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IN ANY CORRESPONDENCE ON

THIS SUBJECT, PLEASE QUOTE NO. **TRD 121/05**



THE REPUBLIC OF UGANDA

**OFFICE OF THE MINISTER  
MINISTRY OF TRADE, INDUSTRY  
AND CO-OPERATIVES,  
FARMERS' HOUSE, PLOT 6/8,  
PARLIAMENTARY AVENUE  
P.O. BOX 7103,  
KAMPALA, UGANDA**

29<sup>th</sup> June, 2017

Mr. Edward Gresser  
Chair of the Trade Policy Staff Committee  
Office of the U.S. Trade Representative  
600 17<sup>th</sup> Street, N.W  
Washington, D.C 20508

**RESPONSE TO THE REQUEST FOR COMMENTS AND NOTICE  
OF PUBLIC HEARING CONCERNING AN OUT-OF-CYCLE  
REVIEW OF UGANDA'S ELIGIBILITY FOR BENEFITS UNDER  
AGOA.**

The Republic of Uganda has received a notice from your office in relation to a petition by the Secondary Materials and Recycled Textile Association (SMART) on the above mentioned subject. The notice was delivered, to the Ministry of Trade, Industry and Cooperatives, Farmers House, by Ambassador Deborah R Malac of the United States of America to Uganda on the 22<sup>nd</sup> June, 2017.

**Rejection of the petition for the out-of-cycle review**

We reject the assertion that there are exceptional circumstances warranting the out-of-cycle review of the AGOA eligibility for the Republic of Uganda and, indeed, the other EAC Partner States, namely the United Republic of Tanzania and the Republic of Rwanda, for the reasons provided below:-

1. There is no ban on importation of used clothes to Uganda and, indeed, to the EAC region. The decision of March 2016 by the Summit is based on the desire to industrialize and to add value to our raw materials on the basis of the EAC Industrialization Policy and other National Planning framework. In the case of Uganda, the National

Development Plan II, and Vision 2040 articulate our objective to industrialize, and we must industrialize.

2. There are sanitary concerns that have been raised by different stakeholders and, therefore, the need to protect the health of the peoples in Uganda and East Africa.
3. Imports of used clothes to the EAC region and to Uganda have been minimal and declining over the years. The decline starts even before the Summit decision. The table below clearly shows a decline that starts in 2014, two years before the Summit decision.

**Table showing imports of used clothes by Uganda from the USA**

Year	2011	2012	2013	2014	2015
Import Value \$ 000	6,758	7,699	12,019	8,668	7,235

Source ITC Trade map

As the table above shows, imports of used clothes from the USA to Uganda was US \$7.2 million in 2015. This is 0.72% of the used items sales. A minimal figure that should not cause significant economic difficulty to a USA used items industry estimated at US\$1billion.

4. The specific tariff was increased in order to align it to the *ad valorem* rates. The application of this tariff is not discriminatory and is not targeted at the USA. It is being applied across the board and to all suppliers of used clothes to Uganda and to the region. The tariff is in accordance with the EAC Customs Union Protocol and compliant to our commitments at the WTO.
5. Uganda operates a market based economy that promotes fair competition. The competition should be between new and new but not used as opposed to new. The used items greatly undermine the efforts to develop and promote new items including those that may originate from the USA.



6. USA investment in Uganda is not hindered by any undue policy. The Government of Uganda has promoted collaboration with the American Chamber of Commerce in Uganda (Amcham) to address bottlenecks that may be faced by US businesses in Uganda. The USA originating businesses currently operating in Uganda are Citibank, Coca-Cola, Pizza Hut, KFC, NCR, Balton, Mantrac among others. This is a clear indication of the openness of our economy and demonstrates that we are market based and are not putting any barriers to USA trade and investment.
7. The USA exports to Uganda are far beyond the used clothes. The volume of trade bilaterally is US\$143.294 million. Data for 2016 indicates that Uganda imported from the USA a total of US\$89.327 million. The key imports from the USA to Uganda are machinery, electrical equipment, aircraft parts, optical and photographic equipment, and pharmaceuticals among others. Uganda exports to the USA in 2016 on the other hand amount to US\$53.967 million. For the year 2016 the trade balance is US\$35.36 million in favor of the USA. The USA has over the last few decades maintained a positive trade balance in her trade relations with Uganda (data source: ITC Trademap).

### **Uganda's commitment to AGOA**

Uganda is committed to AGOA, and to the broad bilateral cooperation with the USA.

We appreciate that the AGOA initiative has had an impact on the export efforts of many sub-Saharan countries and the East African region. There is no doubt that the EAC as a region has benefited in terms of employment creation both vertically and horizontally. The textile industry in the region is developing on the basis of a regional as well as global value chain, leading to the creation of employment downstream especially for small scale farmers in cotton production.

