

Stig A. Due

# Examining the role of the EU in Ugandan underdevelopment

A case study of milk and cocoa trade

Bachelor's thesis in Europastudier med statsvitenskap

Supervisor: Carine Germond

May 2024



Norwegian University of  
Science and Technology



Stig A. Due

# **Examining the role of the EU in Ugandan underdevelopment**

A case study of milk and cocoa trade

Bachelor's thesis in Europastudier med statsvitenskap

Supervisor: Carine Germond

May 2024

Norwegian University of Science and Technology



Norwegian University of  
Science and Technology



# Sammendrag

Denne bacheloren utforsker EU's rolle i Ugandas underutvikling gjennom en analyse av handelsrelasjonene, med fokus på handel med melk og kakao. Med avhengighetsteori som teoretisk rammeverk undersøker studien hvordan handelsrelasjonen påvirker Ugandas utvikling. Gjennom en casestudieanalyse gir forskningen et nyansert innblikk i Ugandas landbrukssektor, handelsmønstre og økonomiske prestasjoner. Funnene tyder på at selv om EU's handelsstøtteprogrammer, som Everything But Arms, har som mål å fremme handel med Uganda og stimulere til utvikling, hindrer strukturelle ubalanser og nasjonale interesser programmets effektivitet, særlig i melkesektoren. Kakaohandelen gir et gunstigere utfall for Uganda, og bidrar positivt til landets handelsbalanse og økonomiske vekst. Avhandlingen understreker kompleksiteten i handelen mellom EU og Uganda, og hvordan den påvirker utviklingen i landet.

# Abstract

This thesis explores the role of the European Union in the underdevelopment of Uganda through an analysis of its trade relationship, with a focus on milk and cocoa trade. Deploying dependency theory as a theoretical framework, the study examines how the trade relationship impacts the development of Uganda. Through a case study analysis the research reveals a nuanced insight to Uganda's agricultural sector, trade patterns and economic performance. The findings suggest that while the EU's trade aid programs like Everything But Arms, aims to promote trade with Uganda and stimulate development, structural imbalances and domestic interests hinder its effectiveness, especially in the milk sector. The cocoa trade presents a more favorable outcome for Uganda, contributing positively to its trade balance and economic growth. The thesis underscores the complexities in EU-Ugandan trade, and how it impacts the development in Uganda.

# Preface

We're all going to die, all of us, what a circus! That alone should make us love each other but it doesn't.

Charles Bukowski





# Table of content

1 Introduction .....	13
2 Literature review .....	15
2.1 The neoliberal approach .....	15
2.2 Impact of the CAP on ACP countries .....	15
3 Understanding underdevelopment in the framework of dependency theory.....	18
3 Method .....	21
4 EU-Ugandan trade .....	23
5 The case of Uganda.....	25
5.1 Milk .....	25
5.2 Cocoa .....	28
6 Conclusion .....	32
Bibliography .....	34

# Figures

Figure 1 Milk production in million liters, 2013 – 2018.....	26
Figure 2 Formal and Informal Exports by SITC rev4 grouping and value in Thousand US Dollars, 1996 - 2021 .....	26
Figure 3 Monthly EU trade with Uganda on fresh Milk and WMP, value in thousand euros, 2010 - 2020 .....	27
Figure 4 Formal and Informal Exports by SITC rev4 grouping and value in Thousand US Dollars, 1996 - 2021 .....	29
Figure 5 Detailed trade matrix, the EU – Uganda, Cocoa and chocolate, value in thousand US dollars, 2010 – 2020 .....	29
Figure 6 Detailed trade matrix, the EU – Uganda, Cocoa and chocolate, value in thousand US dollars, 2010 – 2020 .....	30

# Tables

Table 1 Distinction between microcosmic and macrocosmic system.....19

# List of abbreviations

ACP	African-Caribbean-Pacific
CAP	Common Agricultural Policy
EBA	Everything But Arms
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GSP	Generalized Scheme of Preferences
LDC	Least Developed Countries
UN	United Nations
WMP	Whole Milk Powder

# 1 Introduction

World poverty has been, and still is a prominent issue in the world today. The first sustainability goal of the United Nations (UN) is to: "End poverty in all its forms everywhere (UN, n.d.)". If we look at the data on world poverty since the 1970s, we have seen a sharp decline from 49.6% living below 2\$ a day to 9.32% in 2017 (Moatsos, 2021). We have come far in reaching the UN goal, but there is still more to be done to reach the goal.

One aspect of poverty alleviation is humanitarian work, but the long-term solutions lie in institutional reform, and developing the economies of the developing countries (Baarder, 2009, p. 1). International trade assumes an important role in ending world poverty, giving poor countries a chance to stimulate and grow their economy. The European Union (EU) is the largest trading bloc in the world today (European Commission, n.d.). This means that the EU plays a central role in ending world poverty. There are several trade aid programs, the Everything But Arms (EBA) initiative is one example of this, where certain countries get to export all products but arms to the EU market duty and quota-free (Matthews, 2008, P. 385).

Despite the EU having programs to integrate developing countries into their market through trade, there might be some factors that hinder the developing countries in their development. Many of the least developed countries (LDC) heavily rely on their agriculture sector, especially in sub-Saharan Africa where on average 52.6% of the working population is employed in the sector (UNdata. 2021). This varies from country to country, with for example Uganda where it is employing 72.4% of the working population (UNdata, 2021). To assess the impact of the EU's international trade, especially on agricultural products, is crucial to understand the EU's role in poverty reduction in the countries that rely so heavily on their agricultural sector.

In this thesis I will look at the trade relationship between the EU and Uganda, to narrow it down, I will look specifically at trade on milk and cocoa. Using the case of Uganda, I want to explore the trade between the EU and Uganda on these two products and the implications for Ugandan development. I will be using dependency theory as my analytical lens, to see if there are structural power imbalances in this trade that result in an unfortunate outcome for Uganda that contributes to their underdevelopment.

My main research question is how and to what extent that trade relationship impacts Uganda's agricultural sector, namely milk and cocoa, and underdevelopment. To answer this, I need to address some sub-questions. The first one is what the trade relationship between the EU and Uganda looks like. The follow-up question is what the trade relationship looks like on milk and cocoa. Lastly, I want to know if the trade relationship on milk and cocoa is negative or positive for Uganda through the lens of dependency theory.

This thesis is structured so I will start by doing a literature review, where I get an overview of the field. I will identify the different positions on agricultural trade between the EU and LDCs. I will also see if any gaps in the literature can be covered. When I have done this I will introduce dependency theory as a theoretical framework. After I have an overview of dependency theory, I will explain the method I will be using, and justify the

methodical choices I have made. When all of this is in place I will do the case study analysis, where I look specifically at the milk and cocoa trade between the EU and Uganda and apply dependency theory.

