

**CHALLENGES FACED BY UGANDAN TEXTILE INDUSTRIES
IN ACCESSING DUTY FREE TRADE TO THE
USA MARKETS UNDER AGOA**

By

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DECLARATION AND APPROVAL

I, Rebecca Tsubira, declare that this dissertation is my original work whose composition has never been presented to any institution for a similar award.

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This research proposal entitled **“Challenges Faced by Ugandan Textile Industries in Accessing Duty Free Trade to the USA Markets under AGOA”** has been submitted to the Department of Political Science and Public Administration, Faculty of Social Sciences of Makerere University with my approval as the supervisor.

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DEDICATION

To the glory of God

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LIST OF ABBREVIATIONS AND ACRONYMS

ACP	: African Caribbean Pacific
AGOA	: African Growth Opportunity Act
ATC	: Agreement on Textiles and Clothing
CBR	: Centre for Basic Research
COMESA	: Common Market for Eastern and Southern Africa
EBA	: Everything But Arms
EU	: European Union
EPA	: Economic Partnership Agreement
EPZ	: Export Processing Zones
FDG	: Focus Group Discussions
GATT	: General Agreement on Tariffs and Trade
GDP	: Gross Domestic Product
GNP	: Gross National Product
GSP	: General System of Preferences
ISI	: Import-Substituting Industrialization
LCs	: Letter/s of Credit
LDC	: Least Developed Countries
MDG	: Millennium Development Goals
NRM	: National Resistance Movement
NTB	: National Textile Board
NYTIL	: Nyanza Textiles Industries Limited
PEAP	: Poverty Eradication Action Plan

SAPS : Structural Adjustment Programmes
SSA : Sub-Saharan Africa
UDC : Uganda Development Corporation
UEPB : Uganda Export Promotion Board
UGIL : United Garments Industries Limited
UIA : Uganda Investment Authority
URA : Uganda Revenue Authority
UN : United Nations
UPC : Uganda Peoples Congress
USA : United States of America
USAID : United States Agency for International Development
USTR : United States Trade Representative
YTD : Year To Date

ABSTRACT

The African Growth Opportunity Act (AGOA) is a bilateral Agreement between the United States of America and 48 African Countries that offers increased preferential access for African exports to the US market for purposes of broadly improving the welfare of the population in beneficiary African countries. The Act extends GSP benefits (duty and quota free market access) for eligible Sub-Saharan beneficiary countries up to September 2015 (previously 2008 before extension) subject to specific rules of origin and governance related requirements.

The study's major objective is to assess the challenges faced by the Ugandan Textile Industries in accessing the duty free trade to the US market and entails: Examining the historical development of Uganda Textile Industry before AGOA, analysing the various ailments in the Textile Industry in Uganda within AGOA arrangements and examining the constraints involved in the implementations of AGOA.

Recommendations are based on the information provided by different stakeholders of the textile and industry on the way forward towards meeting the US market demands.

Qualitative data was obtained on socio-economic characteristics of the various people engaged in this trade. The data collection method used included the use of the questionnaire, in depth interviews with key stakeholders (i.e. textile/ factory firms, government institutions, all complemented by review of previous reports on the same subject.

In terms of findings, the major challenges faced by the textile industries were the cost of financing, government's lack of policy framework concerning textiles and other constraints that cause inefficiency such as the cost and productivity of labour and qualitative factors affecting competitiveness

Finally the study recommended that government should be actively involved in regulating the incentives given to the textile firms and encourage other institutions to competition, productivity and innovations in the textile industry in Uganda.

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 Background to the study

The textile industry world over and historically has continued to become a political issue. The chapter attempts to highlight developments in the Ugandan textile industry and the role of AGOA in it. However a background of the textile industry is pertinent at this point.

World Textile Industry

The history of development in the World Textile Industry was started in Britain as the spinning and weaving machines were invented in that country. Honeyman, K (2003). High production of wool, cotton and silk over the world has boosted the industry in the recent years. Textile production was later passed on to Europe and North America after the mechanisation process. From time to time Japan, China and India took part in industrializing their economies and concentrated more in that sector.

These countries with Hong Kong inclusive became leading producers due to their cheap labour supply which is an important factor for the industry.

According to statistics, the global textile market possesses a worth of more than \$400 billions presently. In a more globalized environment, the industry has faced high competition as well as opportunities. It was predicted that Global production will grow by 25% between 2002 and 2010 and Asian region will largely contribute in this regard.

WTO in Textile Industry.

The World Trade Organisation (WTO) has taken so many steps for uplifting this sector. In the year 1995, WTO had renewed its MFA and adopted Agreement on Textiles and Clothing, which states that all quotas will be removed among WTO member countries.

Abolition of the US quota regime since the start of 2005 has made the Asian continent a hub for textile trade. This is also because most Asian countries, instead of resorting to imports for their

raw material supplies, opted for investing heavily in backward integration projects just like their counterparts in developed countries. This gradually strengthened the textile base in countries like China, India and Bangladesh.

On the global front, most of the textile trade is concentrated in Asia and is being monopolised by countries like China, India, Hong Kong, Bangladesh, Vietnam and even Cambodia, who are rapidly capturing the value added textile market deserted by developed nations due to high costs of production.

African Textile Industry with AGOA

Unfortunately, for the African sub-continent and for Uganda in particular, the trade has not been profitable. The market share of Africa in the global textile-related business is estimated in June 2008, stands at a mere \$200 million.

The Sub Saharan African industry is characterised by a relatively high number of apparel firms concentrated by a relatively high number of apparel firms concentrated in EPZ's or industrial zones. Firms employ a relatively high number of low-skilled, mainly female workers (estimated at a combined total of 250,000 in the countries discussed here.) Foreign investment in the industry is mostly of Asian origin but also includes some African (mainly South Africa and Mauritius) and European investment. Swaziland and Lesotho were particularly successful in attracting Asian industry investment, while Botswana attracted South African investment and Madagascar attracted Mauritian investment.

The SSA countries that have taken advantage of the AGOA agreement and to some degree succeeded are Madagascar, Lesotho, Kenya, Swaziland, Botswana and Ethiopia.(Level of success indicated in table 2.3). While a large number of countries are taking endeavours to make the most of the opportunity thrown open by the African Growth and Opportunity Act (AGOA) and the other preferential trade concessions by European Union, Uganda is still grappling to secure the textile sector. Even the availability of massive resources and cheap manpower could not help the country secure a place on the exports chart as shown in table 2.3 in Chapter 2 of this book.

Performance of other Sub-Saharan Countries in Textile Export under AGOA

Exports of apparel from SSA increased 13% by value from 2001 through 2005 and accounted for 80% of total SSA exports of both textiles and apparel in 2005 (table 1.1) SSA countries largely benefited from the duty –free, quota- free access to the U.S. market under AGOA during 2001-2005. Trade agreements and preference programs, particularly AGOA’s third country fabric provision, the ATC (Agreement on Textiles and Clothing), and the EU Cotonou Agreement, served as strong catalysts for increased apparel export from SSA.

