>, Accessed 6 December 2010.
- African Development Bank, (2008), "Ethiopia: Review of Bank Group Assistance to the Agriculture and Rural Development Sector", Operations Evaluation Department. Available at <http://www.afdb.org/fileadmi/uploads/afdb/Documents/Evaluation-Reports/30715809-EN-ETHIOPIA-BGA-AGRICULTURE-AND-RD.PDF>, Accessed 20 January 2011.

- African Infrastructure Knowledge Program, (2011), “Infrastructure in Ethiopia”, African Development Bank Group. Available at <http://www.infrastructureafrica.org/countries/ethiopia>, Accessed 18 February 2011.
- Agaba, Raymond S. and Fong, Michelle W, (2007), “Uganda and The WTO”, International Academy of Business and Economics, *Journal of Business Research*, Vol.7, No.4. Available at <http://www.freepatentsonline.com/article/Review-Business-Research/177983902.html>, Accessed 3 January 2011.
- Amdissa Teshome, (2006), “Agriculture, Growth and Poverty Reduction in Ethiopia: Policy Processes around the New PASDEP”, *Policy Brief*, Future Agricultures. Available at www.future-agricultures.org , Accessed 22 January 2011.
- , (2007), “The Compatibility of Trade Policy with Domestic Policy Intervention in Ethiopia”, *Paper Presented at a Work Shop on Staple Food Trade and Market Policy Option for Promoting Development in Eastern and Southern Africa*, March 1-2, 2007, A workshop organized by the FAO Trade and Markets Division , Rome.
- Asrat Seyoum, (2011), “Ethiopia’s WTO accession wheels Rolling Again”, *The Reporter*, Saturday, 12. Available at <http://www.ethiopiareporter.com/english/index.php?option=com.content&view=article&id=1804ethiopiauto-accession-> , Accessed 12 February 2011.
- Awasthi, Bishnu D. and Adhikary, Shrawa K., (2004), “AoA: Domestic Support Measures”, in *The Implications of the WTO Membership on the Nepalese Agriculture*, ed. Sharma Ramesh and Karkee, Madhab, Kathmandu: FAO and UNDP in Collaboration with the Ministry of Agriculture and Cooperative.
- Badge Bishaw, (2006), “Integrating Agro-Forestry in to Rural Development for Food Security and Environmental Protection”, Oregon State University.
- Bakunda, Geoffrey, (2008), “The Impact of Liberalize Trade Regime on the Potential for Agricultural Value Addition in Uganda”, *Eastern Africa Social Science Research Review*, Organization for Social Science Research in Eastern and Southern Africa, vol.24, No.2, pp.27-51. Available at <http://muse.jhu.edu/Journals/eastern-Africa>

- social-since research-review/vo24/24.2-bakunda.pdf, Accessed 30 December 2010.
- Banking Dictionary, (2006), “Definition of LDCs”, Dictionary of Banking Terms, Barron’s Educational Series Inc. Available at <http://www.answers.com/topic/lcds>, Accessed 15 November 2010.
- Basnet, Khadga, (1999), “Review of Nepalese Agriculture Perspective Plan”, Kathmandu: Agriculture Project Service Center, vol. 26, No.2, pp. 323-326. Available at <http://himlaya.socanth-cam.ac.uk/collections/journals/contributions/pdf/CNAS-26-02-review2.pdf>, Accessed 8 December 2010.
- Baumuller, Heike, (2008), “Making WTO Membership Work for LDCs: Lessons from Nepal and Cambodia”, *South Asia Watch on Trade, Economics and Environment*, Trade Knowledge Network: Manitoba International Institute for Sustainable Development, pp. 1-11. Available at <http://www.issd.org/tkn/pdf/tkn-making-wto-membership-work.pdf>, Accessed 12 December 2010.
- Berhane Hailu, (2009), “The Impact of Agricultural Policies on Smallholder Innovation Capacity”, *MSc. Thesis*, Department of Social Science, The Netherlands: Wageningen University.
- Berhanu Adenew, (2004), “The Food Security Role of Agriculture in Ethiopia”, Agricultural and Development Economics Division, FAO, *the Electronics Journal of Agriculture and Development Economics*, vol. 1, Issue, 1, pp. 138-153.
- , (2009), “Competitiveness of the Ethiopian Agriculture with Emphasis on Selected Products”, *Paper Prepared for the National Conference on Private Sector*, Addis Ababa: Addis Ababa Chamber of Commerce. Available at <http://Www.Addischamber.Com/Aacsa/Userfiles/File/Psd/Report>, Accessed 22 January 2011.
- Bhatt, Shiv Raj, (2006), “Nepal’s WTO Membership: Benefits and Challenges”, Globalization and Participation in South Asia, *South Asia Journal*. Available at <http://www.southasianmedia.net/megazine/Journal/12-Nepal-wto-membership.htm>, Accessed 6 December 2010.