## 2 Literature review

The literature on how the CAP and EU trade on agricultural products impact on LDCs is limited. The same authors are seen repeatedly, expounding on what they have written before. One side of the discussion, at least implicitly, is the neoliberal camp. These are the authors who write on the impact of the CAP on the ACP countries. They don't write on development theories, but rather within the framework of neoliberalism. On the other hand, we have Flint and Matthews who are critical of the neoliberal approach, but they do not suggest another theoretical framework. However, across the literature, there seems to be a consensus on the consequences of the CAP for the ACP countries.

### 2.1 The neoliberal approach

Adrian Flint (2008) writes on the EU's trade relationship with the African-Caribbean-Pacific (ACP) block in the context of poverty and the environment. Flint points out that the consensus on development in the EU is through a neoliberal economic path. This means trade liberalization to help countries develop. He further points out that the CAP enables EU farmers to sidestep the comparative advantage the farmers in sub-Saharan Africa have, leading to these countries becoming net importers of agricultural products, whereas they used to be net exporters (Flint, 2008, p. 111).

Throughout his book, Flint (2008) is skeptical of the rigid ideological approach of the EU to development and the environment. The neoliberal economic model has some upsides, but it can not be implemented in the same way everywhere. He concludes that the EU has failed the ACP countries in helping them develop through these market-based interventions and that new strategies must be devised to prioritize the poorest and most marginalized communities (Flint, 2008, p. 160).

Matthews (2008) looks at whether the traditional criticism of the CAP is still relevant, and he does a case study on the EU export of sugar and bananas. He comes to a similar conclusion as Flint, that the neoliberal strategy of today is not optimal, but he suggests a solution. He points out that ACP countries are not a homogenous group, and market liberalizing reforms to the CAP will lead to some winners and some losers. Countries that are net exports of agricultural products would benefit from the liberalization of the CAP, while countries that are net importers would be damaged as a result. He argues that the EU needs to reform the CAP to be more market liberal and help protect the countries that wouldn't be able to take advantage of this new access and that would lose on the reform.

### 2.2 Impact of the CAP on ACP countries

In their paper "EU common agricultural policy – impacts of trade with Africa and African agricultural development" Lukas Kornher and Joachim von Braum (2020) explore how EU agricultural and trade policies impact African countries. They analyse trade flows with Africa as a whole, and case studies on milk and meat. They find that generally, the CAP used to hamper the development of African agriculture before the coupled direct payments and export subsidies were largely abolished. The reason for this is the cheap import of goods from the EU resulting in the agricultural sectors in Africa being weakened. They also find that African countries, although they have access to the EU

market free of duties, struggle to export more than raw agricultural products. The reason for this is the high food standards in the EU, which suffer from not being transparent enough making it difficult for foreign producers to meet them.

In their paper, Kornher and Braum (2020) do a case study on how the CAP impacts the milk sector in several African countries. They point out that the milk sector in the EU is one of the most affected by the CAP, through direct payments and market interventions. The result of this for the international market has been trade distortions in the form of lower world prices of milk and milk powder, making the EU a net exporter of milk (fresh milk and milk powder). The consequence of this for several African countries become net importers of milk, mainly from milk powder. The competitiveness of these countries is damaged, they can in principle compete with the EU on the market because of their low production costs and the size of their milk industry (Kornher & Braum, 2020, p. 27-28). Since the CAP lowers the prices of milk produced by EU farmers, the farmers in these African countries cannot compete, and their sectors are hindered from developing.

Ole Boysen, Hans Jensen, and Alan Matthews (2016) did a case study on the impact of the CAP on Uganda. They made an economic model and simulated how the Ugandan economy would be affected if the CAP were to be abolished. In their paper, they acknowledge that there were some assumptions made in the model, which made the estimated result higher end of what can be expected. The result they got from the simulation was that there would be marginal positive effects on the Ugandan economy if the CAP were to be abolished.

When Boysen, Jensen, and Matthews (2016) did their case study on Uganda, and how it is affected by the CAP, they looked at two elements of the CAP. The first is how removing tariffs would impact the world economy and Uganda. Since Uganda is in the EBA initiative and has access to the EU's market without tariffs and quotas this would not have a big effect for Uganda. There would be an indirect effect of Uganda having to compete with other third countries that are not in the EBA initiative, resulting in a lack of demand from the EU for Ugandan goods. The second element in the CAP they analyzed was direct payments. The result was that if it were to be removed, it would increase trade in Uganda by 0.06%, resulting in a shift towards exported agricultural products (Boysen et al., p. 393). The Gross Domestic Product (GDP) would marginally increase by 0.05%, and poverty would be reduced by 0.09 points equivalent to around 25 000 people lifted out of poverty (Boysen et al., p. 394).

From the review of the literature on the relationship between the EU and LDCs, it is apparent that the CAP hurts the agricultural sectors in the LDC, especially in Sub-Saharan countries like Uganda. All the literature has the neoliberal economic theory as a foundation which is good for understanding many aspects of Ugandan underdevelopment. What the field lacks is an alternative theoretical foundation that questions the neoliberal assumption that the best way to help underdeveloped countries is through trade and the liberalization of economies. Another gap in the literature is research from the perspective of the stakeholders in the countries that are affected by the CAP and the EU's trade policy on agricultural products. The literature seems to be quite somewhat Eurocentric, and research from the other perspective could give us fruitful insight into the topic.

The gap I want to fill with my thesis is the former one, where I analyze the Ugandan case in the framework of dependency theory. This will allow me to catch other aspects that can contribute to Uganda's underdevelopment, and give a wider understanding of the



topic. This contribution is necessary because for the field to be able to progress it can not be solely within one paradigm of neoliberalism. The unique perspective of dependency theory enriches the discourse, highlighting structural inequalities and unbalanced power relationships in trade. By doing a case study of Uganda I give some empirical grounding either for or against dependency theory, paving the way for further research.

### 3 Understanding underdevelopment in the framework of dependency theory

To understand the relationship between LDCs and the EU, with Uganda as an example, using dependency theory as a theoretical framework is fruitful. The theory originates from Paul Baran's book "The political economy of growth" in 1957 (Gosh, 2001, p. 1). Dependency theory is a critical theory that seeks to understand the development of LDC countries and their relationship to developed countries in the global system, and the power balance between them (Gosh, 2001).

Dependency is the core concept in the theory that is examined. Dependency is defined as a form of unequal international relationship between two sets of countries (Gosh, 2001, p. 1). There are various terms used in the literature to describe this set of countries, center and periphery, developed economy and undeveloped economy, metropolitan and satellite, etc. I will be using the center and periphery to avoid confusion. All the different terms refer to the same idea that the center represents developed capitalism, and the periphery represents the underdeveloped region (Gosh, 2001, p. 1).

The theory is mainly concerned with the impact of imperialism and neocolonialism on the economy and society of the LDC (Gosh, 2001, p. 2). According to dependency theory, we can explain underdevelopment by looking at the center's dominance over the periphery (Gosh, 2001, p. 1). To understand this it is useful to look at the nature of the center and periphery, with a concept called macrocosmic and microcosmic systems.