Table 1.1 Sub-Saharan Africa apparel exports, by selected exporters and key markets, 2001-2005

Exporter	Key markets	2001	2002	2003	2004	2005	%change2001- 2005
Madagascar	USA,EU,Canada						
	Total	429,080	228,874	348,175	532,534	514,493	20%
Lesotho	USA,EU,Canada						
	Total	224,865	326,905	401,017	468,121	404,097	80%
Kenya	USA,EU,Canada						
	Total	68,005	129,965	194,515	287,099	278,727	310%
Swaziland	USA,Canada,						
	Mexico Total	58,928	105,380	147,442	180,703	161,725	174%
Botswana	USA,EU,Canada						
	Total	21,296	14,722	13,840	33,160	36,457	71%
Ethiopia	USA,EU						
	Total	655	1,376	1,984	4,175	4,739	624%
Sub-Saharan Africa	USA,EU, South Africa,Canada,						
	Mexico Total	2,149,236	2,108,691	2,561,618	2,825,747	2,432,290	13%

Source: GTIS, *Global Trade Atlas*, annual data compiled from reporting countries’ official statistics, including EU external trade.2007

The countries are by far doing well as shown by the increase per year in the figures and the percentages. Important to note is the fact that they are not only exporting to the US but EU and Canada as well. A brief about each country is given below. This should help the researcher in coming analysing the relative differences or similarities of these countries to Uganda thus adding to the knowledge available the answer as to why Uganda is not on the chart as a top exporter.

Madagascar

The Malagasy industry is concentrated in the apparel sector, with 121 apparel factories (28 exporting to the United States) and two textile factories.¹ Apparel factories are generally consolidated in EPZs and employ roughly 90,000 workers, each earning \$45 per month. Apparel firms source fabric primarily from China, while some firms have recently begun importing from Mauritius and Lesotho. Madagascar's two textile factories, COTONA and SOMACOU, source cotton domestically and employ a total of 1,500 workers.

Lesotho

Lesotho currently has one large textile mill and forty-two apparel firms producing roughly 26 million pairs of jeans and 90 million knit garments annually.² The apparel industry employs roughly 40,000 workers a decline of 13,000 workers, or 25 percent, since 2004. Apparel workers in Lesotho earn \$110-120 per month. Lesotho apparel firms source a vast majority of fabric from Asia, whereas the textile mill produces denim fabric using African cotton.

Kenya

In 2005, the Kenyan industry consisted of twenty-five apparel factories in 2004 and twelve textile mills located mostly in EPZs near Mombasa and Nairobi, down to thirty apparel factories in 2004.³ Data from the Athi River EPZ indicate that industry employment increased consistently until 2003, declined slightly in 2004 owing to the pending expiration of the ATC) and has since stagnated, with the current employment at roughly 34,000 workers earning approximately \$110 per month. Kenyan Textile Mills generally produce for the domestic market, although at least one firm produces for export to high-end stores in Britain and else where in the EU.

Swaziland

In 2006, the textile and Apparel industry in Swaziland consisted of one spinning textile mill and twenty apparel factories.⁴ The Apparel industry currently employs roughly 15,000 workers, down 50 percent from 2004, while the textile mill employs 100 workers, earning approximately \$85 per month. A majority of apparel factories are owned by Taiwanese firms and a vast

¹ Data on number of firms , employment , production and fabric sourcing contained in this section is sourced from U.S Department of State, "Textile and apparel Production Capabilities in AGOA- Eligible Countries," August 2006, unless otherwise.

² *ComMark Trust*, "The current State of Lesotho's Textile and Apparel Industry"

³ Industrial officials, interview by Commision Staff, Athi River EPZ, Kenya, December 5, 2006 and *EPZ Performance Under the African Growth Opportunity Act (AGOA), 2000-2006*, EPZA Report, 2006

⁴ Knitting and dyeing operations were projected to commence at a new mill during late 2006.

majority of fabric from Taiwan and China, while the textile spinning mill sources its cotton from Zambia and Mozambique to produce yarn for export to South Africa

Botswana

In 2006, the Botswana textile and apparel industry consisted of one textile factory and an estimated seven apparel factories, which employ a total of approximately 6,400 employees. Industry workers earn roughly \$108 per month. Apparel firms source fabric largely from China, Taiwan, and India and to a lesser extent, South Africa and Mauritius, and produce for inputs to produce apparel for export to the United States. The textile factory imports cotton yarn from Zambia and Zimbabwe to produce towelling for export to South Africa and Mauritius.⁵

Ethiopia

Ethiopia currently has 15 textile mills, including eight vertically integrated mills that produce largely for domestic market, and forty three apparel factories that supply for the domestic and, to a lesser extent, the export market, with workers earning around \$30 per month.⁶ Ethiopian apparel exports are shipped from a few Ethiopian firms producing basic sportswear for a few consistent US and EU buyers. Ethiopia is the only country included in the study that exports more textiles (\$ 9.2 million in 2005) than (\$4.7 million in 2005). In 2005, 97 percent of Ethiopia's \$9.2 million in textile exports was destined for the EU, and consisted largely of bed and kitchen linens.

Conclusion

Where is Uganda? Why is it that Uganda has not yet reached these heights of export under the AGOA and that is the main concern of the researcher. With the exception of Ethiopia, which exports more textile than apparel exports, all the selected countries are heavily concentrated in the apparel sector, and consist largely of cut-trim-make non-knit suits, blazers, trousers or skirts, knit sweaters, pullovers, and sweatshirts. This is also the same for Uganda's exports but the.

Textile Industry in Uganda

The history of the textile industry in Uganda starts with the introduction of cotton in Uganda in 1903. Cotton production was necessary as inputs into the textile industry in Britain could among

⁵ U.S. Department of State, "Textile and Apparel Production Capabilities in AGOA- Eligible Countries," August 2006

⁶ Ibid

other countries be produced in Uganda. In 1906 the first power ginnery was erected in Kampala by the Uganda Company and about 500 bales of lint cotton were exported. Growth of cotton production was rapid by 1911 and the crop had risen to 2000 bales and five more ginneries had been erected. (Mamdani, 1976).

By the outbreak of the 1914 -1918 World War, there were 20 ginneries in Uganda, handling some 3,000 bales of lint cotton and by the end of the war; this number of bales had risen to 42 by 1920. After the war, the cotton industry developed more rapidly under the conditions of open competition in buying and export.⁷

At first Britain bought Uganda's cotton at the lowest price because this cotton was being exported in its unprocessed form until the ginning of cotton was legalised, many private individuals both Africans and Asians joined the business. Although the ginning of cotton was through pressure from business minded people, it was contrary to British interests in Uganda. Following the Second World War, Britain was forced to change the policy of exporting cotton as a raw material to Britain but to manufacture some commodities locally, the beginning of the policy import substitution. Textile production was one of these commodities. In 1949 indeed the Lint Marketing Board was formed (Nabudere, 1980:84) and its main purpose was to buy all the processed cotton lint in Uganda, grade it, distribute it among the local textile industries and sell the surplus to the external market.