- Bhatt, Shiv Raj and Bhattarai, Ekta, (2006), “WTO Membership and Nepalese Women”, *South Asia Journal*, July-September 2006. Available at <http://www.southasianmedia.net/Megazine/Journal/13-wto-membership.htm>, Accessed 8 December 2010.
- Bibangambah, Jossy, (2002), “Review of Information on Marketing, Processing and Storage of Uganda’s Agricultural Commodities”, *Final Report Submitted to PMA Sub-committee on Agro-Processing and Marketing*, May 2002, Kampala: Information Discovery and Solutions Ltd. Available at <http://www.foodnet.cgiar.org/scip/doc&databases/ifpriStudiesnonScrip/pdfs/moreports/Market%20review%20consutancy%20report%20PMA%20Subcommitte%20may%2020.pdf>, Accessed 30 December 2010.
- Blake, Adam, Andrew McKay and Oliver Morrissey, (2002), “The Impact on Uganda of Agricultural Trade Liberalization”, Center for Research in Economic Development and International Trade, University of Nottingham, *Journal of Agricultural Economics*, vol.53 (2), pp. 365-381. Available at <http://opus.bath.ac.uk/10188/> or <http://www.nottingham.ac.UK/credit/documents/papers/01-07.pdf>, Accessed 5 January 2011.
- CIA World Fact Book, (1991), “Nepalese Agriculture”, Nepal, Country Studies, U.S. Library of Congress, USA. Available at <http://www.photius.com/countries/nepal/economy/nepal-economy-agriculture-nepal.html>, Accessed 12 December 2010.
- Cordella, A and Mamo Esmelaueim, (2005), “Impact Study on WTO Accession”, Technical Assistance to Support to Ethiopia in its Accession Process to the WTO, *Project no-39b*, Addis Ababa: Pohl Consulting and Associates.
- Cresswell, J. W., (2009), *Qualitative, Quantitative and Mixed Methods Approaches*, London: Sage.
- Croome, John, (1999), *Guide to the Uruguay Round Agreements*, The Hague: Kluwer Law International.
- Crowley, Peter, Paul Karalus and Francis Foo, (2003). “Tong: Agriculture Sector Review”, *Technical Assistance Consultant’s Report*, Project Number 37124,

