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Understanding Non-Tariff Measures in trade and their implications for Uganda's export readiness

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EXECUTIVE SUMMARY

This Policy Brief reviews and highlights Non-Tariff Measures (NTMs) influencing Uganda's export readiness and trade in key commodities. It provides insights on export requirements, ease of market penetration, and constraints to compliance with NTMs.

Uganda primarily relies on agriculture for exports, and it is paramount to comply with NTMs, as food and agricultural products are the export niche. The WTO Sanitary and Phytosanitary Standards (SPS) provide the main framework of NTMs that influence trade. Agricultural products, the country's export niche, are subjected to exceedingly high export standards requirements compared to other products in all the export markets. Exporting food and agricultural products is more demanding and cumbersome regarding export requirements.

By geography, the data shows that exporting within the East African region and intra-African trade is less cumbersome than other international markets. The EAC partner states' Common Market Protocol furthers intra-regional trade liberalization, while the rest of the global markets are too stringent.

NTMs influence trade through high compliance costs and failure to export due to non-compliance, and general low trade performance.

There are severe constraints in meeting the NTM standards. This is due to the high level of investments required and high compliance cost, poor accessibility and lack of up-to-date NTM information, inherent constraints in the agriculture sector, and limited capability of the private sector or exporting firms, including - manpower, institutional, technological, and quality-assurance infrastructure constraints. Regionally, it is essential to strengthen intra-regional trade. Uganda should emphasize harnessing opportunities in the regional markets since they are associated with fewer NTMs and other intra-Africa trading blocs. The rest of the markets can be explored as alternatives to complement regional export markets. Three significant areas for the course of action to improve export readiness are highlighted.

First, strengthen exporting firms' capacity to meet international standards. Second, invest in export information access and information-based capacity building, as well as establish a fully-fledged export information and readiness hub. Last, address SPS safeguards issues in agricultural development initiatives while tackling agricultural value chains at all stages.

1.0 INTRODUCTION

The monthly export earnings for Uganda increased by over 70%, from $298 million on average in 2022 to $511 million in 2023. There is generally improvement in export earnings for the country (Figures 1a & 1b), although export composition has started experiencing some gradual change. For several decades, the export performance was driven by the traditional export commodities that are primarily agriculture-based, with coffee as the leading commodity. However, the most recent statistics for 2023 through 2024 show a changing dynamic in the export sector, with gold and gold compounds as the most exported commodity, followed by coffee. Despite the gradual change in the trend considering item by item for exports, agriculture remains the cornerstone of Uganda's exports in aggregate terms, accounting for over 80% of total export earnings. Because of the vital role that agriculture plays in the export sector, the government, through the National Development Plan III, aims at increasing the export value of major agricultural commodities such as coffee, tea, fisheries, cocoa, cotton, vegetable oil, beef, maize, dairy and cassava (NPA - NDPIII, 2020).

How exporting countries and entities respond to export requirements or conditions from importing countries is paramount for improving and sustaining export performance. Therefore, the level of export readiness regarding compliance with the export requirements is a key consideration to make in efforts to boost exports. This is key for sustaining existing export firms and enhancing the preparedness of potential export firms wanting to enter the market.

Figure 1: Export values (million USD) – monthly and annual trends

Source: Author's computation using monthly merchandize trade data from UBOS (2022-2023) – Figure 1a, and Trade Map data (2004-2023) – Figure 1b.

The export requirements – mainly in the form of NTMs affect export trade through different forms of restrictions, and it is imperative to understand the restrictions. Insights about the measures are relevant for new or emerging traders who may not be aware of the measures and the changes in these – for example, for aiding preparations for export readiness by export trade actors including financiers.

Export requirements are paramount for countries involved in international trade, as they enable them to utilize the opportunities to their comparative advantage for example through the adoption of new technologies and systems to improve the productivity, quality, and reliability of their products, which in turn increases export opportunities (Jongwanich, 2009; Jaffee & Henson, 2004; Maskus, Otsuki & Wilson, 2005).

This brief, therefore, reviews and documents information useful for understanding export markets and their requirements and examines markets that are more viable for potential export firms from Uganda, as well as insights on how potential exporting firms should be supported to ease their penetration of export markets.

