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SOME REFLECTIONS ON EXPORT PROMOTION IN UGANDA

The basis of this paper is a report submitted by the author to the Uganda Export Promotion Council on some aspects of Uganda's current export position, with particular attention paid to constraints on the promotion of exports, unexploited export potential and Government policy with regard to export promotion. This paper should be regarded as only a preliminary examination of the problem and does not necessarily reflect either official Government thinking or policy objectives. (*)

The Problem

It is generally agreed that the easing of the balance of payments constraint on economic development is a crucial task of development policy. Indeed, some economists maintain that the pattern of investment and resource allocation in general over a given period should be such as to remove progressively the balance of payments constraint on faster growth. In Uganda, it would appear that import substitution policies have, in the past, been given priority over policies for the promotion of exports. The recent establishment of an Export Promotion Council is an indication that greater attention will be given in the future to the formulation and implementation of (one hopes) radical and effective policies for the promotion of both traditional and new export items.

The urgency of the problem is clearly illustrated by the statistics given in Table 1, which presents the value of exports by principal commodity groups for the period 1964 - 1969. The continued dependence on coffee, cotton, tea and copper is immediately apparent and overall, the picture is one of relative stagnation. Table 2 gives fuller details of the values and quantities of the ten major export crops for the period 1966 - 1968. Particularly noticeable is the fall in the value of exports of Robusta coffee, raw cotton, beef and veal, maize, hides and skins and groundnuts.

Table 3 gives details of domestic exports of principal commodities to the most important markets. The concentration of the bulk of exports in very few markets is striking - for example, the U.K. and the U.S.A take nearly 50% of Uganda's total domestic exports. The Sudan is the only African country (apart from Kenya and Tanzania) with which Uganda has a significant export trade.

Table 4 presents details of Uganda's exports by principal commodity groups to Kenya and Tanzania for the period 1966 - 1968. The decline in exports to Tanzania is of particular importance.

Given the stagnation (and in some case, fall) in Uganda's exports, the need for diversification is overwhelming. The remainder of this paper is concerned with attempting to identify unexploited export potential, the constraints on the development of this potential, existing techniques for the promotion of the export of specific commodities and a brief discussion of possible techniques of export promotion.

Unexploited Export Potential

The list of potential exports given below does not claim to be a comprehensive one. It is merely a list of items which officials in various Government ministries and parastatal bodies feel could be exported if sufficient attention was given to the problem of export promotion. It should also be noted that in the majority of cases there is no information as to the quantities of the various items that could be exported.

The prospects for the export of manufactured goods to non-African countries are, in general, considered to be poor. The major constraint on the export of manufactured goods to neighbouring African countries is the similarity of their productive potential and the similarity of objectives with regard to industrial development. Bearing these limitations in mind, the following is a list of manufactured goods for which export potential in neighbouring African countries is felt to exist.

cement	}	especially to Eastern Congo
matches		
tobacco & cigarettes		
enamelled household, office & hospital equipment		
rayon & cotton piece goods		
ceramic products		
enamelled & aluminium holloware products		
metal furniture		
steel & aluminium doors & windows		
glass bottles		
agricultural implements (jembes)		
laminated plastic sheeting		
plastic household articles		
blankets		
margarine & shortening		
biscuits		
starch		

The prospects for agricultural exports to the industrialized countries are felt to be more promising. Again the list is by no means

comprehensive and a great deal of work would have to be carried out in identifying the potential demand in specific markets. The list of potential agricultural and horticultural export items includes:

maize (especially maize starch, for industrial purposes)
beans, peas, lentils, chillies, courgettes, etc.
cut flowers
fresh vegetables
castor seeds
groundnuts
cashew nuts
palm oil & kernels
soya beans
papain
vegetable oils
sorghum
pineapples
cocoa
unmanufactured tobacco

Of particular importance in the above list are fresh vegetables, cut flowers, green beans, peas, etc., groundnuts, soya beans and maize. The production and export of unmanufactured tobacco could also be substantially expanded.

Constraints on the Development of Export Potential

The most important general constraints, applicable to the development of both agricultural and manufactured goods export potential are lack of finance and lack of skilled personnel. In some cases, the lack of relevant market information is a serious obstacle to promotional efforts.