The performance of Uganda has not been significant owing to some structural bottlenecks such as limited supply of energy for industrialization,

poor state of roads and reduced production of export products. We are now at the tail end of addressing these bottlenecks and AGOA remains one of our focus market access programs for which we have been planning a number of initiatives.

These initiatives include the following:

- a) Revitalization of the textile industry. This has started with establishment of 3 textile mills in the last two years two in Jinja and one due to be set up in Gulu. We are rehabilitating and expanding two garment factories in Kampala, one of which is already supplying to the USA. The textile industry will in the medium term provide employment for 50,000 people before we consider the downstream smallholder farmers
- b) A program for the expansion of cotton production to feed the textile mills, covering the northern, eastern and western parts of the country. Note that the northern and eastern parts of Uganda are recovering from a debilitating 20-year war that was led by the infamous rebel leader Joseph Kony whom we have been pursuing in Central African Republic with the help of the USA.
- c) Expansion of the dairy processing capacity in the country some of which are already supplying the US market under AGOA
- d) The expansion of the floriculture industry
- e) Aggressive coffee production, value addition and export drive under the 2020 roadmap which has been partly supported by the USAID
- f) The resuscitation of the fisheries sector. As you will appreciate, Uganda is one of the countries hosting the largest fresh water lake in Africa and, second largest in the world, a number of other lakes, rivers and wetlands. As such the fisheries resources are significant.
- g) We are reviving the Uganda Airlines to boost our industries, trade and tourism, through the improvement of domestic, regional and international air connections. We believe that the purchase of aircraft and aircraft parts will go up significantly.
- h) We have just completed the drafting of Uganda's AGOA National Response Strategy with support from the US Trade and Investment Hub in East Africa. We will be implementing this strategy.



These programs will all be in jeopardy if we are excluded from the AGOA initiative. You may wish to note that the unemployment rate in Uganda is currently standing at 65.2%. This rate of unemployment is not sustainable in the long run. This will not enable us to fulfill the UN Sustainable Development Goals and Agenda 2030.

### **Looking ahead**

Is a bigger Uganda economy bad for the USA? Does it threaten jobs in the USA? A few jobs that are dependent on the second hand clothes may be threatened. However, looking ahead, Uganda is re-entering into vertically integrated textile, leather, timber, steel, gold, copper etc industries.

As we implement the infrastructure development and industrialization programme for Uganda, we will create more jobs for the USA and the countries in the north. This is through the purchase of services, machinery for industries, computers and IT equipment, earth moving equipment, oil and gas excavation equipment, among others. A prosperous and re-industrialized Uganda, will buy more of these from the USA and other countries of the north, than a de-industrialized Uganda that was given birth to by Idi Amin.

America and the other countries in the north are losing many jobs in some sectors on account of the suppressed demand from the under-developed countries like Uganda but which have got a huge potential.

We have the objective of building a prosperous people through inclusive growth as embedded in our National Development Plan, the Vision 2040 and the Manifesto of the National Resistance Movement. Increasing production and productivity, providing gainful employment and opening other economic opportunities, will in the medium to long run provide our people with avenues to prosperity, increasing their purchasing power and, therefore, opening opportunities for increased Foreign Direct Investment including from the USA.

We are currently in the final phase of the negotiations for the COMESA-EAC and SADC Free Trade Area with a combined population of over 630 million and GDP of over \$1 trillion. This is arguably one of the best resource endowed (with minerals, hydrological resources, and agricultural resources including some of the best arable land), most dynamic markets and regions

in Africa with one of the youngest populations. This provides an opportunity for investment to meet the requirements for this very dynamic market.

Uganda is centrally located in this region with easy access to many of the hinterland countries. Such a market and our location advantage would in the medium to the long run be attractive to the USA investment.

With this in mind, there is no justifiable reason for the out-of-cycle review. The eligibility of the Republic of Uganda for AGOA should not be in question. The USA and Uganda should collectively look ahead to more harmonious trade and investment partnerships to exploit the opportunities in Uganda, in the great lakes region and in the USA.

Uganda is committed to providing any other additional information that you may wish to receive in the resolution of this matter.

  
Amelia Kyambadde (MP)  
**MINISTER**

Cc: H.E. the President of the Republic of Uganda

Rt. Hon. Prime Minister

Rt. Hon. 2<sup>nd</sup> Deputy Prime Minister and Minister for East African  
Community Affairs

Hon. Minister of Foreign Affairs

H.E The Ambassador of Uganda to The USA