The brief answers four key questions concerning; what measures influence trade in key commodities produced in Uganda and how, the export requirements and ease of market penetration including the extent to which Ugandan exporters are expected to comply with standards regulatory measures, the challenges in compliance to the measures, and implications for overall export readiness and trade investments in Uganda.

We focus on export requirements for agricultural commodities since the majority of Uganda's exports are agricultural products. The data used to summarize key export standards requirements is NTM data from the World Trade Organization (WTO), Trade Map, and desk review.

2.0. OVERVIEW OF NON-TARIFF MEASURES INFLUENCING TRADE

Given Uganda's reliance on agriculture, it is important to deal with compliance with any issues related to NTMs since food and agricultural products are the major export items that are subjected to export standards requirements. Uganda is one of the founding members of the WTO and a signatory to NTM-related multilateral agreements including the Agreement on Technical Barriers to Trade (TBT) and the Agreement on the Application of Sanitary and Phytosanitary Standards (SPS).

Uganda is also a signatory to several Regional Economic Communities (RECs) – for example the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), the Intergovernmental Authority on Development (IGAD), and the Africa Union (AU).

This brief focuses on the global framework of NTMs that influence trade – i.e., WTO Sanitary and Phytosanitary Standards measures.

The WTO Sanitary and Phytosanitary Standards Measures

- Overall, the global guiding frameworks and salient components of the NTMs, especially for standards for food and agricultural products are the WTO SPS measures, and TBT - (WTO, 2024).
- The SPS measures are derived from the WTO SPS Agreement. The aim is to achieve a balance between the right of WTO members to implement legitimate health protection policies and the goal of allowing the smooth flow of goods across international borders without unnecessary restrictions. The Agreement sets out the basic rules for food safety and animal and plant health regulations, requirements, and procedures.