- Asian Development Bank. Available at <http://www.adb.org/Document/Reports/Consultant/37124-TON-TACR.pdf>, Accessed 15 November 2010.
- Das, Bhagirath Lal, (1998), “The WTO Agreement: Deficiencies, Imbalance and Required Changes”, Penang: Third World Net work. Available at <http://www.twinside.org.sg/title2/t&d/das2-cn.htm> , Accessed 5 January 2011.
- Dawe, David, (2007), “The Practical Experience with Agricultural Trade Liberalization in Asia”, Bangkok: FAO. Available at <http://library.wur.nl/frontis/trade-liberalization/10-dawe.pdf>, Accessed 3 January 2011.
- De Vylder, Stefan, (2007), *The Least Developed Countries and World Trade*, 2nd ed. Swedish International Development Cooperation Agency, Stockholm: Sida’s publication service.
- Dejene Aredo , Belay Fekadu and Sindu Workneh, (2006), “The Impact of WTO Accession on Poverty and Inequality in Ethiopia: An Investigation of a Dynamic CGE Micro Simulation Analysis”, *A Paper Presented During the 5th PEP Research Network General Meeting, June 18-22, 2006*, Addis Ababa, Ethiopia.
- Demese Chanyalew, (2005), *Trade, AOA and Domestic Support and Future Position of Ethiopia in the WTO*, Addis Ababa: Agro-Economic Association.
- Demese Chanyalew and Berhanu Adenew, (2010), “Ethiopia’s Agricultural Sector Policy and Investment Frame Work (PIF)”, *Final Consultancy report*, working paper, Addis Ababa: MOARD in Collaboration with FAO.
- Demissiew Abera, (2007), “Ethiopia’s Accession to the WTO and Its Prospect in Attracting Investment”, *Senior Essay* , Addis Ababa University, Ethiopia.
- Dercon, Stefan and Zeitlin, Andrew, (2009), “Rethinking Agriculture and Growth in Ethiopia: A Conceptual Discussion”, *Paper Prepared as Part of a Study on Agriculture and Growth in Ethiopia*, UK. Available at <http://www.economics.ox.ac.UK/members/Stefan.Dercon/ethiopia%20paper%202-V2.Pdf>, Accessed 20 January 2011.
- De Schutter, Olivier, (2009), *International Trade in Agriculture and the Right to Food*, Dialogue on Globalization, Occasional Papers, N° 46, Geneva: Friedrich-Ebert-Stiftung.

- Devereux, Stephen and Guenther, Bruce, (2007), “Social protection and Agriculture in Ethiopia”, *Country Case Study Paper Prepared for a Review Commissioned by the FAO on Social Protection and Support to Small Farmers Development*, University of Sussex: Institute of Development studies. Available at <http://www.fao.org/es/esa/pdf/workshop-0108-ethiopia.pdf> , Accessed 20 January 2011.
- Diao, Xinshen and Nin Pratt, Alejandro, (2005), “Growth Options and Poverty Reduction in Ethiopia”, Development Strategy and Governance Division, Washington, DC: International Food Policy research Institute. Available at <http://www.ifpri.org/publication/growth-options-and-poverty-reduction-ethiopia>, or <http://www.ifpri.org/sites/default/files/publication/dsgd20.pdf>. Accessed 25 January 2011.
- Elias Gebru, (2011), “Ethiopia Exported 92, 490 tone coffee to Foreign Markets’’, *Awramba Times*, Year 4, No.159, 20 Saturday 2011, pp.19.
- Economy Watch, (NY), “Ethiopia’s Agricultural Export’’, Available at http://www.economywatch.com/world_economy/ethiopia/export-import.html, Accessed 25 February 2011.
- Estandards Forum, (2009), “Country Brief-Ethiopia’’, New York: Financial Standards Foundation.
- Ethiopian Embassy of the United Kingdom, (NY) , “Ethiopia’s Sustainable Development And Poverty Reduction Programme. Available at <http://www.ethioembassy.org.uk/Facts%20About%20Ethiopia/Ethiopia's%20Sustainable%20Development%20and%20Poverty%20Reduction%20Strategy.htm>, Accessed 25 January 2011.
- FAO, (2003), “WTO AOA: *The Implementation Experience- Developing Country Case Studies*” , Commodities and Trade Division, Rome: FAO. Available at <http://www.fao.org/DOCREP/005/y4632e00.htm&sa=U&ei=A15GTfiocyk38QPXk9WuCQ&ved=OCBUQFjAA&usg>, Accessed 4 January 2011.
- , (2006), “Briefs on Import Surges’’, Issue No.1. Available at <ftp://ftp.fao.org/docrep/fao/009/j8671e/j8671eoo.pdf>, Accessed 1 May 2011.