Within the framework of dependency theory, the macrocosmic system refers to world capitalism, which is controlling the microcosmic system (Gosh, 2001, p. 2). Gosh distinguishes between the two systems on several points as illustrated in Table 1. As shown in the table, the macrocosmic system is stronger, more developed, and better organized than the microcosmic system. Dependency theory speaks of this double system where one is subsumed under the other, where the relationship between the two systems necessarily is antagonistic, and the macrocosmic system gradually influences the microcosmic system (Gosh, 2001, p. 3). The reason for this is that the theory views the situation as a zero-sum game, the gain of the macro system is the equivalent loss of the microcosmic system (Gosh, 2001, p. 3). From this, we can infer that the study of underdevelopment is not narrowed down to studying the underdeveloped microcosmic system, but one also needs to look at the relation it has to the macrocosmic system.

<b>Microcosmic system</b>	<b>Macrocosmic system</b>
Pre-capitalist in orientation	Capitalist in orientation
Poor and backward	Advanced and rich
Producers and exporters of primary products and importers of finished products and technology	Producers and exporters of finished manufactured products and technology, and importers of primary commodities
Capital-poor system, its surplus is extracted by the macrocosmic system	Capital-rich system, its surplus comes from the microcosmic system
Labor is abundant and cheap	Labor is scarce and costly
Since wages are very low at home and high in the center, the unit import cost is high and the export cost is low	Since the domestic wage is high, and wage in the microcosmic system is low, unit import cost is low and unit export price is high
Cannot develop itself for want of technology and capital	Already developed, and supplies capital and technology at high prices to the micro system
Exploited by the macrocosmic system	It is not exploited by any system
It is dependent on the macrocosmic system	It is more or less independent

**Table 1 Distinction between microcosmic and macrocosmic system**

**Source: Adapted from Gosh (2001, p. 3)**

One Important aspect of the relationship between the macrocosmic and microcosmic systems is that the surplus generated in the microcosmic system is extracted by the macrocosmic system (Gosh, 2001, p. 4). If we imagine two regions developing side by side, the stronger and more powerful region will draw away resources from the weaker region in the form of physical and human resources to the stronger region (Gosh, 2001, p. 4). This creates a backwash effect that can be seen in migration, outflow of capital, and unequal trade (Gosh, 2001, p. 4).

This does not necessarily mean that there can be no benefits for the dependent microcosmic systems, or periphery countries. Gunnar Myrdal a central contributor to the literature writes about a total cumulative effect that is caused by a circular causation between economic and non-economic factors (Gosh, 2001, p. 4). The growth of the center should produce some spillover effects to the periphery regarding technology, demand, market, knowledge, etc. This can be called the spread effect of development (Gosh, 2001, p. 4). For this spillover effect to have a net positive outcome, it must outweigh the growth-reducing backwash effects.

What can the dependency of a periphery country on the center look like? The dependency manifests itself in various ways. Dependency can manifest itself in various ways. Gosh (2001) lists the main ways of dependency, but it is not limited to these points: firstly, the periphery is dependent on the center for technology. Secondly, the periphery is dependent on the center for economic and financial aid. Thirdly, the balance of payment problems requires help from the center. Fourthly, the periphery cannot follow an independent policy of capital accumulation. Fifthly, the periphery is also dependent on the center for selling raw materials and their primary products. Lastly, it is almost impossible for the periphery countries to develop economically without the help of the center.

The mechanism that is most vital to understand from the broad literature of dependency theory is the indirect method of unequal exchange. This is the main way of surplus extraction from the periphery to the center (Gosh, 2001, p. 7). The indirect method of surplus extraction is also called the trading method of surplus extraction. It happens through trade: the countries in the center can buy raw materials from the periphery at a low cost because as mentioned above the periphery is dependent on the center to sell these raw materials. What makes this cheap for the centre is the lower wages in the periphery resulting in lower production prices. Often the center country will sell back a finished product to the periphery for a much higher price, resulting in an uneven exchange and the accumulation of capital in the periphery is difficult (Gosh, 2001, p. 8).

Theotonio Dos Santos expands on the core ideas of dependency theory that I have laid out here. His model of dependency theory is more structuralist, and he introduces new concepts and highlights the role of international trade and historic patterns of exploitation in his analysis.

Dos Santos (1970) defines dependency as: "a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected" (Dos Santos, 1970, p. 231). With this concept of dependency, when the economies become interdependent, the periphery can only expand and develop as a reflection of the expansion of the center, which can either have negative or positive effects on their short-term development (Dos Santos, 1970, p. 231). If a country is underdeveloped, it does not mean that it is because of a failure to adopt the efficient strategies of developed countries, but rather that they are in an unfortunate position in the international system.

According to this model, the industrial development of a country is closely tied to the export sector of said country (Dos Santos, 1970, p. 232). The reason for this because the export sector brings in foreign currency that is used to buy inputs in the industrial sector (Dos Santos, 1970, p. 233). The result of the dependency of the industrial sector on the export sector is in the preservation of the latter (Dos Santos, 1970, p. 232). The problem with this is that the export sector in many periphery countries is based on the agricultural sector, which is especially vulnerable to price volatility and external impulses making it difficult for a periphery country to develop if the external factors do not align with their interests.

Based on this overview of the core concept of dependency theory we can make some predictions on what the trade between the EU and Uganda means for Uganda. Firstly, we might expect Uganda to be dependent on the EU. This dependency is based on Dos Santos' definition of dependency above. For this thesis, it implies that Uganda's milk and cocoa sector expansion is contingent upon the EU's market and their import and export of these products. The second prediction we can make based on dependency theory is regarding the indirect method of surplus extraction. In the context of this thesis, we can predict that this manifests itself as the EU importing milk and cocoa from Uganda and exporting back finished products like butter and chocolate. The price difference between the raw materials of Uganda and the finished products of the EU would mean that Uganda would be in a trade deficit and loose on the trade.

### 3 Method

In this thesis, I have chosen to look at Ugandan underdevelopment and the EU's role in it. As I have mentioned I will do a case study analysis, with milk and cocoa trade as the two cases I examine to identify how the trade is good or bad for Ugandan development. Several reasons and factors led me to narrow it down to choosing Uganda, milk, and cocoa.

To begin with I wanted to look at how the CAP and trade agreements impacted poor countries, and found literature on the topic. I saw that the milk sector is one of the sectors that benefit the most from the CAP (Kilde). Knowing this it made sense to look at Uganda because of its long tradition with cattle and the volume of milk production. Additionally, the Ugandan economy is reliant on the agricultural sector with the high number of its population employed in the sector and its contribution to the GDP as I have mentioned in the introduction. The choice of Uganda as a case came naturally because of all these factors. I would expect the role of the EU on Ugandan underdevelopment to be easier to see when the milk sector is so important in both the EU and Uganda, making it easier to understand and interpret the phenomena of Ugandan underdevelopment.