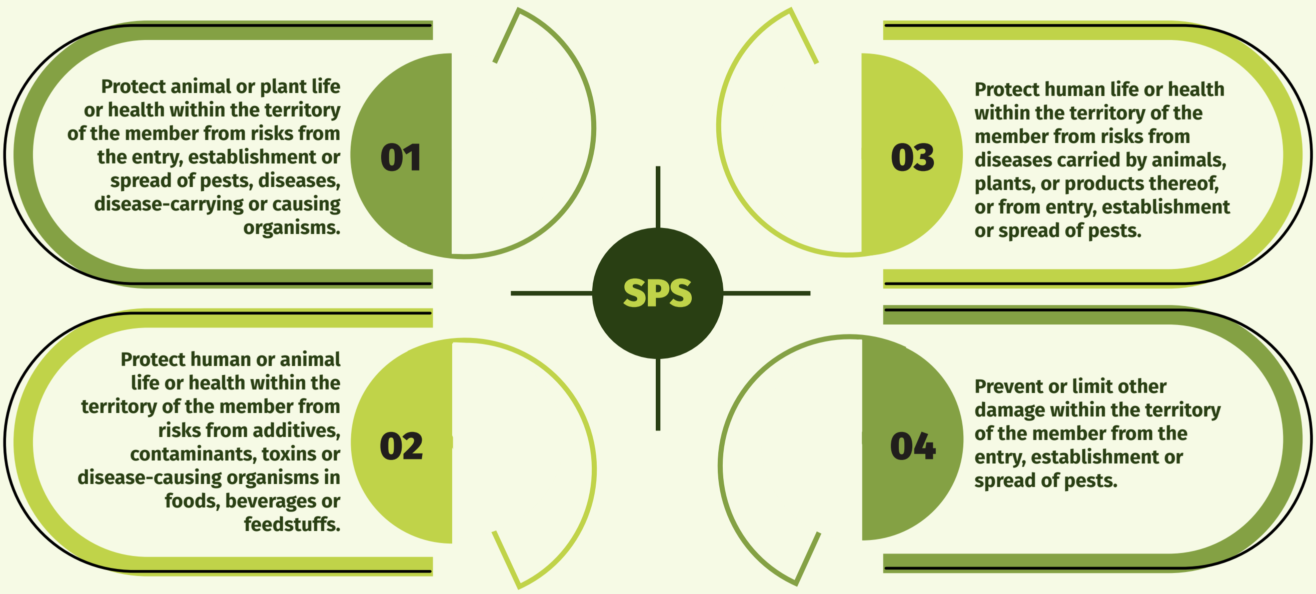
Purview of SPS measures

- The SPS measures apply to both domestically produced food or local animal and plant diseases and products from other countries. The major aim is to ensure that food is safe for consumers and to prevent the spread of pests or diseases among animals and plants. For example, the measures require - products to come from a disease-free area, inspection of products, specific treatment, or processing of products, setting of allowable maximum levels of pesticide residues or permitted use of only certain additives in food.
- The main NTMs faced by African exporters are SPS and TBT measures – they include packing and labelling, standardization, anti-dumping (price controls), licensing, quantitative restrictions, and export subsidies among others (also see Tadesse & Badiane, 2018). SPS measures tend to be less transparent compared to tariffs or quotas, leaving room for countries to tweak them for the benefit of their domestic producers (Jongwanich, 2009).
- The SPS agreement encourages member countries to use international standards, guidelines, and recommendations, where they are in existence, but they are not a floor or a ceiling to national standards and thus, many developing countries have adopted international standards as the basis for their national requirements.

Source: Compiled by Authors using WTO SPS measures and related documents.

2.1 What do Sanitary and Phytosanitary measures target?

The SPS Agreement sets out the basic rules for food safety and animal and plant health regulations, requirements and procedures. Sanitary stands for human and animal health and phytosanitary stands for plant health. The SPS Agreement measures are built on previous General Agreement on Tariffs and Trade (GATT) rules to restrict the use of unjustified SPS measures for trade protection. As summarized in the chart below, the measures are thus applied to:



3.0 THE EXPORT REQUIREMENTS AND MARKET PENETRATION IN KEY MARKETS

This subsection analyses the ease of export market penetration based on export market requirements in key markets. Like any other country that participates in international trade, especially in the export of goods and services, Uganda is subjected to compliance regulations.

We highlight the extent to which Ugandan exporters have to comply with regulatory measures related to standards, or generally NTMs. The key export goods considered are agricultural commodities, which constitute the largest component of Uganda's exports. We pinpoint areas with the most and least stringent export requirements.

3.1 The measures are more stringent on food and agricultural products

Based on the export standards requirements data as summarized in Figure 2, it is clear that food and agricultural products, which are Uganda's export niche, are subjected to exceedingly more export standards requirements than non-food products in all the export markets.

There are fewer export standards requirements for non-agricultural or non-food products compared to food or agricultural products – implying easier market entrance, cheaper compliance or exporting costs, and quicker export procedures for the non-food and non-agricultural products.

The associated high risk to human and animal health is a key factor here. This is in line with safeguarding items meant for consumption (human and animal consumption).

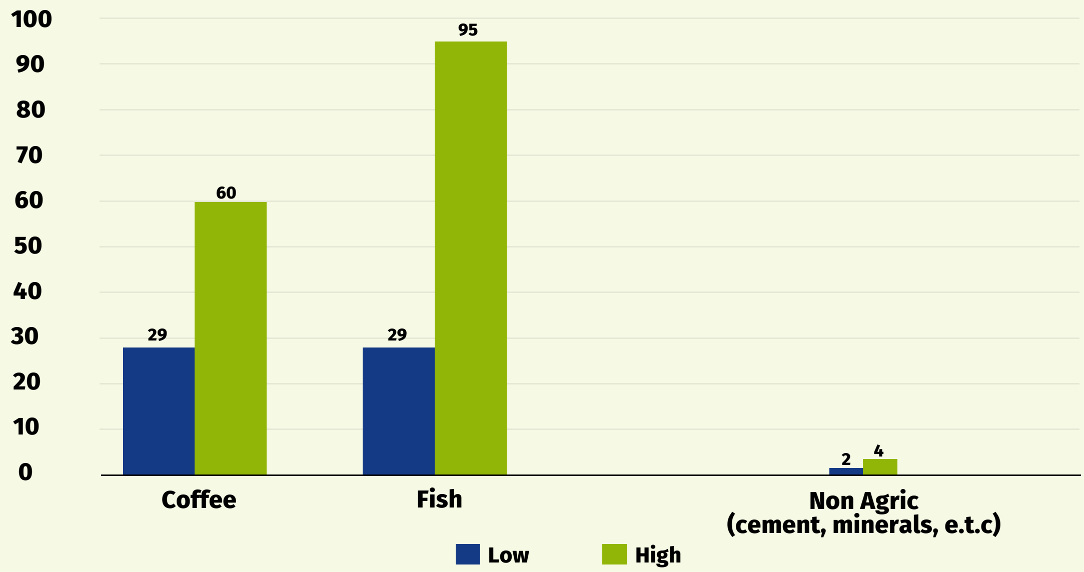
Accordingly, exporting food and agricultural products is more demanding or cumbersome in terms of the requirements. Therefore, exporters of food and agricultural products undergo more lengthy processes to be export ready. For example, the leading five export destinations for Ugandan coffee impose between 29 and 60 standard requirements.