- FDRE, (NY), “Combined Report to the African Commission on Human and People’s Right on Implementation of the African Character on Human and Peoples Rights”, Addis Ababa, Ethiopia.
- Federation of Nepalese Chamber of Commerce and Industry, (2007), “Meeting on Sanitary and Phyto-Sanitary and Its Implications in the Nepalese Economy”, Kathmandu, Nepal. Available at <http://www.entrec.org.np/interaction/reports>, Accessed 3 January 2011.
- Fikremarkos Merso, (2008), “Accession of Ethiopia to the WTO: Mapping out Possible Challenges”, *A presentation at the Conference on Law and Economics Development in Ethiopia*, 13 November, Sheraton Addis, Ethiopia.
- ,(2007), “WTO Basic Principles”, *Manual Prepared for Trainers*, Addis Ababa Youth Association in Collaboration with Oxfam UK, Addis Ababa, Ethiopia.
- Financial and Investment Dictionary, (2006), “Definition of LDCs”, Dictionary of Finance and Investment, Barron’s Educational Series Inc. Available at <http://www.answers.com/topic/ldcs>, Accessed 15 November 2010.
- Gashaun Lemessa, (2007), “Ethiopia’s Accession to the WTO: Implications for the Agricultural Sector”, *Master Thesis*, University of Western Cape, South Africa.
- GATT, (1994), *Final Act Embodying the Result of the Uruguay Round of Multilateral Trade Negotiation*, Marrakesh: Trade Negotiations Committee.
- Getachew Abebe, (2004), “Agricultural supply Response and Risk in Ethiopia”, *MSc. Thesis*, School of Graduate Studies, Addis Ababa University, Ethiopia.
- Ghimire, Prakash, (2010), “Nepal’s Accession in the WTO: A Quick Reading”, *Paper Presented at Youth Seminar Organized by YUWA Public Information Center*, 14 January 2010. Available at <http://independentacademia.edu/PrakashGhimire/paper/251864/Nepal-Accession-in-the-wto-A-Quick-Reading>, Accessed 12 December 2010.
- Gillson, Ian, Collin Poulton, Kelvin Balcombe and S. Page, (2004), “Understanding the Impact of Cotton Subsidies on Developing Countries”, Overseas Development Institute, *Working Paper*. Available at

- <http://www.odi.org.uk/resources/download/3608.pdf> or <http://mpira.ub.uni-muenchen.de/15373/>, Accessed 5 January 2011.
- Glipo, Arze (2003), “ The WTO AOA: Impact on Farmers and Rural Women in Asia’’, Asian Pacific Network for Food Sovereignty, *Advocacy Paper Prepared for the 2003 WTO Ministerial Meeting*, September 2003. Available at <http://www.glow-boell.de/media/de/txt-rubric-5/Sus-Arize-RuralWomen.pdf>, Accessed 20 November 2010.
- Gollin, Douglas and Rogerson, Richard, (2010), “Agriculture, Roads and Economic Development in Uganda’’, *NBER Working Paper Series*, Working Paper 15863, National Bureau of Economic Research, Cambridge. Available at <http://cbey.research.yale.edu/uploads/Environmental%20Economics%20Seminar/Gollin-and-Rogerson>, Accessed 4 January 2011.
- Greenbelt Consult Limited, (2006), “An Analysis of the Implication of Uganda’s Livestock Policies for the Competitiveness of its Livestock and Livestock Products in the Local and International Markets’’, *Uganda Program for Trade and Opportunities and policy*, Kampala. Available at <http://www.igad-data.org/index.php?option=com-docman&task=doc-download&gid=1384&Itemid=42>, Accessed 5 January 2011.
- Hailu Teklehaimanot, (2010), “Ethiopia Names New Chief of Accession to the WTO’’, *Addis Fortune News paper*, vol. 11, No. 554, December 12. Available at <http://www.addisfortune.com> , Accessed 20 January 2011.
- Hoekman, Bernard, Aaditya Mattoo and Philip English, (2002), *Development, Trade and the WTO*, Hand Book, Washington: the International Bank for Reconstruction and Development/the World Bank.
- Hoekmen, Bernard and Kostecki, Michel, (1995), *The Political Economy of the World Trading System: from GATT to WTO*, Great Clarendon street, Oxford: Oxford University Press.
- Indian Ministry of Commerce, (1999), “ India and the WTO: WTO Agreement on Agriculture and Its Implication’’, *Monthly Review of Ministry of Commerce*, vol.1, No.5, pp. 1-16.

