Uganda has little to show for African trade agreement with the US after 14 years

The African Growth and Opportunity Act of 2000 promised a brighter future for Uganda, but the country has seen few benefits.

Workers harvest fresh tea leaves in the fields of Fort Portal, Uganda. Photograph: Jake Lyell/Alamy

Alon Mwesigwa in Kampala

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When Uganda recruited more than 1,400 women from rural villages and took them to the country’s capital, Kampala, in 2002, the east African state dreamed big.

The women were told that they would work in a textile firm, which would export clothes made in Uganda to the US under the African Growth and Opportunity Act (Agoa), generating a lot of revenue for the country. They were promised good pay, better working conditions and a “bright future”.

They were employed by Tri-Star Apparel from Sri Lanka, which had set up in Uganda to take advantage of the Agoa initiative. But relations between the company and its workers soon turned sour.

A year later, in 2003, the women went on strike, citing mistreatment by their employer and pitiful pay. Each woman earned just $40 (€26; about 75,000 Ugandan shillings at that time) a month. As a result of their protest, roughly 300 women were fired.

Despite huge subsidies, including tax waivers and loan guarantees to boost its production, Tri-Star Apparel went bust in 2006.

Their dreams shattered, most of the Agoa women went back to their villages; others sought petty employment in the city. The episode was perhaps the first sign that Uganda would benefit
little from Agoa.

The act was signed into law by Bill Clinton, the US president at the time, in May 2000. It was designed to allow goods from sub-Saharan African countries’ - except firearms - to enter the US tax and quota free. With more than 6,500 product lines eligible for export to the US under Agoa, including live animals and animal products, the initiative looked like a good deal for countries such as Uganda.

It was hoped that the act would raise production at home, boost employment and improve people’s livelihoods. Agoa’s architects reasoned that trade, not aid, could fight poverty on the continent.

In a special advertisement supplement published in the New York Times on September 19, 2002, Uganda’s president Yoweri Museveni sounded certain of the benefits. “We are on the threshold of a strategic breakthrough,” he said. “We have carried out all the reforms and what is most important for us is market access. Now we have it. In five years’ time, Uganda will be a totally different story – once we can take advantage of what is in front of us.”

However, nearly 15 years later, Gerald Sendawula, who was Uganda’s finance minister in the early 2000s, and pushed for the country to endorse Agoa, said: “We don’t have anything to show. I haven’t seen anything going to Agoa.”

It appears some countries, including Uganda, did not have the capacity to reap fully the benefits from Agoa. Uganda has the highest youth unemployment in Africa, estimated at 62%.

Uganda has not benefited from Agoa. I am happy other African countries have. I would be happier if Uganda benefited too.

Yoweri Museveni, president of Uganda

Last year, Uganda’s exports to the US were worth $47m, up from $34.8m in 2003. Meanwhile, US goods exported to Uganda had reached $125m in 2013. Last year, Uganda’s top exports to the US included spices, tea, freshwater fish, crafts, and live trees.

Uganda’s neighbours are doing well. While Kenya exported goods worth $389.5m in 2012, Uganda could only manage $34.5m. Tanzania earned $114m that year.

One of the problems is that Uganda has no major manufacturing facilities. It was expected to capitalise on its potential in agriculture, which employs three-quarters of the population, and cash crops such as coffee and cotton were to lead the way.

The landlocked country was regarded as one of the best cotton producers in the world; it would have an edge over rivals in the global market.

Ironically, when Tri-Star Apparel arrived, the company imported cotton from Pakistan, even
been eroded, with volumes dwindling and some farmers battling coffee wilt.

The majority of Uganda’s exports - including coffee, vanilla beans, fish, cocoa beans and tea - already enter the US duty-free under the Most Favored Nation (MFN) programme, which means they are not counted as Agoa products.

“Uganda’s first mistake was that it failed to empower local farmers to be able to produce for Agoa,” said Dr John Mutenyo, an academic at Makerere University’s school of business. “Yet this was the main intention of Agoa.”

According to Martin Okumu, secretary general of the Uganda National Chamber of Commerce, the country was never ready for the US market. He argued that, instead, Uganda should have focused on markets closer to home in South Sudan and the Democratic Republic of the Congo. Uganda was earning $240m in exports from South Sudan annually before fighting broke out in the country in December 2013 - far above what it got from US, according to the Bank of Uganda.

“Are you going to enter the US market with tomatoes?” says Okumu. “We can’t compete with US farmers, who are heavily subsidised.”

Unlike Kenya or Tanzania, Uganda failed to establish an Agoa strategy to mobilise and guide those producing goods through the initiative.

“It is in Uganda where an investor who wants land, or [who wants to] have a transformer connected to their factory, must see the president personally. Genuine investors don’t want such things,” said Fred Muhumuza, a senior manager at the audit firm KPMG Uganda and also a former adviser to Uganda’s finance minister.

The World Bank’s Doing Business report 2015 ranks Uganda 150th out of 189 nations. The report cited red tape and high transport costs as big turn-offs to investors.

Erin Truhler, information officer for the public diplomacy section at the US mission in Uganda, said the countries who have benefited most from the scheme are those that “have done the most to create an attractive business environment, both for foreign investors and domestic firms, by encouraging investment and trade”.

Agoa is due for renewal in September, and Uganda will be seeking an extension.

Last month, Museveni announced a new firm, Fine Spinners Uganda, to lead the country’s Agoa efforts if it is extended. The firm will process and export textiles. “We have not benefited from Agoa,” he said. “I am happy that other African countries are benefiting. I would be happier if Uganda benefited too.”