In 1955 the first textile factory was built in Uganda, the Nyanza textile Industries Ltd (Nytil), by Calico Printers Association of Manchester and controlled by the colonial government through the Uganda Development Corporation (UDC). Nytil produced double knitted cloth for men's trousers (Khaki), Jinja prints for both men and women (*kitenge*) and for women's suits (*gomesi*). Nytil remained the only textile manufacturing industry in East Africa for long time and the second largest textile industry in Uganda, Mulco, was developed in 1964 basically targeting peasants because it was cheap.

⁷ (Uganda Govt: Committee of inquiry into affairs of all Co-operative Unions in Uganda

By the time Amin took over power from UPC – Obote 1 regime in 1971 Uganda had six textile industries. Apart from Nytil and Mulco there was Rayon Textile Mill at Kawempe and African Textile Mill at Mbale. The government had also built the Lira Spinning Mill in partnership with the USSR & the Uganda Development Corporation (UDC) in partnership with Yamato and Marubeni companies, both of Japan, had built UGIL. But following the expulsion of Asians in 1972 during the so – called Economic War, Mulco was nationalised, together with other textile industries and all became members of the National Textile Board (NTB), in 1974

UGIL (United Garment Industries Ltd) now Phenix Logistics Uganda Ltd.

UGIL was established in 1964 as a joint venture during the import-substitution phase of industrial development in the immediate post-independence era for making garments from imported cloth. The Uganda government had the majority shares 51% & the Japanese companies 49% (UDC Corporate Plan 1988-90), hence the management was the responsibility of Ugandans only with the representative of the Japanese Companies. UGIL imported and cut cloth to make several types of garments such as shirts, school uniforms, trousers etc. Later in 1972, knitting of (imported) yarn was introduced and almost all the yarn required is spun here from Uganda cotton.

UGIL had a rather modest start with a total of 120 workers but gradually activity increased and the labour force went up to about 1000 in the early 1980s but reduced to 450 workers due to insecurity, political and economic instability. The textile industry then fell and little was heard about it for a while. When the National Resistance Movement came into power in 1986, quite much changed. The Cotton industry collapsed, cooperative societies dealing with the purchase of cotton like Lint Marketing Board had also collapsed, the context of textile is not something that the government pursued. Privatisation became the order of the day. UGIL became Phenix logistic following the privatisation process and resumed production in 2001 mainly focusing on the designs manufactures and markets organic cotton garments for both local and international markets.

Tri – Star Apparel (U) Ltd

The African Growth Opportunity Act (AGOA) started with Tri Star Apparels Ltd in Uganda on 6th July 2002 with a Textile & Apparel Training Centre. Recruitment of over 700 workers was accompanied by training followed by production in 2002 and exports began in 2003. Labour conditions were fairly fine as workers were provided with shelter and food, were paid on time and production was running smoothly. Fabrics and accessories, mainly tax exempt, were imported from as far as Hong Kong, Pakistan and China but no raw materials or imports from the United States.

Significance of Textile Industries in Uganda

Historically textile production has been a major source of employment in Uganda and cotton has been a major cash crop exported in Uganda. The cotton –textile –apparel industry has been a significant sector in contributing to poverty alleviation and foreign exchange earnings and thus the reason to focus on the apparel section.

Currently, however, it accounts for only about 5.5% of the country's foreign exchange earnings. It is expected to contribute to the incomes of 10% of the country's population (or 2.5 million people in rural areas of the east, north and west). Second to coffee cotton is the most important crop in helping to alleviate poverty in rural area. It is expected that a revival of cotton exports could positively affect the incomes of around 15% of the rural population and significantly contribute to the alleviation of poverty and if expanded under the AGOA this income impact would even be greater since one of AGOA's objective is to help alleviate poverty in Sub Saharan African countries.

Uganda's cotton is inherently high quality, medium staple length cotton, while most cotton produced world wide is of shorter staple length. Egypt is one of the few suppliers that produce longer staple length cotton than Uganda. Thus, Uganda produces quality cotton that should compete effectively on the world market, and at premium prices.

This report focuses on the challenges that Ugandan textile firms meet in trying to work towards the goal of reducing poverty while exporting to the United States and it is of great importance to note that this export follows a chain of which begins from cotton to yarn to fabric then the

apparel all of which are potential exports in all those stages of production. This is what AGOA intended to achieve; to develop the cotton-apparel-market supply chain in SSA countries.

The African Growth and Opportunity Act (AGOA) is a part of U.S. legislation and significantly liberalises market access to the U.S for 48 designated Sub-Saharan African countries (SSA) countries. The Act originally covered the 8-year period from October 2000 to September 2008, but amendments signed into law by U.S. President George Bush in July 2004 further extend AGOA to 2015. At the same time, a special dispensation relating to apparel was extended by 3 years to 2007.

The United States – Uganda Trade relationship

The United States had no significant geopolitical, business, or trading interests in Uganda, although a number of United States firms did a profitable business with Uganda, particularly during the Amin period. For the most part, the United States government has maintained a low profile, avoiding involvement in domestic Ugandan political issues, while administering a relatively small economic assistance program and seeking Uganda's support on several issues before the UN. For their part, the Ugandan authorities attempted to adhere to a policy of nonalignment that allowed them to criticize such United States policies as its intervention in Vietnam, while persuading the United States to expand its development assistance and to support an increase in Uganda's international coffee quota. After Uganda's break with Britain in 1973, the United States became Uganda's chief trading partner for a short time, but relations were nonetheless becoming strained. The United States Embassy was closed in November 1973 (although the Ugandan Embassy in Washington remained open), while United States firms supplied the government with security equipment used by the army and the notorious Ugandan intelligence service. In October 1978, the United States Congress ended all trade with Uganda.

US-Ugandan relations were strained and ultimately all but broken during Idi Amin's rule. In 1973, persistent security problems and increasingly difficult operating circumstances forced withdrawal of US Peace Corps volunteers and the termination of bilateral US economic assistance. In November 1973, after repeated public threats against US Embassy officials and after the expulsion of Marine security guards responsible for protecting US government property

and personnel, the embassy was closed. In 1978, Congress legislated an embargo of all US trade with Uganda.

Relations improved after Amin's fall. In mid-1979, the United States reopened its embassy in Kampala. Relations with successor governments were cordial, although Obote and his administration rejected strong US criticism of Uganda's human rights situation. Bilateral relations between the United States and Uganda have been good since NRM assumed power, and the United States has welcomed President Museveni's efforts to end human rights abuses and to pursue economic reform.