- Institute of Biodiversity Conservation, (2008), “Ethiopia: Second Country Report on the State of PGRAF to FAO”, AA, Ethiopia.
- Jull, Charlotte, (2006), “The Impact of Agriculture Related WTO Agreements on the Domestic Legal Frame Work in the kingdom of Nepal”, FAO Legal Papers, FAO. Available at <http://www.fao.org/legal/prs-01/paper-e.htm>, Accessed 8 December 2010.
- Kakra, Ajay and Bhattacharjee, Nirvanjyoti, (2009), “The Impact of the Global Economic and Financial Crisis in LDCs Manufacturing Industry: The Case of Fruits and Vegetable Sectors in Bhutan and Nepal”, *A Paper Presented at the LDCs Ministerial Conference on Impact of the Global Economic Crisis on LDCs Productive Capacity and Trade Prospects: Threats and Opportunities*, 3-4 December 2009, Vienna International Center: United Nations Industrial Development Programme. Available at http://www.unido.org/fileadmi/user_media/Services/LDC-SSC/Bhutan%20%26%Nepal%20-%20Fruits%20%26%20Veg%20study%20draft.PDF
- Kaleyesus Bekele, (2009), “WTO Accession Process Sid to be Inclusive”, *The Reporter News Paper*, Saturday, 06 June, English Version. Available at <http://en.ethiopianReporter.com> , Accessed 20 January 2011.
- Kegley, Charles and WittKopt, Eugene, (1989), *World Politics, Trends and Transition*, USA: St. Martin’s press.
- Khor, Martin, (2005), “Globalization, Liberalization, and Protectionism: The Global Frame Work Affecting Rural Producers in Developing Countries”, *A paper Prepared in the Context of the Programme on Impact of Globalization and Trade Liberalization on Poor Rural Producers Evidence from the Field and Recommendation for Action*, Malaysia: Third World Net Work.
- , (2005), “The Commodities Crises and the Global Trade in Agriculture: Problems and Proposals”, *Helsinki Process Paper on Global Economic Agenda*, Malaysia: Third world Network. Available at <http://www.twinside.org.sg/title2/t&d/tnd25.pdf>, Accessed 5 January 2011.

- Koroma, Suffyan, (2007), “Globalization, Agriculture and the LDCs’’, *A Paper Prepared for the Ministerial Conference on Making Globalization Work for LDCs*, Istanbul, July 9-11, 2007.
- Krutilla, Kerry, (1997), “World Trade, the GATT, and the Environment’’, in *Environmental Policy: Transnational Issues and National Trends*, ed. Caldwell, Lynton and Bartlett, Robert, USA: Greenwood Publishing Group.
- Li, Xiaozhen, (2008), “WTO AOA: A Developing Country Perspective’’, *Journal of Politics and Law*, vol. 1, No. 2, pp.19-24.
- Madeley, John, (2000), *Trade and Hunger: An Overview of Case Studies on the Impact of Trade Liberalization on Food Security and Poverty*, Sweden: Forum syd. Available at <http://www.agobservatory.org/library.cfm?refID=29799>, Accessed 5 January 2011.
- Malakar, Radheshyam, (2008), “Possible Impacts on Financial Service Sector under WTO Provision’’, Central Development of Economics, Socio-economic Development Panorama, *Asia Journal Online*, Kumari, Kathmandu, vol.1, No.2, pp.71-82. Available at <http://www.nepjol.info/index.php/sedp/article/view/File/1049/1065>, Accessed 12 December 2010.
- Matsushita, Mitsuo, Thomas J.Schoenbaum and Peteros C. Mavroidis, ed, (2006), *The WTO: Law, Practice and Policy*, 2nd ed, Oxford: Oxford University Press.
- Melaku Geboye, (2002), *The Law of International Trade in Agricultural Products: From GATT 1947 to the WTO Agreement on Agriculture*, London, New York, The Hague: Kluwer Law International.
- MoFED, (2005), “Ethiopia: Sustainable Development and Poverty Reduction Programme (SDPRP)’’, *Annual Progress Report (2003/04)*, Addis Ababa, Ethiopia.
- MoFED, (2010), “ Data on Government Expenditure on Agriculture Sector’’, MoFED. Available at www.mofed.gov.et , Accessed 3 February 2011.
- Mosoti, Victor and Gobena, Ambra, (2007), “International Trade Rules and the Agriculture sector: Selected Implementation Issues’’, FAO Legislative Study 98, Rome: FAO. Available at <ftp://ftp.fao.org/docrep/fao/010/a1477e/a1477e00.pdf>, Accessed 3 January 2011.