The reason I have chosen to have cocoa trade as a second case is because I want a more complete picture of the mechanisms at play. The EU does not have any large-scale cocoa production because of the climate, on the other hand, cocoa is Uganda's fourth biggest export commodity (NAADS, n.d.). The EU is a big producer of milk, but not cocoa. This is why I believe there will be some other mechanism at play with the cocoa trade compared with the milk trade. Looking at both commodities or sectors allows me to get a broader understanding of the phenomenon I am looking into.

The approach I initially was going to use was quantitative, by doing a regression analysis. I was going to look at EU export data on milk to Uganda and see if there was a correlation to milk production output in Uganda. This was not possible to do due to the lack of data, and if there were complete datasets, I would have to merge them which would prove to be difficult. The reason I initially opted for this approach is because doing a regression analysis would make the findings of the thesis more generalizable because I would be able to work with large datasets.

Since the datasets were limited, I had to go for a qualitative approach. As I have mentioned I will be doing a case study of both milk and cocoa trade between the EU and Uganda to assess the role of the EU in Ugandan underdevelopment. The rationale for this is as I have mentioned in the introduction and literature review that the EU has a neoliberal approach to development where they want to help countries develop mainly through trade and trade aid programs. By looking deeper into the mechanism in play in the two cases, I can understand and explain the result in the framework of dependency theory.

I have conducted a document analysis, where I explored the trade agreements and trade reports between the EU and Uganda. Document analysis as a method is where you systematically go through documents to find relevant information, using the documents as the data source (Grønmo, 2004, p. 187). The process of gathering the documents is characterized by it being unpredictable and happening as you write because the author gradually gains knowledge and learns what new documents are relevant to the research (Grønmo, 2004, p. 187).

I have gathered the documents underway as described by Grønmo. When I was looking for the data, I tried to mainly use official documents from relevant institutions in the EU and Uganda. Everything was not available on the Ugandan side, I worked around this by using other international organizations that keep track of the relevant data, or secondary sources. The datasets I used in the analysis have been treated before making interpretations and making graphs. I cleaned the datasets and processed them so it was possible to make graphs out of them, without altering the key data.

There are some limitations to this methodology. The first one is the lack of data, making it difficult to conduct the analysis, which could taint the validity of the results. The second limitation is that despite the case study and document analysis approach offer depth into the issue, the findings are not generalizable. This is because the result is very context-specific. The last limitation of using these methods is potentially confirmation bias. With this, I mean that in the process of collecting the data and interpreting them, I risk that a subjective interpretation influences the conclusions that can be drawn from the thesis. I have tried to mitigate the risk of confirmation bias by keeping an open mind to what the results could be. This includes following the data and trying to interpret them in light of dependency theory.

## 4 EU-Ugandan trade

To understand the trade relationship between the EU and Uganda we need to look at the framework of trade agreements first. The main agreement for the EU-Ugandan trade relationship is the trade aid program: Generalized Scheme of Preferences (GSP). GSP was created in 1971 and is still in force, with the rules being revised in 2012 (European Union, 2021). The trade aid program aims to help eradicate poverty, promote good governance and sustainable development, and help developing countries integrate into the world economy (European Union, 2012).

The GSP gives developing countries preferential tariff treatments on specific products, either by reducing the tariff or removing the tariff (European Union, 2012). The trade tariff tends to be high, like on agri-food products, ranging from 10-30% (Matthews, 2008, P. 385). Reducing these high tariffs allows developing countries to export their products to the EU market, stimulating economic growth. The GSP+ scheme was added in 2006, and countries who participate in this program get further tariff reductions if they commit to "implementing core international conventions on human rights, labor rights, environmental protection, and good governance" (European Commission, 2012, P. 6).

In 2002 the EU committed to granting the LDC countries better access to the EU market, making trade a central part of their development strategies (European Commission, 2012, P. 6). One especially effective policy, introduced in 2001, was the Everything but Arms (EBA) initiative. The EBA enables LDCs to export products to the EU market without quotas and tariffs (European Commission, n.d.). All products except for arms and ammunition are eligible to be exported to the EU without quotas and tariffs, this includes agricultural products (European Commission, n.d.). 10 years after the EBA was introduced EU imports from LDC countries grew by more than 25% (European Commission, 2012, P. 6). This proves how successful this initiative has been to aid LDC's export more to the EU.

The GSP and EBA programs are the most important to understand EU-Ugandan trade. The EU is Uganda's third most important trading partner, about 16.5% of Ugandan products go to the EU, making the EU the second most important export destination behind the United Arab Emirates (GSPhub, n.d.). In 2021 the total trade between the EU and Uganda amounted to €1.272 million, and 27% of the products Uganda exported to the EU made use of EBA preferences (GSPhub, n.d.). In 2022 the biggest import sector in the EU from Uganda was vegetable products (€654 million), followed by live animals; animal products (€60 million), foodstuffs, beverages, and tobacco (€36 million) (GSPhub, n.d.).

The EU does not only import from Uganda, the export from the EU to Uganda is substantial. The value of EU exports to Uganda was worth €683 million in 2022, with a growing export rate from 2018 to 2022 at 9.8% (European Commission, 2023). The leading export sector to Uganda is industrial products (86.9% of total exports), followed by agricultural products (European Commission, 2023). the agricultural export to Uganda is worth €90 million, amounting to 13.1% of the total exports in 2022 (European Commission, 2023).

From this glance at the EU-Ugandan trade, we can see that there is substantial trade between the two. The EBA initiative allows Uganda to export all products, but mainly agricultural products to the EU. Uganda imports predominantly industrial products, but also agricultural products. The export rate from the EU to Uganda indicates that there is a growing export trend. From the trade data in 2022, we can see that the EU imports from Uganda are valued at €778 million, and exports to Uganda are valued at €683 million, resulting in a negative balance of minus € 95 million, meaning a trade deficit for the EU (European Commission, 2023). This trade deficit for the EU in 2022 does not give us the full picture. If we look at the trade balance from 2012 to 2022, we can see a fluctuating trend. The EU was in a trade surplus with Uganda in 2012, 2016, 2018, 2019, 2020 and 2021 (European Commission, 2023). In 2013 the trade balance between the EU was zero, but in the remaining years, Uganda was in a trade surplus (European Commission, 2023). The EU-Ugandan trade is nuanced, without any clear winner or loser in the trade. To assess the impact of this trade relationship on Uganda, it is necessary to delve into the complex relationship and assess the role of the milk and cocoa trade to see how it impacts Uganda.