The requirements for fish products in key European markets total 29 (e.g., in Belgium, Germany, and Italy), 52 in the United States of America, and 95 in the United Arab Emirates. Among others, the standards requirements include - the implementation of good agricultural practices, including those related to chemical sprays and maximum residue limits for pesticides, ensuring food is free from harmful contaminants, adherence to good manufacturing practices, and regular testing and monitoring.

From the data, non-food and non-agricultural goods such as cement, gold, and other mineral products, among others, have only 2-4 export standards requirements, reflecting less cumbersomeness in exporting non-food or non-agricultural goods.

The demanding nature of exports of food or agricultural products suggests that the ease of export market penetration is higher for non-food (non-agriculture) export products compared to food or agriculture products. This has serious implications for Uganda, given that agricultural or food products form the largest portion of Uganda's exports, which calls for deliberate efforts towards the preparation of export firms and ensuring export readiness by Ugandan exporting firms, given that the country's export niche is in agricultural commodities. The key implications include among others, prolonged preparations for export readiness, increased cost of exporting, and possibly decreased market access and competitiveness.

Figure 2: Export standards requirements – food/agriculture Vs non-food/agriculture goods



Source: Compiled by Authors using information from WTO SPS measures

3.2 It is less cumbersome to export in the region than in other markets

The data summarized in Figure 3 reveals that exporting within the East African (EA) region is less cumbersome compared to other international markets such as those in Europe, Asia, and the United States of America.

For example, in the case of sesame, there are only 15 export standards related requirements for Ugandan sesame seeds exported to Kenya, compared to 135, 122, 50, and 47 requirements in China, United Arab Emirates, Switzerland, and Germany respectively.

For maize corn flour, there are only 6 requirements in Kenya, compared to 58 and 35 in the United States of America and Canada, respectively.