In the early-to mid-1980s, the United States provided about \$10 million in assistance to Uganda annually, mostly in the form of humanitarian aid (food, medical supplies, hospital rehabilitation, and disaster relief) and agricultural equipment needed to promote economic recovery in the food and cash crop sectors of Uganda's rural economy. In 1989, the United States provided \$17 million in development assistance, along with grant PL-480 commodity assistance (vegetable oil and tallow) with a market value of about US \$7 million. The US Agency for International Development (USAID) funding for 1991 was approximately \$56 million, including Food for Peace commodities.

Since 1986, the government with the support of foreign countries and international agencies – has acted to rehabilitate and stabilize the economy by undertaking currency reform, raising producer prices on export crops, increasing prices of petroleum products, and improving civil service wages. The policy changes were especially aimed at dampening inflation and boosting production and export earnings.

During 1990-2001, the economy turned in a solid performance based on continued investment in the rehabilitation of infrastructure, improved incentives for production and exports, reduced inflation gradually improved domestic security and return of exiled Indian entrepreneurs. In 2000, Uganda qualified for enhanced Highly Indebted Poor Countries debt relief worth \$1.3 billion. Growth for 2001 was held back because of a continued decline in the price of coffee, Uganda's principal export. (Source: World Fact Book, 2000)

Trade flows between Uganda and the United States was valued at close to \$40 million in 2002, down from approximately \$50million in the previous year. Uganda recorded a trade deficit of US \$7.7 million with the U.S. in 2002 (2001: US \$ 14 million). The vast majority of Uganda's exports to the U.S consist of agricultural products, while imports into the country from the U.S are made up of a wider range of product categories. These include mainly 'electronic products', 'agricultural products' and 'chemicals' and related products.

The African growth and Opportunities Act (AGOA) was signed into, law on the 18th May 2000. AGOA is intended to foster economic and political development in sub-Saharan African countries by expanding access to U.S. trade and investment markets, thereby leading to long-run prosperity based on free markets and more democratic governments.

However there are conditions which must be met by SSA countries in order to qualify for this offer. Table 1.2 presents the conditions.

Table 1.2: Eligibility Conditions under AGOA

Provision for making continual progress	Conditions
Continual progress towards	<ul style="list-style-type: none"> a) a market-based economy that protects private property rights b) the rule of law, political pluralism, and the right to due process, a fair trial, and equal protection under the law, c) elimination of barriers to the US trade and investment which include provision of national treatment. d) measures to create an environment conducive to domestic and foreign investment e) the protection of intellectual property and the resolution of bilateral trade and investment disputes. f) Economic policies to reduce poverty. g) a system to combat corruption and bribery and f) protection of internationally recognised worker rights
Mandatory Conditions	No engaging in activities that undermine United States National Authority.
Mandatory Conditions	No engaging in gross violations of internationally recognised human rights or providing support for acts of international terrorism and cooperates in international efforts to eliminate human rights violations and terrorist activities

Source: www.agoa.info/index.php?view (accessed on 7 March 2007)

Countries with economic and political systems, those that implement policies to reduce poverty, make efforts to fight corruption, protect human rights of workers, and eliminate child labour

practices are eligible for AGOA benefits. Uganda has already qualified for such eligibility given its strong reform record. The second requirement is implementation of a certificate of origin customs visa subject to approval by the U.S. Government, necessary to prevent illegal transshipment from non- AGOA sources. Finally, countries must agree to make their industries open and available to U.S. Customs Service inspection teams, while individual firms must maintain records of raw materials, employment, production equipment, and sales for five years after export review by the U.S. Customs Officials. Once a country meets these conditions, AGOA offers duty-free access to the to the U.S. market for African apparel items made of fabric and yarns originating either in the United States or in eligible sub-Saharan African countries.

1.2 Statement of the problem

Studies on economic growth and development in Africa have tended to ignore the challenges faced by these poor economies when meeting international trade requirements in the industrialised countries. Little is known on the contestations involved in accessing markets in the North, and the challenges faced at industrial level to meet these demands. There is need for a study to provide an insight on the challenges faced by Ugandan textile and apparel industries in accessing duty and quota-free market access opportunities to the US market under AGOA.

Under AGOA, the continent's poorest countries such as Uganda are allowed to source raw materials from a third-country qualifying under AGOA, or use US-sourced raw materials, to manufacture clothes/textile products to export to America. This latter provision is important, for it was assumed to help Uganda get to another level of its garment makeup sector into exports, using fabric which can be imported from leading suppliers around the world.

Therefore the study attempts to investigate the position of AGOA in the Uganda textile industry.

1.3 Objectives of the Study

1.3.1 General Objective

The overall objective is to assess the challenges faced by Ugandan textile and apparel industries in accessing duty and quota free market access opportunities to the US market under AGOA.

1.3.2 Specific Objectives

The specific objects of the study are to:

- a) Examine the historical development of Uganda Textile Industry before AGOA.
- b) To analyse the various ailments in the Textile Industry in Uganda within AGOA arrangements such as the challenge of sourcing raw materials (from domestic Sources versus foreign sources)
- c) To examine the constraints involved in the implementations of AGOA for example the challenge of accessing bank credit, the absence of enabling domestic institutions (eg cooperatives) and infrastructure (eg roads and railways)

1.4 Significance of the Study

The study provides insights on the importance of the management of the textile industry to the process of economic development in Uganda given that the way these industries are managed determines their export output. This opens an academic and policy debate to inspire future researches in the same field. Basing on the study findings, recommendations are suggested, on how to improve on textile management and export-led growth in Uganda.

1.5 Justification for the Study

Textile management has been to a big extent a historical problem in Uganda, with instances of failures (Rubana, 1992:41), worker struggles (Okuku, 1995:46) and the questions of control (Ahikire, 1991:63). These management failures and non-compliance with labour laws and conditions characterised by strikes and lay offs reported since in 1955, are enough inspiration for a study on *The Challenges faced by the Ugandan Textile Industries in accessing Duty Free Trade to the USA markets: A case study of AGOA*.

In addition, the AGOA Act of 2000 followed dramatic economic developments such as the employment of over 2000 workers, opening up Tri-Star Apparel (U) Ltd; increased access to the United States for cloth from Uganda; the very first export of textile and clothing to the United States through the duty free strategy; and more expectations of better performance from the government following opening up of new AGOA offices under the Presidents office in July 2002.

These facts justify the need for a study of this nature. In addition, the theoretical conception that liberalisation is one of the lacking aspect in Africa is something that needs to be critically analysed. Export management as a sub-component of the whole liberalisation process should be highlighted in modern studies, for market-access-granting countries may have good intentions but the third world countries should be careful not to be derailed by the developed countries into thinking that this is the only means to development as Chapter three will look at the way to development using some theories that seem to suit this study. Hence the balance needs to be made between success/failure resulting from the country's internal level of understanding on how to reduce poverty versus the external forces which have opted for premature integration of global markets. In this case a key political economy question that must be raised is: Can Africa's economic salvations really come from over seas?