## 5 The case of Uganda

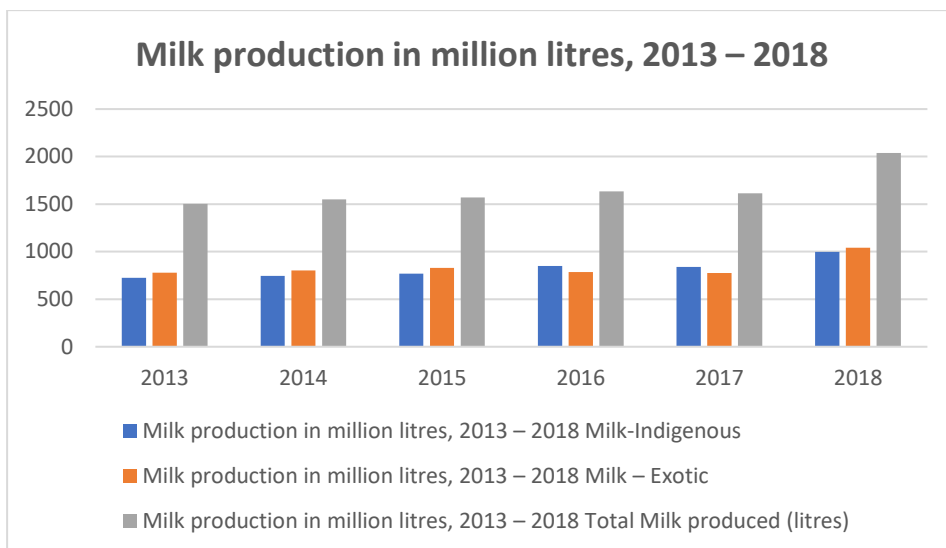
In this section, I will analyze the trade between the EU and Uganda on milk and cocoa. Before I look at the trade data, I will briefly examine these sectors in Uganda, and the trade patterns with other countries than the EU. This is to set a basis so I can interpret the EU-Ugandan trade on milk and cocoa through the lens of dependency theory. I want to see if the trade flow aligns with the predictions of dependency theory, which would help to understand Ugandan underdevelopment.

Uganda's economy is highly reliant on agriculture, employing 72.4% of the population in 2021 (UNdata, 2021). This does not mean that the agricultural sector is the biggest contributor to the GDP, it accounts for 22.7% the same year (UNdata, 2021). The service sector accounts for 53.5% of the total GDP, employing 20.9% of the population (UNdata, 2021). The rest of the GDP is accounted for by the industry with 23.8% while employing 6.6% of the population (UNdata, 2021). The GDP of Uganda has been on a steady increase for the last 14 years, in 2010 it was \$ 19.6 million, in 2015 it rose to \$ 25 million, in 2021 the GDP rose further to \$ 32.6 million (UNdata, 2021).

If we only look at the growth of the GDP of Uganda it can seem as if the economic situation of the country is good, but that is not the full picture. If we look at the trade numbers, Uganda has consequently been in a trade deficit, in 2010 this deficit was minus \$3 million, in 2015 minus \$3.2 million, and in 2021 minus \$4 million. This means that the country imports more goods than it exports. If we look at the balance of payments which is broader and encompasses trade in services, income, and transfers the pattern is the same. In 2010 the balance of payments was minus \$1.6 million, in 2015 minus \$1.67 million, and in 2021 minus \$2.33 million. The problem with this for Uganda is that the government must take up loans to cover the deficit, leading the country to have a total debt of 51.3% of the total GDP in 2021 (The World Bank, n.d.).

### 5.1 Milk

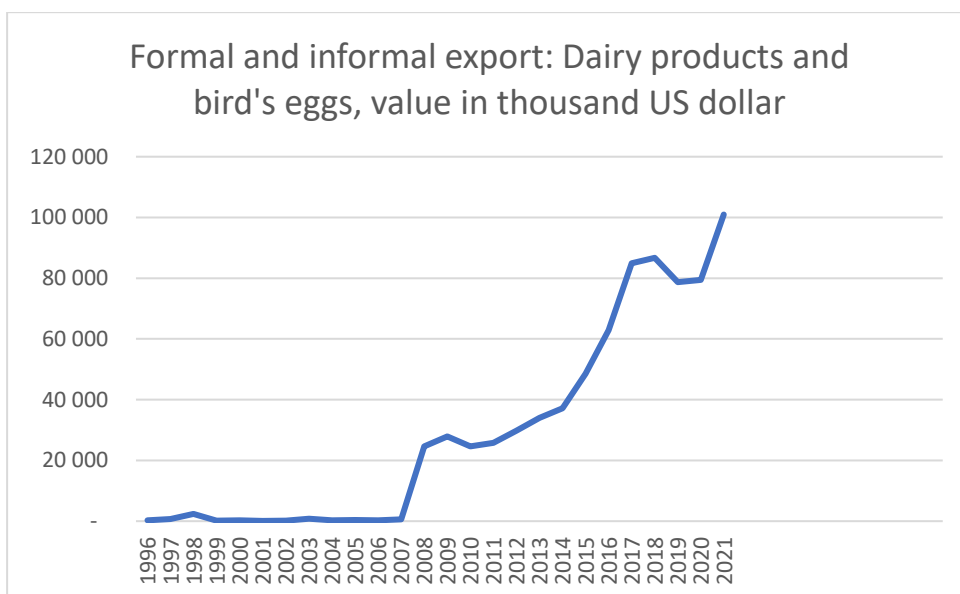
Uganda has a large livestock sector, where cattle is the most valuable contributing to approximately 73% of the gross value of livestock (Waiswa et al, 2021, p. 19). In 2018 there were approximately 14.5 million cattle in the Ugandan agricultural sector, and the size is growing (Waiswa et al, 2021, p. 19). The same year the dairy sector had an output of 2 billion litres of milk (figure 1). We can see from Figure 1 that the production output of milk grew between 2013 to 2018, despite this the dairy sector is ineffective, the reason for this is that Ugandan farmers are not able to get much yield per cow (Kornher & Braun, 2020, p. 27).



**Figure 1 Milk production in million liters, 2013 – 2018**

**Source: UBOS (2021)**

The milk produced in Uganda is not only for domestic consumption. Uganda is a big exporter of milk, especially after 2007 the export has increased significantly (Figure 2). In 2021 the dairy products and bird’s eggs amounted to 2.24% of Uganda’s total exports (UBOS, 2022). There is no data on milk exports specifically, so the numbers we see here are not representative of the milk exports alone which is important to keep in mind. Nevertheless, we get a picture of the trend of increased milk exports, with the increased dairy exports. The import side of this shows that Uganda is a net exporter of dairy products and bird’s eggs. In 2021 Uganda imported in value of a thousand US dollars 10 108 (UBOS, 2022). The same year Uganda exported for 100 955 in the value of a thousand US dollars (Figure 2).