- MoT, (2010), “Data on Export Volume and Value of all Commodities to all Destination Countries (from 1999ETC - 2002ETC)”, MoT.
- Musebe, Richard, Charles Agwanda and Mitiku Mekonen, (2007), “Primary Coffee Processing in Ethiopia: Patterns, Constraint and Determinants”, *African Crop Science Conference Proceedings*, vol. 8. pp.1417-1421.
- Mussie Deleegn, (2005), “Accession to the WTO: Challenges and Prospects for the LDCs”, *The Estey Center Journal of International Law and Trade Policy*, vol. 6, No. 2, pp.181-209.
- (2005), “Accession to the WTO: Challenges and Prospects for the LDCs: Ethiopian Accession Case Study”, *The Estey Center Journal of international Law and Trade policy*, vol.6, No 2, pp.201-209.
- Nations Encyclopedia, (2009), “Uganda- Agriculture”. Available at <http://www.nationsencyclopedia.com/Africa/Uganda-AGRICULTURE.htm/>, Accessed 3 January 2011.
- Nations Encyclopedia, (2010), “Information about Nepalese Agriculture”. Available at <http://www.nationsencyclopedia.com/economics/Asia-and-the-pacific/Nepal-AGRICULTURE.html>, Accessed 8 December 2010.
- Nyangito, Hezron Omare, (2004), “Performance of African Agricultural Exports and External Market Access Conditions Under International Trade Reforms”, African Association of Agricultural Economists, *2004 Inaugural Symposium*, December 6-8, 2004, Nairobi. Available at <http://ideas.repec.org/p/ags/aaaeke/a518.htm>, or <http://econpapers.repec.org/paper/agsaaaeke/9518.htm> . Accessed 2 January 2011.
- Orcalli, Gabriele, (2008), “ A Constitutional Interpretation of the GATT/WTO”, in *Global Economic Institutions: Critical Writings on Global Institution*, ed. Molle, Willem, Canada, USA and UK: Routledge.
- Östensson, Olle, (2007), “Agricultural Trade, Development Problems and Poverty in the Least Developed Countries: An Overview”, in *Agricultural Trade Liberalization and the Least Developed Countries*, ed. N. Koning and P. Pinstrip Andersen, the Netherlands: Springer.

- Pant, Krishna P., Yogendra K. Karki and Pradyumna R. Pandey, (2004), “Agreement on Agriculture: Market Access”, in *The Implication of the WTO Membership on the Nepalese Agriculture*, ed. Sharma, Ramesh and Karkee, Madhab, Nepal: FAO and UNDP in Collaboration with the Ministry of Agriculture and cooperative.
- Potts, Michael J and Nagujja, Stella, (2007), “A Review of Agriculture and Health Policies in Uganda with Implications for the Dissemination of Biofortified Crops”, *Harvest Plus Working Paper*, No.1, Harvest Plus. Available at <http://www.cipotato.org/pressroom/presentations/HarvestPlus-working-paper-No-1.pdf>, Accessed 2 January 2011.
- Rigg, Jonathan, (2007), *An Everyday Geography of Global South*, USA and Canada: Routledge.
- Rourke, John, (2005), *International Politics on the World Stage*, 10th ed, New York: Mc Graw-Hill.
- Rudaheeranwa, Nichodemus, (2005), “Institutional Challenges Facing Uganda’s Participation in the WTO Negotiations”, Kampala: Economic Policy Research Center. Available at <http://www.eprc.or.ug/pdf-files/occasionalpapers/op32.pdf>, Accessed 5 January 2011.
- Samuel Gebreselassie, (2006), “Intensification of Smallholder Agriculture in Ethiopia: Options and Scenarios”, *Paper Prepared for the Future Agricultures Consortium Meetings at the Institute of Development Studies*, Draft Paper. Available at <http://www.future-agricultures.org/index.php?option=com-content&view=article&id=216%3A%20A%20intensification-of-small%20holder-agriculture-in-ethiopia-options-and-scenario->, Accessed 22 January 2011.
- Selahaddin Nur-Hussein , (2010), “Ethiopia Joining WTO: Its Impact on the Agriculture Sector”, *The Reporter News Paper*, Saturday, March 6. Available at <http://en.ethiopianreporter.com/index.php?option=com-content&task>
- Sharma, Ramesh P. and Karkee, Madhab K., (2004), “Implication of the WTO Membership on the Nepalese Agriculture”, Kathmandu: FAO and UNDP In Collaboration with the Ministry of Agriculture and Cooperative. Available at <ftp://ftp.fao.org/docrep/fao/008/ae896/ae896e00.pdf>, Accessed 12 December 2010.