1.6 Scope of the Study

The study focuses on period between 2002 July to July 2007. Tri Star (U) Ltd and Phenix Logistics were used as a unit of analysis. Attention was paid to the system put in place in terms of preparations; the management of the Company; and handling of workers' complaints. Geographically, a countrywide study within the confines of the researcher's resources and time was not possible. So, the study focused on Kampala, where the AGOA office is headquartered and where most government ministries and agencies relevant to the study are located. Input from the other parts of Uganda where some textile industries are located and where cotton as a raw material is sauced was acquired from secondary sources mainly reports, books, journals, working papers and organisations that monitored the export process.

1.7 Organisation of the study

The dissertation comprises five chapters.

Chapter one outlines the introduction. The section on background of the study highlights major issues leading to the need for export led growth of which reducing poverty is a key issue thus the need for Uganda to exploit the various opportunities accessible to her. The development of textile industries in Uganda, the Textile capacity in Uganda, importance of the textile industry in Uganda, The statement of the problem provides briefly what exactly necessitated this study. The problem was identified, research questions developed, and these were answered through research findings.

Chapter Two discusses theory that guided the study and reviews Literature about the AGOA agreement in line to the theory and thus providing a basis for the argument. AGOA's Legal Framework is also presented together with the various provisions and rules. The performance of other Sub Saharan countries exporting under AGOA is also reviewed. Research gaps were identified and these were filled by findings from the study.

Chapter Three presents the methodology used. Topics such as study area, study sample and sampling procedure, data collection and analysis, validity and reliability as well as challenges and safeguards are discussed in this chapter.

Chapter Four presents findings from the study. Findings are presented in such a manner that each theme is introduced, questions used are highlighted, and analysis is made by the researcher as well. Thick description (including direct quotations) was the main method of presenting this qualitative data. It also exposes the trend of operation leading to financial challenges facing Textile industries and how these industries can adopt to cope with these financial challenges.

Chapter Five presents the conclusions drawn from the research findings, as well as recommendations based on the findings from the study. Areas of further research are also highlighted.

References show relevant sources of related literature. The appendices show what instruments were used and how the study was organised.

CHAPTER 2

THEORY AND LITERATURE REVIEW

2.0 Introduction

There are various theories that **would have** been used in the present study. These will be mentioned very briefly. There is the liberalist theory of international trade which advocates *for opening up of the markets and thus free trade*, the Economic nationalist theories which emphasizes the costs of trade to particular groups and states and therefore favour *protectionism and state control over international trade*. The Marxist and neo-Marxist theories which take a view that is opposite to that of the international market system. *They argue that Southern countries are poor and exploited because of their history as subordinate elements in the world capitalist system and this condition will persist for as long as they remain part of that system.* Structuralist theory which has had a significant influence on the international economic policy of the South falls between liberalism and Marxism. *The structuralists prescription for promoting economic development in the South focuses on four types of policy changes: 1) Import-Substituting Industrialization ISI (2) increased South-South trade and investment; 3) regional integration; and 4) population control.*

However the researcher has decided to use two contending theories of international trade- the Orthodox theory and the Strategic trade theory which provides the basis for the argument and in using these two, *the theory that guided this research was the strategic trade theory*. I intend to critically analyse two theories then by the end of the debate, one will be able to appreciate need for the application of this theory if Uganda is to see a change in its economic status today.

The Orthodox trade theory views trade as that which should be based on comparative advantage while the Strategic trade theory is closely linked to strategic Industrial policy which advocates for value added production. It is imperative that these debates and their underlying assumptions are understood if one is to make judgement on the issues in the politics of the International Trade.

From the Orthodox perspective, if a country is to succeed in trade, it should trade in that which is naturally given to it by nature in abundance. In the perfectly competitive world of the orthodox trade theory, the number of actors is too large and their individual size too small to determine economic outcomes; in such a market, economic decisions are based principally on variables such as price, quality and characteristics of goods.

Accordingly, government's role should be limited since many interventions may intentionally or unintentionally prevent potentially rewarding trade outcomes. Consequently, the orthodox liberal model of atomistic competition is one in which individual consumers and producers are assumed to be price takers (i.e., the market alone sets the price.) and the state is not participant.

But the above does not imply that government does not have a legitimate role in creating and subsequently maintaining the existence of a free and competitive advantage.

The question to be asked in relation to the orthodox theory is that; To whose advantage is it? In whose interest does the theory lie? A clause in the AGOA trade Agreement states, "The USA Congress finds that it is in the mutual interest of the United States and the countries of Sub-Saharan Africa (SSA) to promote stable and sustainable economic growth and development in Sub-Saharan Africa. Sub-Saharan Africa continues to face enormous development challenges and it remains the world's poorest region with half of its population of 690 million living on less than \$1 per day. The African growth and Opportunities Act (AGOA) was signed into law on the 18th May 2000 and was intended to foster economic and political development in SSA countries by expanding access to U.S. trade and investment markets, thereby leading to long-run prosperity based on free markets and more better governance."

It is important to note that the American (economy) system which promotes free trade principles does so only in sectors that benefit their economy. Chapter one of this book shows the background against the growth of textile industry in the world (*WTO and Textile industry*); "*On the global front, most of the textile trade is concentrated in Asia....., who are rapidly capturing the value added textile market deserted by developed nations due to high costs of production.*". In the other sector like steel and agriculture, protection reigns let alone the provision of heavy subsidies to boost some sectors for example their farmers. (see Wikipedia,2006)

Attempts have been made to look at all the provisions given by the American, economy in regards to the export of Textile/Apparel. There is a legal Framework, rules of origin, to mention but a few which should be critically analysed. As one looks at all these provisions, there is a question that should arise in one one's mind and it is; what is so Ugandan about Tri-Stars' *Made in Uganda* exports to the USA under AGOA? What will be Uganda's *value addition* to the manufactured textiles that are imported ready-made and only cut to size for export using an imported label – *Made in Uganda!*

As governments recognize that the international market is really one of imperfect competition rather than ideal competition of liberal theory, they may well reason that it is far better for their own firms , rather than other countries' enterprises, to enjoy the resulting high profits (Dixit and Grossman, 1984,p.1). It is this world of imperfect competition and multinational corporations that tempts governments to provide support for a country's national economic champions and to develop a strategic trade policy that shifts profits to national firms (Grossman and Richardson, 1985)

Strategic trade theory looks at a country's foreign trade as an extension of strategic trade and industrial policy. Central to this strategic perspective is the focus on long-term, rather than short-term trade related outcomes associated with orthodox economic liberalism. The strategic theory challenges traditional liberal trade theory as it asserts that an 'activist trade policy' can benefit a country relatively more than does a policy of free trade (Krugman,1986,p.12)

The emphasis on strategic aspects of trade policy has aroused much interest, in part because it seems to explain the observed behaviour of governments much better. The orthodox approach cannot, for example, explain the granting of subsidies to exporters and promotion of 'national champions' in particular industries; these policies are apparently irrational. Strategic trade theory however may provide an explanation. For example it would involve **protecting** the domestic market over the short run and medium term. It would also involve **prioritising industrial products** targeting the domestic market until a point in time when domestic manufactures have

become high quality products that may penetrate the ultra-competitive foreign markets (in Europe or America) from a position of strength.