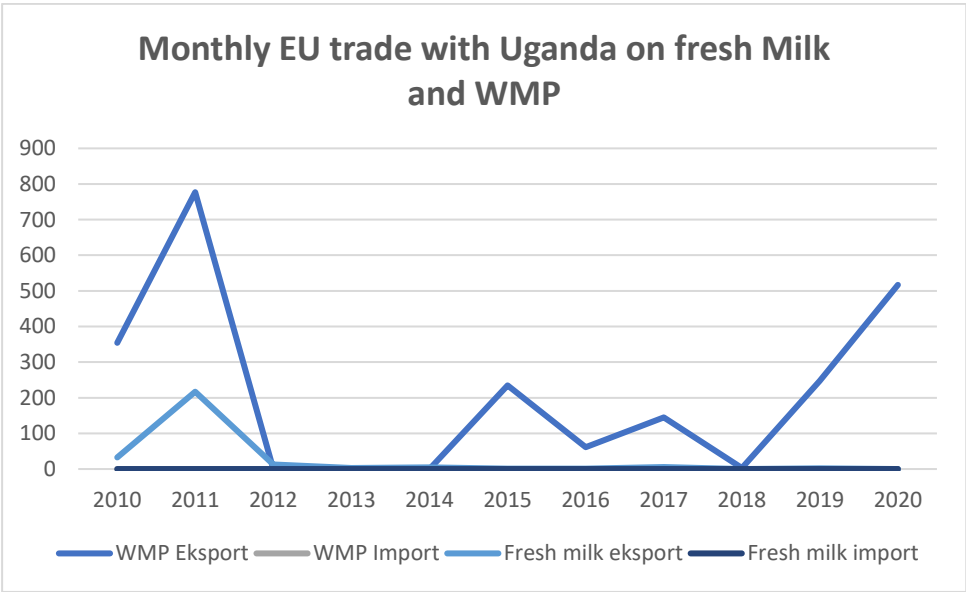


**Figure 2 Formal and Informal Exports by SITC rev4 grouping and value in Thousand US Dollars, 1996 - 2021**

**Source: UBOS (2022)**

Having the fact that Uganda is a net exporter of dairy products and bird's eggs, I would expect to see that Uganda exports milk to the EU as well. There is no data on where Uganda exports its milk, but we can look at import data for the EU. Despite Uganda being a net exporter of milk, the EU has not imported any milk from Uganda in the period from 2010 to 2020 (Figure 3). If we look at Whole Milk Powder (WMP), which is a powder derived from fresh milk that is easier to transport, there is also no import into the EU. This is somewhat surprising considering the lower production cost for milk in Uganda compared to EU countries like Germany as pointed out by Kornher and Braum (Kornher & Braum, 2020, p. 27-28). They explain this with the trade-distorting effect of CAP as I mentioned in the literature review.

If we turn our attention to the EU's export of fresh milk, we can see that they exported fresh milk to Uganda in the period between 2010 and 2020 (Figure 3). They have not exported a lot of fresh milk to Uganda, with a peak in 2011 where they exported for € 217 thousand. The export of fresh milk has been insignificant after that with the export value ranging from € 1 000 to € 13 thousand. The EU has exported more WMP to Uganda than fresh milk in this period, peaking in 2011 with an export of WMP valued at € 777 thousand (Figure 3). In 2019 and 2020 there was an increasing trend with WMP exports to Uganda.



**Figure 3 Monthly EU trade with Uganda on fresh Milk and WMP, value in thousand euros, 2010 - 2020**

**Source: Directorate-General for Agriculture and Rural Development (2024)**

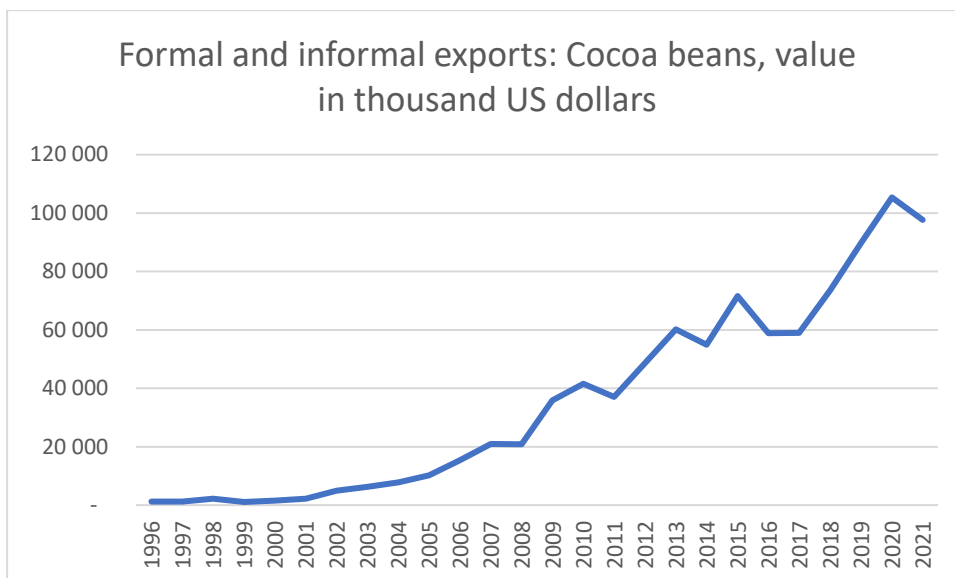
What would dependency theory make of these findings? According to Dos Santos, a country is dependent if a country's development is conditioned on another country's development and expansion. As I have highlighted Uganda's biggest sector domestically and in exports is the agricultural sector. They are net exporters of dairy and milk products, which means that according to Dos Santos, the industrial development of Uganda is contingent on the export of agricultural products to receive foreign currency. We can link the Milk export of Uganda to the industrial development of the country. This alone is not enough to explain Uganda's development but points out a broader mechanism that is important for Uganda on other products than milk.

Dependency theory highlights the power imbalance between periphery and center countries, and the milk trade between the EU and Uganda is an example of this. Uganda has the facilities to be an exporter of milk to the EU. The EBA initiative allows Uganda to export milk to the EU without any quotas or tariffs, but the EU is in a strong position compared to Uganda and can help their farmers outcompete the Ugandan farmers through the CAP as pointed out in the literature review. When Uganda imports milk and does not import any, it contributes to them being in a trade deficit, and a negative balance of payments, which means that it is challenging to develop their industrial sector and subsequently their economy.

On the matter of the indirect method of surplus extraction, it does not apply here. The reason for this is that Uganda does not export milk to the EU, so EU countries do not process the milk and export it back to Uganda as finished products. However, dependency theory would stress the structural imbalance of power between the EU and Uganda as the main reason for the lack of Ugandan export of milk to the EU, despite the EU not participating in the method of indirect surplus extraction. This indicates that the role of the EU in the development of Uganda in the milk sector is detrimental, but it is narrow, so let's look at the cocoa sector and trade with the EU to get a wider picture.