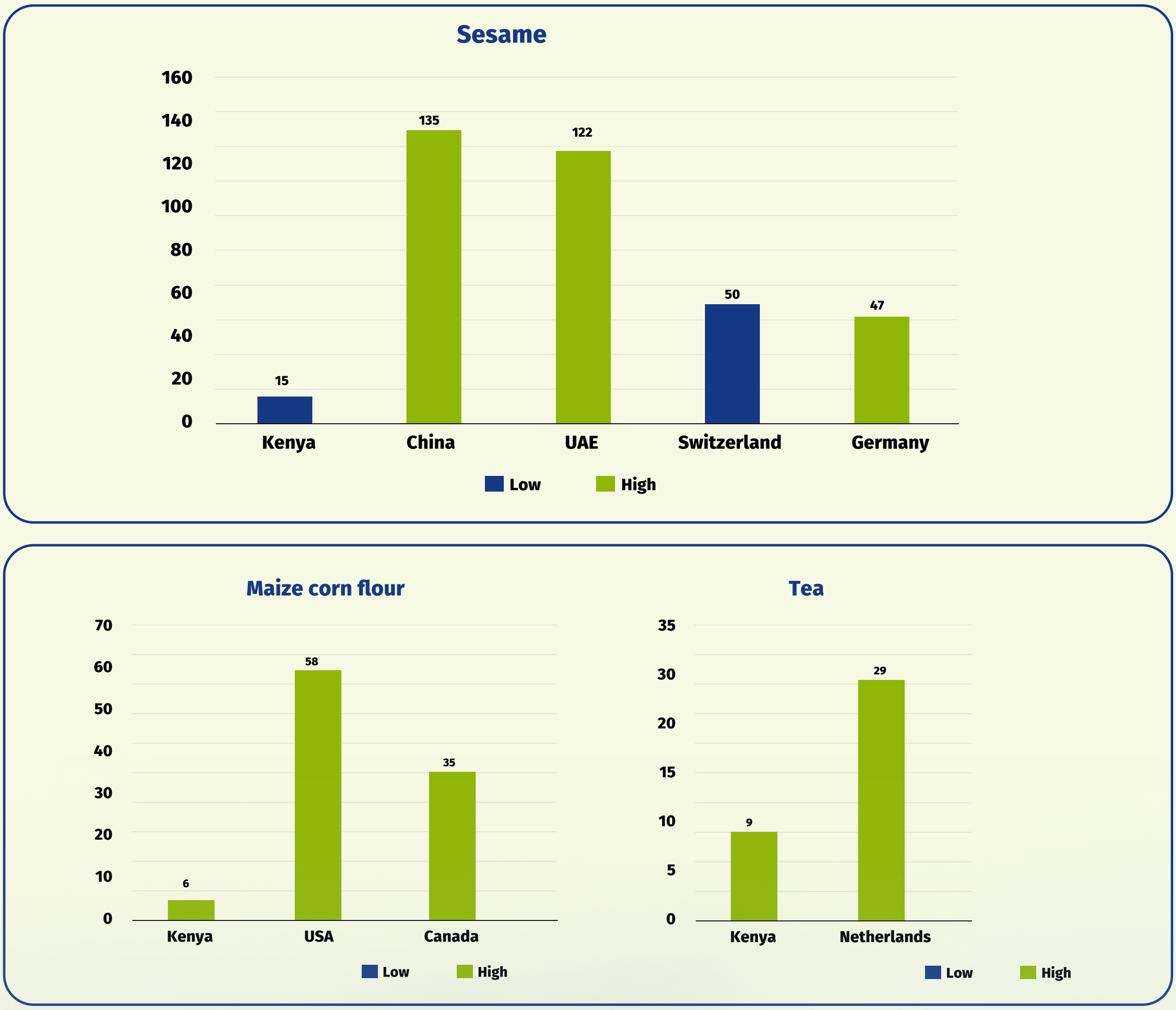
For tea, there are 9 requirements in Kenya, while a European market like the Netherlands subjects Ugandan tea to 29 standard requirements.

Comparatively, the distribution of the number of requirements is similar for other export commodities. The data also reveals that it is easier to access other African markets such as the Common Market for Eastern and Southern Africa (COMESA), where the export requirements are relatively less stringent compared to the rest of the markets beyond Africa except for Egypt – see Table 1.

The export standards requirements are, therefore, more demanding in other markets compared to the EAC and COMESA markets.

The less cumbersome requirements in the EAC market may be attributed to the EAC partner states Common Market Protocol which enhances or furthers intra-regional trade liberalization for trade in goods and/or promotes trade in the region, hence relaxing trade restrictions in terms of NTMs.

Figure 3: Standards requirements in EAC and other markets



Source: Author's computation using NTM data, WTO.