The increasing importance of strategic trade policy is a product of the industrial organisational theory of international trade. In this world of imperfect competition, government policies impinge significantly on the success and operations for multinational co operations. Although states have always sought to help their own firms, new tactics have become available (Spence, 1984)

Indeed the surge of protectionist sentiment that began with the oil crisis in the mid-seventies expanded the global recession of the early eighties and the Asian economic crisis of late nineties has led some economists to label the modern pro-export, ant-import attitude as “neo-mercantilism” According to La Haye (2002) this economic system applies protective policies such as; Protection of agricultural goods through tariffs or subsidies in Europe, Japan, and the United States, Imposition of various non-tariff barriers to trade typically used by industrialised countries to protect mature industries from competition from Japan and newly industrialised countries like China, Brazil, East Asia – South Korea, Taiwan, Taiwan, Hong Kong and Singapore.

These countries have in a large part based their growth on the strategic trade theory that endorses protectionism. For example, China’s controlled exchange of the *yuan*, its industrial trade policy, Japan’s use of the Ministry of Trade and Industry to promote and protect domestic industries, Malaysia imposition of currency controls in wake of the 1997 currency crisis, the hostility against acquisitions by foreign groups by companies considered of “strategic” value for the economy of the country.¹

It is clear that these theories may not have clear- cut evidence thus a purely orthodox applying economy or strategic industrial economy. What is important is that some economies especially in Africa and Uganda in particular have a large private sector that is regulated by the state/government.

When South Korea and Taiwan governments wished to develop their electronics, computer software and automobile industries, they intervened aggressively rather than leaving it to the market place. They established their electronic research institutes, granted preferential access to credit for companies in targeted industries, and offered trade protection to new industries for limited periods of time: South Korea for example temporarily banned all imports of computers as Taiwan banned imports of textiles. East Asian states thus played an active role of complementing and directing market forces. This is what writers like *Richard Sandbrook* call “the secret of East Asian newly industrialised countries” which is strong and interventionist, yet market confirming.

This protectionism is pursued in selective key industries as preparation for export led growth. In Latin America however, rather than being a temporary stimulus, protectionist measures became permanently embedded, thereby giving local companies little incentives to increase their productivity.

In conclusion therefore, such facts provide a basis for the argument that there is no such thing as free markets. Government has a role to play in the economic growth of a nation. Government must provide defence for the country and should thus manage the international economy in much the same way as they manage their domestic affairs. The preceding literature is going to look at the provisions for AGOA and as one looks at it, the question still stays; In whose interest is this? Can the Uganda develop from such programs, which takes us back to the specific objectives of the study - To analyse the various ailments in the Textile Industry in Uganda within AGOA arrangements and to examine the constraints involved in the implementations of AGOA.

The Textile Industry and AGOA

About 32 countries around the world have the lowest levels of human development and 24 are from sub-Saharan Africa. While economic growth trends in many countries are positive, with an overall regional population growth of 2.1% a year, achieving the Millennium Development Goals (MDG) of reducing poverty levels by 50% by the year 2015 will require almost a doubling of current rates to over 6% a year (USAID, 2004). One of the means to reduce poverty in Uganda is to enhance incomes through the export-led growth. Increasing economic growth in Uganda through this strategy will require that Uganda exploit a number of trade opportunities including

those under AGOA. Below is a table that shows the market access opportunities available to 3rd world countries and the kind of goods expected from them.

Table 2.1: Market Access Opportunities

Market Access	Countries involved	Kinds of Goods
GSP(General System of preferences) which created a waiver to the MFN provision in the GATT	All Least developed Countries	Selected products originating in developed countries
Cotonou Agreement btn EU & ACP (formerly Lome Convention and soon EPA)	77 ACP Countries	Value added gds counted as local input when determining origin. i.e. (Rules of Origin)
EBA(Everything but Arms)	All Least/ Low Developed Countries	All imports from LDCs duty free except Arms and ammunition
AGOA	48 African Countries	Textiles, Apparel and some other articles plus many more products (8000 products)

Source: www.agoa.info/index.php?view (accessed on 7 March 2007)

The African Growth and Opportunity Act is the focus of this research. It is a unilateral offer by the US and it focuses on the specific challenge (poverty reduction) through the Poverty Eradication and Alleviation Plan (PEAP) increasing trade as a way to further promote economic growth in sub-Saharan Africa (USAID, 2000).

Specifically the objectives of AGOA are to promote increased trade and investment between the United States and Sub-Saharan African countries (SSA); promote economic reform and development in sub-Saharan Africa; and promote increased access and opportunities for U.S. investors and businesses in sub-Saharan Africa (AGOA, 2000). AGOA offers Sub-Saharan exporters of Textile and Apparel to the United States an average 18% duty advantage, relative to non-African suppliers. In addition, the Act offers duty-free access to the U.S. market for hand-loomed, handcrafted, and folkloric articles, as well as another 1,835 non-textile products not previously included under the Generalised System of Preferences.

AGOA builds on U.S. trade programs by expanding the duty free benefits previously available only under the General System of Preferences (GSP). Duty-free access to the U.S market combined AGOA/GSP program now stands at approximately 7,000 product tariff lines, including the roughly 1,800 product tariff lines that were added to the GSP by the AGOA

legislation. Notably these include but are not limited apparel and footwear, wine, certain motor vehicle components, a variety of Agricultural products, chemicals, steel (Table 4.2). These have been imported under GSP provisions of AGOA.

AGOA’S Legal Framework

In AGOA’s Legal framework, the Rules of origin exist and these are the rules by which any African country which is in the process of exporting textile must abide with. AGOA eligible Sub-Saharan African countries wishing to export apparel duty-free into the US under AGOA must first be certified as having complied for the ‘Wearing Apparel’ provisions. Although Uganda qualified for the ‘Wearing Apparel’ provisions on October 23, 2001, by year end 2002 it had not yet exported any goods under this rule. Total AGOA- eligible exports were still insignificant as of full year 2002 trade data.

This entails the following as shown in the table below.