## 5.2 Cocoa

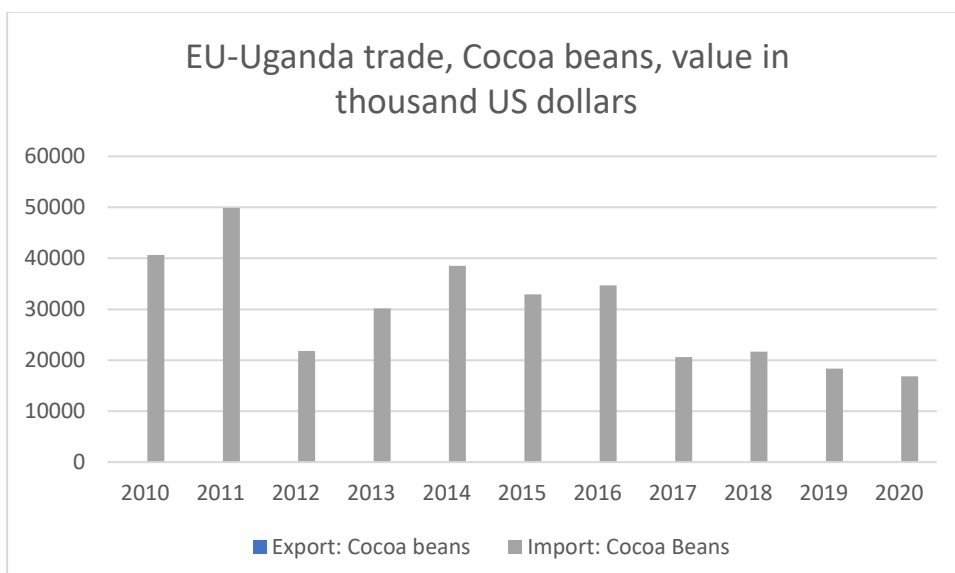
Cocoa is one of the most valuable crops in Uganda, after coffee, tea, and fish (NAADS, n.d.). Cocoa is categorized as a cash crop; this means that the crop is not intended to be domestically consumed, but rather be sold for a profit. Uganda's cocoa exports have been on a rising trend since the 90's as we can see in figure 4. In 2021 Uganda exported cocoa for over \$ 100 million, which accounts for 2.06% of the total exports that year (UBOS, 2022). The main destinations for cocoa export between 2008 and 2017 were Indonesia, Malaysia, India, the Netherlands, and Italy (Uganda Export Promotion Board, n.d.). Most of the cocoa that is produced in Uganda is not processed into finished products, but rather exported as raw beans (NAADS. n.d.)



**Figure 4 Formal and Informal Exports by SITC rev4 grouping and value in Thousand US Dollars, 1996 - 2021**

**Source: UBOS (2022)**

The EU is a major destination for Ugandan cocoa export, but it is only certain EU countries. Italy and the Netherlands are two of the biggest importers, but Germany, Belgium, and Spain also import cocoa beans from Uganda, although to a lesser extent (Faostat, 2023). So, when we talk about Ugandan exports of cocoa beans to the EU, these countries are the ones that are referred to. In Figure 5 we can see that the value of Ugandan cocoa exports to the EU is significant, peaking in 2011 with the value reaching almost \$ 50 million (figure 5). There has however been a declining trend in EU imports of cocoa beans since 2016.



**Figure 5 Detailed trade matrix, the EU – Uganda, Cocoa and chocolate, value in thousand US dollars, 2010 – 2020**

**Source FAOSTAT (2023)**

We can see that the EU does not export any cocoa beans to Uganda (Figure 5). This is not surprising, considering that EU countries can't grow cocoa since it only grows in tropical climates around the equator (European Cocoa Association, n.d.). The EU is still relevant for the cocoa industry because it processes cocoa beans and makes chocolate products at a large scale, accounting for almost one-third of the world's cocoa production (European Cocoa Association, n.d.). If we look at Figure 6, we can see that the EU exports some chocolate products to Uganda, but this is not on a large scale. In 2011 when Uganda's export to the EU peaked at almost \$50 million, the EU exported chocolate to Uganda worth \$245 000. The EU does not import any chocolate products from Uganda, which seems to align with the fact that cocoa beans in Uganda are mainly exported raw for processing in other countries as I mentioned above.



**Figure 6 Detailed trade matrix, the EU – Uganda, Cocoa and chocolate, value in thousand US dollars, 2010 – 2020**

**Source: FAOSTAT (2023)**

The picture that is painted here is one that Uganda is benefiting the most from. They earn more on their cocoa bean export than they spend on importing chocolate products. Even if Uganda comes out on top of the trade with the EU on cocoa beans and chocolate products, what we see may be an indication of the method of indirect surplus extraction. The EU imports raw materials in the form of cocoa beans and processes them into a finished product in the form of chocolate. In principle this aligns with the prediction from dependency theory, however, the EU does not export enough chocolate to Uganda for it to impact the latter negatively. This does not mean that the EU does not benefit from this trade in the big picture, but rather that there are other markets they sell their chocolate to, which results in the, earning more on the sale of the finished products from cocoa beans than what Uganda earns on the export of said cocoa beans. This might be the case, but the bottom line for Uganda regarding cocoa trade is that it positively contributes to their trade balance and balance of payments. Above I demonstrated the link between a country’s export sector with the industrial development of the country because of the balance of payments. This means that in principle the role of the EU as a

major importers of Ugandan Cocoa beans contributes positively to Ugandan development. This might be a case of the spillover effect of development that Myrdal points out, that there can be some positive consequences of the center's development, like a market that the periphery can export to.

## 6 Conclusion

I started this thesis by introducing the important role of the EU in poverty reduction and the development of underdeveloped countries. It is not an easy task to assess whether the EU is a force for good or bad in this regard. Through the case study of Uganda with a special focus on the trade of cocoa and milk, we can say something about the role of the EU in the light of dependency theory.

As we saw, the EU introduced the EBA initiative to help LDCs develop by giving them access to their market. The idea was that through trade the LDCs stimulate their economies and develop. The milk trade between the EU and Uganda highlights a challenge that this neoliberal approach might not be able to account for. Uganda does not export any milk to the EU but rather imports milk and WMP from the EU despite being a net exporter of milk and having access to the EU market.

As I mentioned, I think dependency theory can pick up this anomaly. Because of the broader structure of the macrocosmic system, Uganda is in an unfortunate position which makes them vulnerable to the EU's expansion. There is a structural power imbalance between Uganda and the EU, which can explain why even though Uganda could compete with the EU in the milk sector, they are not able to because of domestic EU interests. This leads to a negative outcome for Uganda because it puts them in a trade deficit, and leaves them with a negative balance of payments.

The case of the cocoa trade has another outcome for Uganda than on milk trade. With the EU as a big importer of Ugandan cocoa beans, it gives Uganda a market that they can benefit from. As I demonstrated the cocoa trade puts Uganda in a trade surplus and contributes positively to the balance of payments. What I found in the analysis is that EU countries process these cocoa beans into finished products and export some to Uganda, but not enough for it to be significant. However, it indicates that the EU countries benefit the most from this trade because they sell the finished chocolate products to other markets, but this does not directly impact Ugandan development.