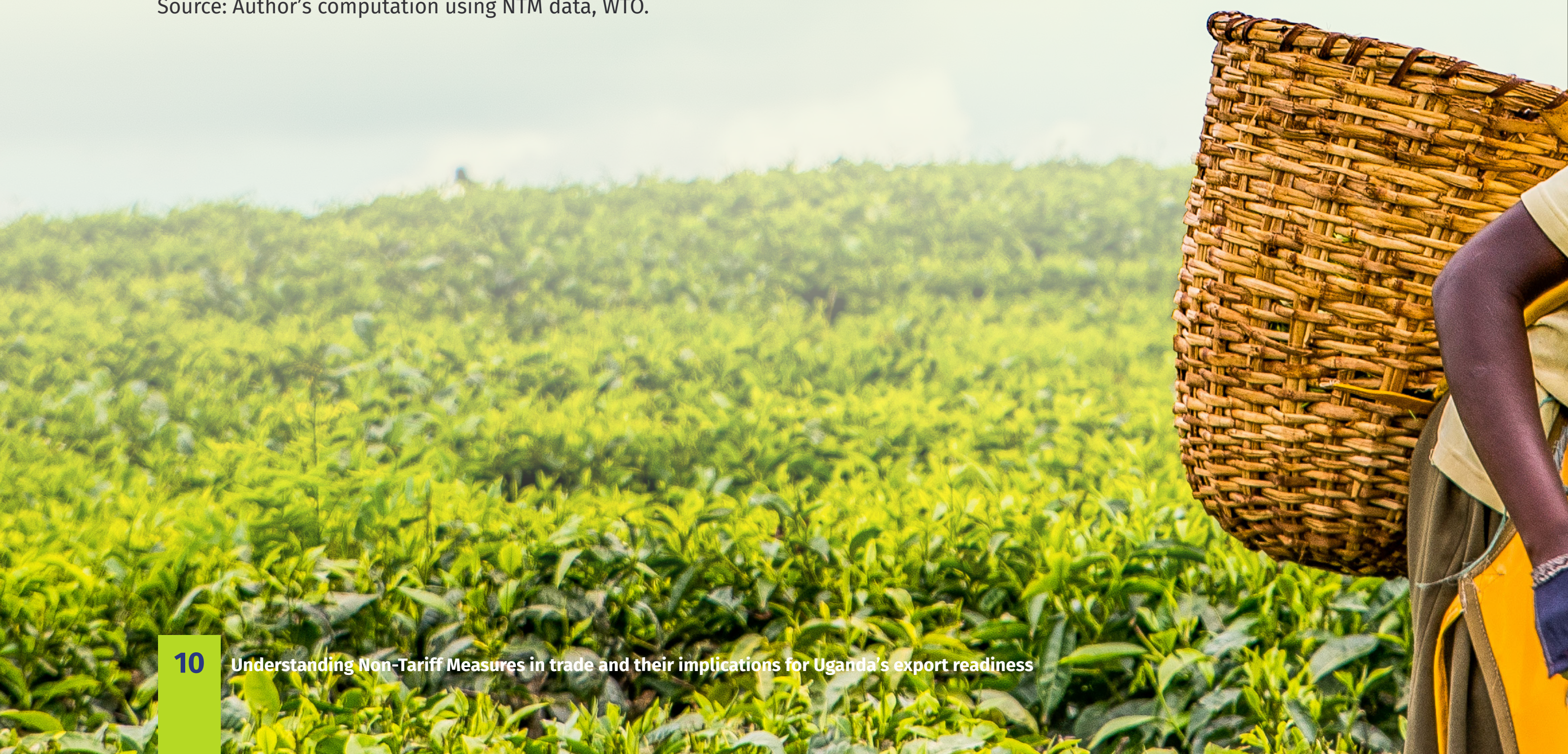


Table 1: Standards requirements in selected COMESA member countries

Country	Sesame seeds (incl for sowing)	Sesame oil and its fraction	Maize corn (seed – incl seed for sowing)	Maize corn (other - excl seed for sowing)	Corn flour	Tea
Comoros	10	8	8	6	8	8
Egypt	148	126	160	183	142	157
Ethiopia	34	28	30	18	18	18
Kenya	17	8	17	8	8	11
Libya	29	34	33	27	27	33
Malawi	1	1	2	1	1	1
Mauritius	32	10	32	18	18	18
Seychelles	7	8	7	7	7	7
Tunisia	12	8	13	33	12	16
Zimbabwe	3	5	1	1	4	5

Source: Author's compilation using TradeMap Market Access data (2024).

4.0 NTMS AS BARRIERS TO TRADE: HOW ARE THE MEASURES INFLUENCING TRADE?

NTMs greatly influence trade performance and can thus limit regional and global trade in several ways.

Compliance costs: Trade is responsive to NTMs (Tadesse & Badiane, 2018; Maskus, Otsuki & Wilson, 2005), and a high number of non-tariff barriers is associated with high compliance costs. See Text Box 1.

Failure to export due to non-compliance: At least 42% of exporting firms in Uganda face challenges related to SPS. The main problematic issues concern labelling and packaging requirements and requirements on conformity assessment such as certification, testing, and inspection. There are also difficulties related to traceability to requirements under environmental protection – (see UNCTAD, 2012). Other difficulties are associated with numerous documentation requirements, cumbersome customs formalities, Rules of Origin requirements, lengthy testing processes, and certification requirements (also see Okumu & Nyankori, 2010).