In the field of agricultural exports, the following more specific constraints may be mentioned:

1. Production constraints: there are no incentives, as yet, for farmers to produce sufficient quantities demanded by the world market. The lack of an export surplus (or insufficient supply to meet world market demands) appears to be particularly important in the case of fresh vegetables, green beans, peas, etc., groundnuts and maize (cotton is considered separately below). In these cases, insufficient production within Uganda is of greater importance than the insufficiency of foreign demand and it is to be questioned whether the Export Promotion Council can be effective in this field. It may be able to pressure the Ministry of Agriculture into adopting policies to stimulate the production of these commodities but it would appear more likely that a Production Promotion Council would be more effective in encouraging the production of those commodities for which a ready export market exist.

2. Poor organisation of buying and marketing, little standardisation or inspection of produce, poor packaging and presentation, etc.

3. Improved seeds are either not available or their supply is restricted. The seed quarantine regulations are a major constraint on the rapid development of certain agricultural products and there appears to be an urgent need for a seed testing station to be established in Uganda.

The above factors are essentially production constraints and as such, are outside the direct scope of the Export Promotion Council. But as indicated above, such problems must be overcome before an effective promotional campaign for exports can be launched.

In the field of manufactured goods export potential, the following specific constraints must be mentioned:

1. There is no real incentive for manufacturing concerns to export, given the highly protected nature of the Ugandan market.

2. The marketing strength of most companies is either weak or non-existent.

3. Problems are encountered in the transfer of commodities, especially within East Africa, and there would appear to be the need for radical improvements in inter-country transfer arrangements.

The production and export of cotton deserves separate mention. Uganda produces less than $\frac{1}{2}\%$ of world cotton production and it is therefore permissible to assume that Uganda is faced with a completely elastic demand curve. But the quality of cotton produced and exported has fallen and the reasons for this must be briefly discussed. The most important factors would appear to be:

1. The cotton export duty of nearly 10 cts. per lb. of seed cotton (20% of the world market value).¹

2. Since 1963, a guaranteed minimum pre-planting price has not been given.² In 1966, there was a 33% reduction in the price paid to growers and this, coupled with the absence of a minimum price, has led to a fall in production.

At a more general level, the following problems were emphasised by the Lint Marketing Board:

1. Strong competition from man-made fibres.
2. Impact of sales policies of major producers e.g. PL 480 sales of cotton by U.S.A.
3. International financial uncertainties, with cotton being bought and sold on a monthly, rather than longer term, basis.
4. The inability of the Lint Marketing Board to enter into bilateral trading agreements - the cotton must be sold for convertible currencies.

In general, the lack of skilled marketing personnel and the lack of finance (the latter is especially important in the case of the Produce Marketing Board) are significant constraints. The lack of incentives to grow commodities for which a ready market exists is also of major importance. For example, in the case of fresh vegetables, the Ministry of Commerce and Industry has a list of European vegetable importers interested in Uganda produce and air space is available to ship the vegetables to Europe. But Ugandan production is not sufficient to meet export demands.

The lack of market information is a problem in the case of certain products. In the case of the Produce Marketing Board, the problem is severe. Data are needed on surpluses above local needs, the cost structure of producing various agricultural commodities and more detailed market information. An additional problem for the Produce Marketing Board is lack of capital. If the Board is to operate effectively, storage facilities must either be constructed or otherwise acquired but capital is not at present available for this purpose.

In the case of manufactured goods, greater information concerning potential markets is required and some form of Government help or incentives may be required to push companies into exporting. This is discussed in greater detail below.

Existing Techniques to Promote Exports

Coffee Marketing Board: The C.M.B. does not engage in promotional activity on its own account, except for normal advertising, overseas tours by the Chairmen, etc. The International Coffee Organisation, through

its World Coffee Promotion Committee, selects countries in which promotional activity is carried out and considerable sums of money are spent on promoting coffee per se, rather than a particular country's coffee. The C.M.B. maintains that price is a more important factor in the sale of coffee than quality and argues that if Uganda promoted her own coffee in various markets, other countries may benefit from Uganda's expenditure by selling at a lower price. Thus it would appear that very little can be done, by Uganda acting on her own, to promote exports of coffee³ and it was felt that promotional efforts should be directed at the domestic market in order to raise Uganda's per capita consumption of coffee.