The positive effects of the trade between the EU and Uganda on cocoa can be explained by Myrdal's contribution to the spillover effect of development. Uganda gets market access and a place to sell their cocoa, benefiting them, He says that for this effect to be net positive for the periphery country, or Uganda, this positive effect has to outweigh the overall growth-reducing backwash effect. To see if this is the case one would have to do a broader analysis of the trade relationship between the EU and Uganda. I noted in the section on the overall trade relationship between the EU and Uganda that the latter mainly exports agricultural products to the former. At the same time, the EU mainly exports industrial products to Uganda, this might indicate what dependency theory predicts on a macro level, that periphery countries export raw materials to the center, and the center exports finished products back and benefits from the trade.

The findings of this thesis, suggest that the role of the EU in Ugandan underdevelopment is nuanced. The findings indicate that the overall role of the EU, despite their efforts to integrate Uganda into the world market and help them develop that there are structural challenges that make this difficult. This is why I think it would be fruitful to do further research on the EU's role in Ugandan underdevelopment with dependency theory as its



theoretical framework. Further research would benefit from doing a more macro analysis of the issue.

# Bibliography

- Barder, O. (2009). What Is Poverty Reduction? Center for Global Development. <http://ssrn.com/abstract=1394506>
- Boysen, O., Grinsted Jensen, H., & Matthews, A. (2016). Impact of EU agricultural policy on developing countries: A Uganda case study. *The Journal of International Trade & Economic Development*, 25(3), 377-402. <https://doi.org/10.1080/09638199.2015.1069884>
- European Cocoa Association. (n.d.). Cocoa Story: Cultivation, Trade and Transport. <https://www.eurococoa.com/en/cocoa-story/cocoa-story-cultivation-trade-and-transport/>
- European Cocoa Association. (n.d.). Cocoa Story: The Western Europe Cocoa Market. <https://www.eurococoa.com/en/cocoa-story/cocoa-story-the-western-europe-cocoa-market/>
- European Commission. (n.d.). Access2Markets- Everything But Arms (EBA). Retrieved 25.04.2024. <https://trade.ec.europa.eu/access-to-markets/en/content/everything-arms-eba>
- European Commission. (2012, 1 January). Communication from the Commission to the European Parliament, the Council, and the European Economic and Social Committee – Trade, Growth, and Development - Tailoring trade and investment policy for those countries most in need. [https://eur-lex.europa.eu/resource.html?uri=cellar:6753a278-b232-4d3a-b575-40f22efca04a.0005.03/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:6753a278-b232-4d3a-b575-40f22efca04a.0005.03/DOC_1&format=PDF)
- European Commission. (n.d.) EU position in world trade. Retrieved 11.07.23. [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/eu-position-world-trade\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/eu-position-world-trade_en)
- European Commission, Directorate-General for Agriculture and Rural Development. (2024, 16. May). Dairy Trade. <https://agridata.ec.europa.eu/extensions/DashboardDairy/DairyTrade.html>
- European Commission, Directorate-General for Trade. (2023, April 19). European Union, Trade in goods with Uganda. [https://webgate.ec.europa.eu/isdb\\_results/factsheets/country/details\\_uganda\\_en.pdf](https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_uganda_en.pdf)
- European Commission. (n.d.). The common agricultural policy at a glance. Agriculture and rural development. [https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-glance\\_en](https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-glance_en)
- European Union. (2021, 27. April). Generalised system of preference. EUR-Lex. [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM:general\\_system\\_of\\_preference](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM:general_system_of_preference)
- European Union. (2012). Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008. *Official Journal of the European*

Union, L 303/1. <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1500986680646&uri=CELEX:32012R0978>

FAOSTAT. (2023, 21. December). Detailed trade matrix. Food and Agriculture Organization of the United Nations. <https://www.fao.org/faostat/en/#data/TM>

Flint, A. (2008). *Trade, Poverty and the Environment: The EU, Cotonou and the African-Caribbean-Pacific Bloc*. Palgrave Macmillan.

Ghosh, B.N. (2001). *Dependency theory revisited*. Ashgate.

Grønmo, S. (2004). *Samfunnsvitenskapelige metoder*. Fagbokforlaget

GSPHub. (n.d.). Uganda. Retrieved 25.04.2024. <https://gsphub.eu/country-info/Uganda>

Hill, B. (2012) *Understanding the Common Agricultural Policy*1. London and New York: Earthscan.

Kornher, L., & von Braun, J. (2020). EU Common Agricultural Policy - Impacts on Trade with Africa and African Agricultural Development (ZEF-Discussion Papers on Development Policy No. 294). Center for Development Research University of Bonn. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3613628](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3613628)

Matthews, A. (2008). The European Union's Common Agricultural Policy and Developing Countries: The Struggle for Coherence. *Journal of European Integration*, 30(3). <https://doi.org/10.1080/07036330802141998>

Michalis Moatsos. (2021). Distribution of population between different poverty thresholds, World, 1820 to 2018 [Data set]. Our World in Data. <https://ourworldindata.org/poverty>

NAADS. (n.d.). Cocoa production. Retrieved 03.05.2024. <https://naads.or.ug/crop/seeds/cocoa/>

Nègre, F. (2023, May) Financing of the CAP. Fact sheets on the European Union – European parliament. <https://www.europarl.europa.eu/factsheets/en/sheet/106/financing-of-the-cap>

UBOS. (2022, 12. August). Formal and Informal most Exported products by SITC rev4 grouping and value in Thousand US Dollar, Calender Year. <https://www.ubos.org/explore-statistics/10/>

UBOS. (2022, 12. August). Formal and Informal most Imported products by SITC rev4 grouping and value in Thousand US Dollar, Calender Year. <https://www.ubos.org/explore-statistics/10/>

UBOS. (2021, 20. July). Milk Production 2013-2018. <https://www.ubos.org/explore-statistics/2/>

United Nations. (n.d.). End poverty in all its forms everywhere. UN. <https://sdgs.un.org/goals/goal1>

UNdata. (2021). Uganda. UNdata. <https://data.un.org/en/reg/g202.html>

Uganda Export Promotion Board. (n.d.). Cocoa. <https://ugandaexports.go.ug/product/2/Cocoa>

Santos, T. D. (1970). The Structure of Dependence. *The American Economic Review*, 60(2), 231–236. <http://www.jstor.org/stable/1815811>

The World Bank. (n.d.). Central government debt – Uganda. Retrieved 09.05.2024. [https://data.worldbank.org/indicator/GC.DOD.TOTL.GD.ZS?end=2021&locations=UG&name\\_desc=false&start=2018&view=chart](https://data.worldbank.org/indicator/GC.DOD.TOTL.GD.ZS?end=2021&locations=UG&name_desc=false&start=2018&view=chart)

Waiswa, D., Günlü, A., Mat, B. (2021). Development opportunities for livestock and dairy cattle production in Uganda: A review. *Research Journal of Agriculture and Forestry Sciences*, 9(1), 18-24. 4.ISCA\_RJAFS\_2020\_029.pdf (d1wqtxts1xzle7.cloudfront.net)