Table 2.2: Wearing Apparel Provision

COUNTRY OF ORIGIN	PROVISION FOR DUTY FREE ACCESS
A qualifying Sub Saharan African country	Must have taken adequate steps to “establish effective product visa systems to prevent illegal transshipment and the use of counterfeit documentation, as well as having instituted required enforcement and verification procedures.”
A qualifying Sub Saharan African country	Must be from U.S. fabric, yarn, such apparel may also have been “embroidered or subject to stone-washing, enzyme-washing, screen printing or other similar processes.
A qualifying Sub Saharan African country	Must be from domestically produced fabric and yarns, or from fabrics and yarns. Such market access into the U.S. is subject to a cap of 1.5% of overall U.S. apparel imports, growing in equally yearly increments to 3.5% of overall imports by 2008 and for the period of 2008 to 2015, the quota will remain unchanged
Any foreign origin	The value of such interlinings must not exceed 25% of the cost of components of the assembled apparel article.
Any foreign origin	The total weight of all such fibres and yarns must not be more than 10% of the total weight of the article
All Least developed countries	GNP per capita must be less than \$1500 as of 1998 as measured by the world bank. A 4-year period was allowed until September 30, 2004.AGOA III extended the provision by a further 3 years to September 2007, but halves the quota level applicable to this category in the final year of extension. Only South Africa, Gabon,

Any manufacturers in Africa	Must maintain complete records of the production and export of covered articles, including materials used in the production, for at least 2years after the production or export”. For this reason, manufacturers are required to draw up and sign a “Certificate of Origin”.
Mauritius and the Seychelles	Not designated as LDCs and therefore do not benefit from this waiver from normal rules of origin.

Source: www.agoa.info/index.php?view. Notes: Accessed on 7 march 2007

As of 2004 August, 25 of the 37 AGOA beneficiary countries had fulfilled the provisions of the wearing apparel ‘Special rule’ and were thus eligible to export apparel duty-free to the U.S. Uganda was in fact one of the 15 out of 25 countries which had met the requirements and had actually started exporting apparel to the U.S. duty free under AGOA.

3.4 Conclusion

Existing literature on the development textile sector in developing countries like Uganda leaves several gaps. The challenges faced by the Ugandan textile sector in exploiting the duty and quota free access opportunities like those under AGOA remains unknown due to generalist observations so far in Uganda. The development of textile industries in Uganda cannot be thoroughly explained by one particular theory. Various theorists may have attempted to explain the best way to achieving development but to see the weaknesses of each theory is to know that practically the idea of opening up the markets and leaving the prices to be determined by the world markets is a myth to development. There is a great need for the state to control the way trade flows and also to support their industries at home the best way they can. The success of other SSA countries is a good example to explain the practical application of all the theories discussed. For example much as the orthodox theory is ideal for economic prosperity of a nation, (as some theorists have argued for it), the fact is that there is a great need for strategic trade policies especially in a more structured way. If there is state intervention, huge subsidies, government support, the results of Uganda’s economy would be very obvious.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This sub-chapter points out the methods and techniques used in the study. Contained here are: research design, study population, sampling, research tools, data analysis and research ethical considerations, challenges faced and safeguards.

3.1 Research Design

The researcher used a case study design to avoid purposes of generalisation. Focus was placed on the case of AGOA in Uganda. This design gives a picture of what these industries are about and categories of people have been interviewed to find out how textile industries in Uganda can meet with the US demands. The design was appropriate for qualitative studies of this nature, which seek to investigate deeply into the phenomenon under study.

3.2 Area of Study

The study was carried out on local firms and in particular (Tri-Star Apparel and Phenix Logistics Ltd. This was because these are the major industries that have exported before or are still exporting under AGOA to the U.S. The study mainly focused on Kampala, where the AGOA office is headquartered and where most ministries and agencies relevant to the study are located. Nytil Uganda Ltd was also taken into account since it is one of the major textile industries in Uganda even though it does not export to the U.S Market.

3.3 Sample Study

The study will involve a population that includes; Key informants, notably AGOA Officials, Managing Directors of these Textile Industries, Ministry of Tourism, Trade Industry, and Ministry of Foreign Affairs officials, American Embassy Officials, as well as senior academicians, were selected using purposive sampling techniques so as to get the information relevant to the study. They were interviewed for their input on the management of these firms/ industries. Secondary sources of data were newspaper reports, Company profiles, and some reports written in the past about some of the industries.

3.4 Sampling

Non-probability (Purposive) sampling was used to get key informants considered knowledgeable about, and central to, the textile Industry management. This involved choice of respondents on the basis of their knowledge on, and experience in, the subject of study. Given that the study was qualitative in nature, the issue of random sampling and representatives was not accorded central focus, but general focuses on key informants' evidence were considered. Key informants were interviewed, and their input supplemented by secondary data sources.

3.5 Research Instruments and Methods

Two key instruments: Interview Guides and Focus Group Discussion (FGD) Guides, were used. Interview Guides, were used with key informants, through unstructured interviewing, to generate in-depth data. These were advantageous; they gave chance for probing. Focus Group Discussions Guides were used with the workers/ employees particularly the ones involved in the sowing cycle. Interview Guides and FGD guides measure variables of a qualitative nature, and were therefore useful in this study. They allowed for in-depth analysis of the study subject, and were flexible when being used.

Documents reviews supplemented the two above. The researcher is satisfied with the findings generated with these instruments.

Observation Method was also used to come to particular analysis of the situation. The researcher took time to observe the situation, behaviour and the vibes of the environment in all the places she went to. This

3.6 Data Analysis

The data was collected on a daily basis and was analysed qualitatively, that is to say Questionnaires given were fully analysed to come up with the research findings. The researcher used note books as well to put down any important statement that would have skipped analytical study if not stored somewhere.

The researcher wanted to use the tape recorder but Agoa itself is so politicised that at the mention of using a tape recorder, even the top officials themselves refused as they did not want to be quoted on many occasions.

The researcher later abandoned questionnaires because they would have pre-empted my information so the interview guides, Focus Group Discussions and Observation guide were thoroughly used. The information obtained was arranged according to themes in my literature review which was based on the objectives of the study. Then “thick description” was applied, and where necessary, direct quotations are made in this report. This is content analysis that is more applicable to qualitative approach. Finally, the data was manually analysed.

3.7 Ethical Considerations/ Research Procedure

A letter of introduction from the Department helped in convincing and assuring respondents of the legitimacy and intended purpose of the sought information.. Confidentiality is ensured by quoting only those respondents who allowed to be quoted. Considering the researcher’s interest in the study of International Relations and Diplomatic studies, it was a requirement to carry out a study in the field of Textile/ Apparel Exports from Uganda to United States of America and its challenges. Care was also taken to avoid distortion of findings, fabrication of findings and making baseless conclusions.

3.8 Challenges faced and safeguards

Absence from office at the time of calling in was common but prior arrangements and phone calls helped to minimise this difficulty. The study touched sensitive areas of employee satisfaction which raised suspicion, but clearance of the protocol and building rapport restored respondents’ confidence.

The number of respondents was limited to 52, given that many employees were not interviewed until they first asked their bosses permission. This research did not seem to get a favourable response because the employers were very sceptical and as a result could not commit themselves to fill questionnaires or even allow their employees sometime off save for the few that I got on their lunch breaks and the lucky days when the employers would accept a few of their workers to give information but only for about 10-15 minutes. Care was however taken to get as much primary data as possible to complement the secondary data because so far little has been written about these textile firms.

The so-called Tri-Star Apparel (U) Ltd, the company did not have any records about its background and the biggest part of this dissertation is from primary data collected. Rescheduling of appointments and mobilising personal resources safeguarded the researcher against time and financial constraints.