Lint Marketing Board: The greater part of Ugandan cotton is sold by auction - in the 1967-68 and 1968-69 seasons, less than 1% of the crop was sold by direct sales. But the policy is flexible and permission is granted to make direct sales if it is felt to be in the interests of the L.M.B. and the economy as a whole.⁴

The promotional activities of the L.M.B. include:

1. Personal contacts between the L.M.B. and buyers and potential buyers - this is regarded as being very important.
2. Direct contact with buyers via the issue of brochures. Currently, an up-to-date brochure is being prepared in English, German, Russian, French, Chinese and Japanese.
3. participation in international trade fairs.
4. Advertisements in trade journals, newspapers and periodicals.
5. Membership of the International Cotton Institute - this body carries out promotion and research.

Cotton exporters engage in a considerable amount of promotional work on their own account, but the L.M.B. feels that still greater efforts must be made - the need is for overseas sales offices, more overseas tours, information officers and greater all-round publicity. But the lack of finance and personnel are the major constraints on these types of operation.

Produce Marketing Board: The problems faced by the P.M.B. have already been mentioned above. The Board is only one year old, suffers from a severe shortage of capital and is in need of specialized staff - market analysts, etc. As previously noted, production promotion is more

important in this field than export promotion. The P.M.B. appears to be at a disadvantage in that, although responsible for marketing and exporting, it has no say in the promotion and supervision of the production of crops that it is supposed to market. There would appear to be an urgent need for closer co-operation and co-ordination between the P.M.B., the Ministry of Marketing and Co-operatives and the Ministry of Agriculture. In view of these difficulties, the P.M.B. does not have, as yet, any export promotion policies. The capacity of the farmer is the major constraint on its operations.

Uganda Development Corporation: The U.D.C.'s industrial policy has traditionally been based on import substitution, with export prospects outside East Africa being of only secondary importance; for example, the ceramics project is basically import substituting with the possibility of exports to East Africa, Rwanda, Ethiopia and Zambia.

Attempts are being made to promote the export of U.D.C.'s agricultural products. (Uganda Crane Industries has been particularly successful in this field.) It is claimed that market surveys are difficult to initiate and again, it is felt that it is the production constraint, rather than the export constraint, that is of major importance.

The proposals that U.D.C. made with regard to assisting exports are contained in the following section.

Possible Techniques to Promote Exports

The adoption of any of the suggestions put forward in this section will obviously depend on Government policy with respect to the promotion of exports and the financial and personnel resources that the Export Promotion Council will be able to command. The list of proposals is not comprehensive and does not include a discussion of more sophisticated export promotion schemes that have been put into effect in other countries - for example, the export bonus scheme which has been successful in Pakistan. A consideration of the relevance of such schemes to Uganda should wait until Government policy with regard to the promotion of exports is more clearly defined.

The main ways in which exports could be promoted are:

1. Government negotiated reciprocal trading arrangements with particular neighbouring countries.
2. Collection and dissemination of information on duty rate structures of neighbouring countries.

3. Examination of charging import duty F.O.B. instead of C.I.F.
4. Re-examination of the usefulness of export taxes, especially in the case of cotton.
5. Compilation and distribution of lists of foreign importers interested in Ugandan goods.
6. Detailed examination of Uganda's potential exports.
7. Promotion of Ugandan participation in international trade fairs.

No official support was found for a general policy of export subsidies, tax rebates, etc. It was felt that Uganda is too poor to afford the luxury of such measures, and that the general efficacy of such measures within this context is open to doubt.

The introduction of bilateral trading arrangements was felt to be inevitable if Uganda wanted to break into the East European market. Barter agreements were looked upon with disfavour but bilateral arrangements, which allow some choice in products to be imported and some element of price negotiation may be of importance in the future and are deserving of careful investigation.

Basically, the need is for trained staff, either employed by the Export Promotion Council or some other body e.g. Ministry of Commerce and Industry, to examine the various proposals put forward to promote exports and to implement policies once they have been determined.

Conclusions

There does not appear to be any definite Government policy to promote exports and it is to be expected that the Export Promotion Council will be active in formulating and implementing relevant and effective policies.