- Shrestha, Harik and Stads, Gert-Jan, (2006), “Nepal: Major Investment and Institutional Trend in Public Agricultural Research in Nepal Since the mid 1990s’’, *Agricultural Science and Technology Indicators (ASTI), ASTI country Brief No. 37*. Available at <http://www.astic.cgiar.org/pdf/NEPAL-CB37.pdf>, Accessed 8 December 2010.
- Shrestha, Jadadish Bhakta, (2007), “WTO and Its Implications on Nepalese Apiculture’’, *Agriculture Development Journal*, vol. 4(2063/64), June 6, pp. 1-10. Available at <http://doiednepal.gov.np/ControlPanal/reports/154.pdf>, Accessed 12 December 2010.
- Shrestha, Sulav, (2009), “Demographic Statistics of Nepal’’, *MEDCHROME online Medical and Health Magazine*. Available at <http://medchrome.com/extras/data/demography/>. Accessed 6 December 2010.
- Taddesse Berissio, (1999), “Agricultural Development and Food Security in Ethiopia: Policy Constraints’’, in *Aspects of Development Issues in Ethiopia*, ed. Tegegne Gebre Egziabher, Proceedings of a Workshop on the Twenty Fifth Anniversary of the Institute of Development Research, Addis Ababa University: the Institute of development Research.
- Temesegen Tadesse, (2010), “Assessment of the Vulnerability of Ethiopia’s Agriculture to Climate Change and Farmers Adaptation Strategies’’, *PhD Dissertation*, University of Pretoria, South Africa.
- Tewolde Berhane Gebre Egziabher, (2005), “The Likely Impact of Ethiopia's Membership of the World Trade Organization on both its Rural and Urban People’’, *A Paper Presented Protection of Natural Resources in Ethiopia*’’, 5-6 February 2005, Berlin, Germen.
- Thapa, Y.B, (2004), “Commodity Case Study: Tea’’, in *The Implications of the WTO Membership on the Nepalese Agriculture*, ed. Sharma, Ramesh and Karkee, Madhab, Nepal: FAO and UNDP with the Ministry of Agriculture and Cooperative.
- The World Trade Review, (2005), “Nepalese Agriculture in the WTO Era’’, vol.5, No. 10.

- (2005), “Accession to the WTO: Protecting Livelihood in the Post WTO Accession Era”, vol.5, No.13, Pakistan. Available at <http://www.Worldtradereview.com/news.asp?pType> , Accessed 12 December 2010.
- Tiwari, Hari Babu, Mandip Rai and Sanjaya Verma, (2004), “Agreement on Agriculture: Export competition”, in *the Implications of the WTO Membership on the Nepalese Agriculture*, ed. Sharma, Ramesh and Karkee, Madhab, Nepal.: FAO and UNDP with the Ministry of Agriculture and Cooperative.
- Tiwari, Kul Prasad, (2010), “Agricultural Policy Review for Coffee Promotion in Nepal”, Review Paper, *the Journal of Agriculture and Environment*, vol. 11. Available at <http://www.nepjol.info/index.php/AEJ/article>, Accessed 12 December 2010.
- Trade Promotion Center, (NY), “Nepal: Introduction”, Reviewed by ESCAP, Kathmandu, Nepal, pp.254-274. Available at <http://www.unescap.org/tid/publication/t&ipub2278-nep.pdf>, Accessed 8 December 2010.
- Tumushabe, Godber, Alice Ruhweza, Moses Masiga and Ben Naturinda, (2007), “Integrated Assessment of Uganda’s Organic Agriculture Sub-Sector: Economic Opportunities and Policy Options to Mitigate Negative Socio-Economic and Environmental Impact”, *Final Report*, September 2007, Capacity Building Tasks Force on Trade and Environment. Available at <http://www.unep-unctad.org/cbtf/publications/Integrated%20Assessment%20of%20the%20OA%20sector%2>, Accessed 4 January 2011.
- United Nation Conference on Trade and Development, (2003), “Dispute Settlement in International Trade, Investment and Intellectual Property Right: WTO and Agriculture”, *Course Module*, UN, New York and Geneva. Available at <http://www.unctad.org/Templates/WebFlyer-asp%3FintItemID%3D4403>
- United Nation Environmental Programme, (2002), “Environment and Trade”, Canada: Institute for Sustainable Development. Available at <http://www.unep.ch/etu/etp/acts/aware/handbook.pdf>