Costs associated with non-compliance: Specific cases in Uganda and elsewhere

Export bans due to non-compliance with standards/NTMs

When exports do not meet the standards, or when there are outbreaks (e.g., pests and diseases), importing countries often place bans on such exports until they are cleared or overcome. Export rejections are costly, and lead to decrease in market access and commodity prices. The most rejected products from low-income countries are fish and fishery products – they account for more than 50% of estimated rejections[1]. Examples of bans and related costs experienced in Uganda and other EA countries include.

- Nile Perch export from Uganda and other EA countries were prohibited from Spain following detection of Salmonella in several Nile perch consignments. In April 1999, following a suspected case of fish poisoning with pesticide in Uganda, the European Union imposed a ban on imports of Nile Perch. These bans led to - export decline, reduction in production and closure of several fish processing plants and reduction in Nile perch prices[2].

1. Also see - Jaffee & Henson (2004).
2. Also see - Jaffee & Henson (2004).

- Three bans on Uganda's fish exports to the European Union (1997-2000) led to decline in export earnings of $24 million in 1999 and a loss of about $36.9 million. Three out of eleven fish factories closed and those that remained operating were at 20% capacity. The labour force in the sector reduced by 60%-70%. This also affected other industries such as packaging, fishnets, transport, and others.
- In January 2017, Kenya and Rwanda banned the importation of poultry and poultry products from Uganda due to an avian flu outbreak caused by Highly Pathogenic Avian Influenza (HPAI). This Avian flu outbreak in Uganda, South Africa, Tanzania, and Zimbabwe in 2017 cost these countries and their trading partners over $800 million in revenue (Ndemera, Gokah & Gichuri, 2023).
- The East African region lost over $235 million between 2018-2021 due to aflatoxin problem. For example, in 2018, 600 metric tonnes of Ugandan maize valued at UGX 180 billion (over $80 million) were returned by Kenya due to aflatoxin and other standards issues, which also led to over 90% decrease in exports of maize from Uganda to Kenya, Tanzania and Rwanda. Subsequently, Kenya banned all imports of maize for the same reasons (ibid).

Source: compiled by Authors based on desk review.

Significant impact on processed agricultural products and trade decline: NTMs mainly affect processed agricultural products, in which Africa has a comparative advantage (UNCTAD, 2013; Tadesse & Badiane, 2018; Bouet & Sall, 2021).

They limit agricultural exports both directly and indirectly given that Africa exports more than 75% of its agricultural products.

As the most prevalent NTMs on Africa's agricultural exports, SPS measures and technical barriers to trade impact trade more significantly than the others (ibid). For example, a 10% increase in the number of products affected by SPS measures leads to a reduction in trade by about 3% (Tadesse and Badiane, 2018). A study by UNCTAD shows that TBT and SPS measures were the major barriers to trade reported by traders (64%) in Uganda (UNCTAD, 2013).

5.0 CONSTRAINTS TO STANDARDS / NTMS COMPLIANCE

Developing countries find it more challenging to meet the NTM standards due to several factors. Key among these factors[3] include the following.

- Limited capability of the private sector in Uganda and developing countries in general.

Resource deficiency often leads to the inability to gain market access. There is also a high level of investment required and a high cost of compliance, which marginalizes weaker economic actors, especially small and Medium-scale enterprises (SMEs), smallholder farmers, and developing countries in general.

Smaller actors are disadvantaged because some of the necessary compliance investments are only economically viable for large and medium-scale operators or collectively - for example, laboratory equipment, cold storage facilities, and hiring skilled personnel.

In addition, there is a major capacity constraint regarding limited technology, infrastructure, and expertise in developing countries, including Uganda. Poor-quality assurance infrastructure and technological capacity to undertake compliance processes lead to additional costs of obtaining third parties.

Further, limited capability is also reflected in several other ways, including weak monitoring and enforcement; difficulty implementing policies and procedures related to standards consistently; inadequate science-based systems to gather, analyze, and disseminate information on the presence and prevalence of high-risk diseases, pests, or food safety hazards; and lack of capacity to participate in the development of new regulations.