Of greater concern however, is the fact that there does not appear to be any strong organisational link between the promotion of production and the linking of this effort to exploit existing export opportunities. If this view is correct, the urgent need is for an organisational structure linking production promotion and export efforts. As noted above, the division between the Produce Marketing Board and the Ministry of Agriculture appears to be a basic hindrance to rapid progress and in general, the need for greater co-operation and co-ordination between Agriculture and other Ministries and parastatal bodies needs to be given priority.

At a more general level, it must be emphasized that export promotion cannot be separated from Government policy as a whole, and in particular, it cannot be divorced from the development strategy adopted. For example, export promotion and exchange control should be closely linked and policies adopted with respect to the rural sector of the economy will also affect export potential. With respect to development strategy, the question must be answered - what is Uganda best suited to produce? If attention is then directed to those areas of production where Uganda's comparative advantage is greatest (rather than concentrating on developing high cost, import substituting industries), production will be organised on a more rational and efficient basis and Uganda will be able to export those commodities in which her production advantages are greatest. In practice, of course, the choice to be made is neither as straightforward nor as simple as this, but the very posing of the question may lead to a reappraisal of development policy.

One final point needs to be made. The view was expressed in some quarters that Government (and the Uganda Development Corporation in particular) should change its attitude to foreign private capital. Contacts with international companies are necessary in order to secure established sales outlets for Ugandan products and such contacts can often be secured by allowing the foreign Company to participate (often to a purely nominal amount) in the equity capital of the Ugandan Company. If equity capital participation is forthcoming (and is encouraged) from large marketing, processing and manufacturing companies in Europe and the U.S.A., the problem of linking production and export promotion could be substantially overcome, especially in the case of those crops requiring large scale production.⁵

FOOTNOTES

- * I would like to thank Mr. A.J.P.M. Ssentongo, Chairman of the Export Promotion Council, for allowing me to reproduce the report as an EDP.P paper.
1. D.G.R. Beishaw, Price and Marketing Policy for Uganda's Export Crops, East African-Journal of Rural Development, Vol. 1, No.2, July 1968, p. 38.
 2. Belshaw, op. cit., p. 40.
 3. This view expressed by a C.M.B, official would appear to be unduly pessimistic insofar as the Board has been successful in selling lower grade dry processed coffee in non-quota markets "at reasonable prices". ' See Belshaw, op. cit., p. 45.
 4. It should be pointed out that so-called "direct sales" are in fact indirect as they still rely on an export agent of the same type as those which export the crop from open auction sales. Belshaw, op. cit., p. 43.
 5. The promotion of exports to Kenya and Tanzania is specifically omitted as it is felt that very little of use can be said about this problem until agreement is reached over the allocation of industries between the three countries.

Item		1966	1967	1968
<u>Hides & Skins</u>				
Bovine & Equine Hides (suspension dried)				
	centals	66,768	50,138	53,553
	£	951,231	601,165	546,835
Goatskins & Kidskins (suspension dried)				
	centals	15,552	11,960	14,867
	£	667,254	449,507	377,064
<u>Groundnuts</u>				
	centals	181,195	26,732	307
	£	474,553	71,415	19,517

Source: Annual Trade Reports

TABLE 3.

UGANDA - DOMESTIC EXPORTS OF PRINCIPAL COMMODITIES TO MAJOR MARKETS. £

Country	Section	1966	1967	1968	Major Items (approx.£100,000 and above)
United Kingdom	0	10,492,268	14,051,515	13,627,525	Coffee, Tea, Cotton Seed Cake, Groundnut Cake, Unmanufactured Tobacco, Hides & Skins, Tea concentrates, Raw Cotton, Tin Ores & Concentrates.
	1	35,524	972	97,924	
	2	1,740,426	1,265,509	1,387,729	
	6	1,318	26	-	
	8	8	195	276	
	9	1,070	4,066	3,859	
	Total	12,270,614	15,322,284	15,117,113	
Australia	0	1,258,835	1,401,176	1,191,463	Coffee, Raw Cotton
	2	519,352	881,262	1,064,962	
	Total	1,778,187	2,282,438	2,258,425	
Canada	0	1,927,719	2,208,064	2,293,804	Coffee, Tea, Raw Cotton
	2	1,043,909	646	1,012,510	
	6	-	10	-	
	9	-	150	-	
	Total	2,971,628	2,208,870	3,306,314	
Hong Kong	2	1,674,070	1,400,064	1,096,324	Raw Cotton, Elephant Ivory
	Total	1,674,070	1,400,064	1,096,745	
India	2	1,817,064	2,741,906	3,175,582	Raw Cotton
	8	-	-	100	
	Total	1,817,064	2,741,906	3,175,682	