- Van Den Bossche, Peter, (2009), *The Law and Policy of the WTO*, England: Cambridge University Press.
- Wendwesson Shewarega, (2008), “Ethiopia’s Accession to the WTO and the Potential Benefit of Membership”, *Paper Presented at Conference on Law and Economic Development*, USAID, Addis Ababa, Ethiopia.
- Wiggerthale, Marita, (2004), “Negotiating Global Trade in Agriculture”, Berlin: the African Technology Development Forum. Available at <http://www.atdforum.org/IMG/pdf/negotiatingPDF.pdf>, Accessed 2 January 2011.
- Windfuhr, Michael, (2001), “Impact of the WTO AOA on the Right to Adequate Food”, *the paper presented During the Heinrich Boll Workshop on “WTO and Food Security”*, February 22, 2001, Food First Information and Action Net work, pp.23-24. Available at <http://www.ppl.nl/bibliographies/wto/files/1740/.pdf>
- World Bank, (NY), “Definition of Developing and Developed Countries”. Available at <http://www.worldbank.org/depweb/english/beyond/global/glossary.htm/>, Accessed 1 May 2011.
- WTO, (2001), “Uganda Trade Policy Review”, the WTO Secretariat Report on Uganda, *First Press Release*. Available at www.wto.org, Accessed 3 January 2011.
- WTO, (2003), “Nepal Set to Join WTO at Cancun Ministerial Conference”, *WTO 2003 News Items*, WTO, Geneva, Switzerland. Available at <http://www.wto.org/english/news-e/news03-e/acc-nepal-15aug-e.htm>, Accessed 12 December 2010.
- WTO, (2003), *Understanding the WTO*, 3rd ed. Geneva: WTO Information and Media Relation Division.
- WTO, (NY), “Nepal- Membership Information”. Available at <http://www.wto.org/english/thewto-e/countries-e/nepal.ehtm>. Accessed 6 December 2010.
- WTO, (NY), “Ethiopia’s Accession”. Available at www.wto.org/english/thewto-e/acc-e/a1-ethiopia-e.htm , Accessed 20 January 2011.
- WTO, (NY), “Function and Objectives of the WTO”. Available at <http://www.wto.org/wto/function/htm>, Accessed 24 October 2010.

- WTO, (NY), “The Role of an NGO in Support of Nepalese Accession”. Available at, <http://www.wto.org/english/res-e/booksp-e/casestudies-e/case30-e.htm>, Accessed 12 December 2010.
- Yabworke Haile, (2009), *WTO and Ethiopia*, Agency for Co-operation and Research in Development, Addis Ababa: A.C.O.R.D Ethiopia.
- Young Cho, Seo, eds, (2004), “Ensuring Food Security in Nepal: Facing Threats and Seizing Opportunities at WTO Accession”, a *Workshop Report to UNDP*, New York, USA. Available at <http://www.entrec.orgnp/publication/Facing.pdf>, Accessed 12 December 2010.
- Zenebe Beshaw , (2008), “Impact Assessment of WTO Accession on Food Security in Ethiopia: An Appraisal using Partial Equilibrium Model”, *Ph.D. Dissertation*, Graduate School of International Development, Nagoya University, Japan.