- Manpower and institutional constraints. Most developing countries lack administrative, technical, and scientific capacities to comply with SPS requirements, undermining their competitive position.
- Information on NTMs is lacking or poorly accessible, especially for the private sector and SMEs. Data on SPS issues is limited, which inhibits the ability to manage compliance costs since it makes it difficult for stakeholders to understand and accurately quantify the burden and economic costs and thus prioritize SPS investments.

3. For details see similar studies – CABI (2024); Tadesse & Kareem (2023); AU (2019); UNCTAD (2013); Jongwanich (2009); Maskus, Otsuki & Wilson (2005); Jaffee & Henson (2004); Ndemera, Gokah & Gichuri (2023); Tadesse & Badiane (2018).

- Challenges in the agriculture sector where most export commodities originate. These include excessive residue levels, poor agronomic practices, inadequate extension services, poor markets, and market infrastructure, weak producer groups, and poor coordination among stakeholders. Agriculture value chain actors, including exporters, face several challenges in managing pests and diseases and thus meeting SPS requirements. This affects various value chains in meeting their full production and export potential. There are also climate change challenges that are making pest issues worse, and thus a threat to sustainable agriculture and trade.
- African countries face challenges, including limited technical support for harmonization and convergence of SPS standards based on science. Many countries have non-aligned standards with those of international standards-setting bodies.
- Like most African countries, Uganda is affected by ineffective coordination and implementation of SPS and TBT mainly due to the fragmentation of the responsibilities for SPS and TBT across several Ministries, Departments, and Agencies (MDAs), which has led to administrative fragmentation and a lack of leadership.

6.0 CONCLUSION AND RECOMMENDATIONS

Uganda relies on agriculture for exports, and it is paramount to deal with compliance and issues related to NTMs since food and agricultural products are subjected to stringent export standards requirements yet are the export niche. The WTO Sanitary and Phytosanitary Standards measures are the main framework of NTMs that influence trade.

Food and agricultural products, which are Uganda's export niche, are subjected to exceedingly high export standards and requirements compared to other products (non-food) in all the export markets. Exporting food and agricultural products is thus more demanding and/or cumbersome in terms of the export requirements.

Data also shows that exporting within the East African region is less cumbersome than other international markets such as Europe, Asia, and the United States of America. The EAC partner states' Common Market Protocol furthers intra-regional trade liberalization hence relaxing trade restrictions in terms of NTMs, while the rest of the international markets remain stringent.

The NTMs influence trade through high compliance costs and failure to export due to non-compliance, and general poor trade performance. Uganda and developing countries in general face serious difficulties in meeting the NTM standards due to factors such as the high level of investments required and high cost of compliance, poor accessibility and lack of up-to-date NTM information, inherent constraints in the agriculture sector (including poor post-harvest handling), limited capability of the private sector or exporting firms, manpower and institutional constraints, ineffective coordination of SPS issues, and limited technology to foster compliance including weak quality-assurance infrastructure.

At the regional level (e.g., EAC), it is important to strengthen regional blocs and intra-regional trade. Uganda should emphasize harnessing the opportunities in regional markets since they are less cumbersome in export readiness and/or are associated with fewer NTMs. It is prudent to focus on fully exploiting the regional market opportunities first. The focus can go beyond the EAC region, to other intra-Africa trading blocs.

Expediting the operationalization of the African Continental Free Trade Area (AfCFTA) to further enhance intra-Africa trade is crucial in this. The rest of the markets (beyond Africa) can be explored as alternative markets to complement those at the regional level.

There are three important areas for improving export readiness.

First, strengthening exporting firms' capacity to meet regional and international standards is essential for enhancing export market access.

Tailored financing for the firms is key as part of the capacity enhancement to enable them to invest in the required improvements in production, transportation, and manufacturing technologies to satisfy SPS and NTM compliance.

Second, investing in export information access and capacity building for information is key. Efforts towards making harmonized and up-to-date SPS and TBT information readily available to Uganda's potential exporters and exporting firms are paramount for preparation towards increasing export readiness.

Here, establishing a fully-fledged export information and readiness hub for awareness and capacity building on export readiness is critical. Both SMEs and large firms can be targeted to increase their knowledge and understanding of NTMs or the standards of different export markets for improving export readiness.

Third, public agricultural expenditure and agricultural development should address SPS safeguards or issues along different agricultural value chains from production to market.

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