Country	Section	1966	1967
Japan	0	1,111,970	55,465
	2	1,620,513	1,849,418
	6	530,698	3,903,582
	9	2,128	1,740
	Total	3,265,300	5,810,205
Netherlands	0	821,694	338,292
	1	51,195	9,179
	2	942,919	1,816,343
	5	-	-
	9	460	388
Total	1,816,988	2,164,202	
Poland	0	1,119,174	180,272
	2	25,110	-
	6	548,477	-
Total	1,692,761	180,272	
Thailand	0	913,240	215,114
	2	88,174	70,639
Total	1,001,414	285,753	
Spain	0	276,470	241,241
	2	514,921	252,785
	6	1,536,962	1,569,915
Total	2,328,353	2,063,941	

1968	Major Items
553,213	Coffee, Raw Cotton, Copper
1,695,612	
5,575,242	
2,158	
7,826,225	
643,939	Coffee, Tea, Raw Cotton
189	
1,160,316	
90	
1,841	
1,806,375	
194,346	Coffee, Copper (1966)
29,860	
-	
224,206	
991,338	Coffee
-	
991,338	
206,696	Coffee, Hides & Skins, Copper (1966 & 1967)
263,194	
-	
469,890	

Country	Section	1966	1967
Belgium	0	247,095	165,498
	2	1,073,768	521,697
	9	--	210
	Total	1,320,863	687,405
China (Mainland)	0	--	--
	2	1,209,054	1,415,300
	Total	1,209,054	1,415,300
West Germany	0	590,097	563,391
	1	40,367	21,427
	2	1,897,508	1,734,877
	6	157	100
	8	33	--
	9	14,584	12,440
	Total	2,542,746	2,332,235
Israel	0	368,703	599,682
	2	776,602	890,561
	Total	1,145,305	1,490,243
Italy	0	50,476	78,616
	2	1,922,723	1,548,873
	9	355	420
	Total	1,973,554	1,627,909

1968

186,305
357,519

Maize Germ Meal, Raw Cotton
Papain, crude.

543,824

4,728
1,737,870
1,742,598

Raw Cotton

1,035,528
34,914
1,715,513
207
-
2,460
2,788,622

Coffee, Raw Cotton

398,203
537,333
935,536

Coffee, Raw Cotton

113,126
751,970
-
865,096

Coffee, Hides & Skins,
Sesame Seed, Raw Cotton

Country	Section	1966	1967
Sudan	0	322,243	1,173,779
	6	5,418	4,073
	Total	327,661	1,177,852
United States of America	0	13,811,791	13,912,157
	1	-	54
	2	90,722	172,114
	6	3,135,882	1,261
	8	-	50
	9	151	342
Total		17,038,546	14,085,978

Source: Annual Trade Reports.

1968	Major Items
1,277,394	Coffee
1,277,394	
16,165,423	Coffee, Tea, Papain, Crude,
-	Copper (1966)
216,404	
352	
66	
144	
16,382,389	

TABLE 4. UGANDA - EXPORTS OF GOODS (PRINCIPAL COMMODITY GROUPS) TO KENYA AND TANZANIA £

Main Heading	To Kenya			To Tanzania		
	1966	1967	1968	1966	1967	1968
0	1,567,439	3,080,121	2,704,582	375,120	312,481	260,899
1	614,578	1,157,065	704,649	198,025	249,240	18,973
2	194,281	337,598	388,951	58,166	66,724	116,450
3	441,481	554,533	500,938	7,015	6,990	12,072
4	678,671	824,524	679,273	51,253	110,424	234,034
5	774,377	592,109	458,489	78,185	67,696	114,691
6	2,845,777	3,381,183	2,785,343	2,194,092	1,484,452	1,110,194
7	12,664	13,542	74,773	10,974	6,182	13,295
8	182,339	218,355	345,432	145,601	125,147	147,341
9	5,078	6,441	7,473	1,906	2,595	994
Total	7,316,685	10,165,470	8,649,903	3,120,337	2,431,931	2,028,943

Source: Annual Trade Reports

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