CHAPTER 4

PRESENTATIONS & DISCUSSION OF STUDY FINDINGS

4.0 Introduction

This Chapter presents findings from the study. It presents the state of textile industries, the recent developments in these industries, the challenges encountered by the sector especially exposing the trend of operation leading to financial challenges facing Textile industries and how these industries can adopt to cope with these challenges and concludes with the possible solutions.

A total of 52 respondents were interviewed as indicated in the table below. The places visited were Tri-Star Apparel (U) Ltd, Phenix logistics, Nytil (U) Ltd, AGOA Offices in Kampala, the Ministry of Foreign Affairs, Ministry of Trade, the American Embassy and Senior Academicians

Table 4. 1: Number of Respondents Interview per Place

Place	Frequency	Percentage Composition
Tristar (U)Ltd	12	24%
Phenix Logistics	11	22%
Nytil(U) Ltd	09	18%
Min. of Trade	05	10%
Min. of Foreign Affairs	06	12%
American Embassy	02	4%
AGOA Offices	02	4%
Senior Academicians	05	10%
Total	52	100%

The table shows all the places visited, the frequency/number of people and the percentage contribution of these people to the study bringing the total % to 100 thus the comment that the researcher is satisfied with the findings.

The positions that the respondents held in all the particular places visited were quite influential and majority of them were the decision makers in the various companies or the analysts. They were all knowledgeable of the details pertaining to the firms in their management and were very well informed about Uganda's position in this trade.

The other category interviewed was the Senior Academicians who were purposively sampled because all of them were scholars of International relations and some were specialists in the International Political Economy where by they majored in International Business and were very interested in the economic development of Uganda.

4.1 State of the Textiles Industry in Uganda

Uganda's textile industries specialise in the manufacturing of high quality textile apparels. They do so under the famous brand names such as "Yamato", "Zenbury", and "Phenix". The market requires high quality garments at affordable prices. The Dress shirts produced by the company are made from imported fabrics, designs and shades. *"Our strengths are the TC, CVC 100% Cotton and superior 2 ply fabrics that give the exclusivity to our garments."* said the Marketing Manager Phenix Logistics. *"Besides fabrics even the embellishments like the collar and cuff interlining, fusing buttons are also imported and of superior quality"*, he added. The quality finish is excellent and their products compare quite favourably with those brands such as internationally renowned Van Heusen.

As noted earlier, Uganda's Textile Industry got attention out of the AGOA Act. Tri-Star (U) Ltd was the first beneficiary from the act as government injected a lot of money. Financial support offered by the Ugandan government to prop up textile firms especially those exporting to the US was brought out in the spot light with more questions being asked about the legality of these funds. The issue returned to haunt the government after the collapse of Apparel Tri-Star which left the Ugandan government with nearly \$20 million in losses from loan guarantees and other subsidies offered to the company to enable it export garments to the US under AGOA. Uganda's presidential adviser on AGOA Susan Muhwezi declined to reveal how much money government had given to Phenix Logistics. She said the government had offered the company backing that *"helped them cut the bureaucratic tape and learn how to access the American market."*

Since its beginning, exports of clothes to the United States grew tremendously but over the years the volume decreased as indicated in Table 4.2.

Table 4.2: Uganda’s Exports to the United States of America Under GSP Provisions of AGOA (US\$ ‘000)

Export	2003	2004	2005	2005(YTD)	2006 (YTD)
Agricultural Products	30	1,008	46	15	315
Forest Products	39	56	24	17	46
Chemical & related products	0	1	1	1	0
Energy related products	0	0	0	0	0
Footwear	0	0	0	0	0
Minerals and Metals	3	69	0	0	405
Machinery	0	0	0	0	0
Transport Equipment	0	0	0	0	0
Electronic products	0	0	0	0	0
Miscellaneous manufacturers	4	5	0	0	0
Special Provisions	0	0	0	0	0
Total AGOA including GSP products	1,509	5,147	4,911	4,051	1,966

Source: www.agoa.info/index.php?view (accessed on 7 March 2007)

This chart provides evidence that something does not add up since the AGOA agreement for example the export of raw materials/ Agricultural products is high! It is important to remember that these are products which are still in their raw form. Industrial products or those manufactured are at zero for since the year 2003 to 2006.

The products exported are those whose prices are determined by the world market. These are not competitive and the question is; Can AGOA change the evidence as per the chart in future years? What is the issue? The researcher is out to get the challenges that Uganda is facing in this bilateral agreement.

The administrator involved in the operations said, “*Phenix Logistics (U) Ltd does not import fabric for their clothes but it is very well supplied with cotton from Uganda. All clothes from there are made out of organic cotton from Uganda.*”

Nytil Uganda Ltd is also very well equipped with machinery and they make fabrics and they export within the region and the benefit of this is that there is creation of jobs and export revenue.

All steps taken in meeting of the quality of garments/ clothes are made possible with the use of machines and that is why in this case, textile and machinery goes hand in hand. About 85% of the respondents interviewed commented, *“In terms of quality, we have been able to meet the quality of clothing of the US market and no one consignment has been rejected by the United States since the beginning of export in 2003.”*

The types clothes exported are shirts, t-shirts, trousers and tracksuits. Textile industries have many production lines and they depend on specialization which at the end of it all produces results. When asked if the market in Uganda supports them by buying these clothes, it was very surprising that the employees in the FGD did not own even one of these. *“We go to DT (down Town) and we buy our clothes there”* commented the girls. *They are cheap and we can afford them.*

Phenix’s first export was in February 2007. This means by the time the researcher got the above information, (that is May 2007) they were still at the height of excitement. The information given had some gaps missing as per the results in terms of the exports indicated in table 4.2 above. A worker in the same chain of production said, *“The cotton that is received by Phenix is got from Lira and a few other parts of the country but since it is seasonal, they have to import from Tanzania when the production is low”* – something that the Marketing Manager did not disclose!

4.2 Recent development in Uganda’s textile industries

Tri-Star (U) Ltd does not export to the United States as was previously. The company is not doing well at the moment. *“Just like any other business, there are always ups and downs but at the moment we can export on order from some clients.”* This was a rather subjective opinion and was at the same time the answer given to the researcher by one of the personnel manager of the company as to what was the cause of the no more exports from the company to the United States. *“We do not import fabrics as was before because business is low”* said one of the head of operation. On a rather close interview with the other members, some information was disclosed. **They are sub contracted by Phenix Logistics and it is because Tri-Star has the labour, machinery, space and experience.** *“This comes as a result of poor management!”* said at least 90% of the employees interviewed. Incentives were given as mentioned earlier but they were mishandled and that was one of the factors that led to the collapse of Tri-Star.

Phenix Logistics (U) Ltd made their first export to the United States in February 2007. Since then they have exported to the US around nine times. The business is booming as they also export cotton yarn to Japan, Kenya, Tanzania and Mauritius. They also supply the domestic market at home.

This is a statement that is critical to this study! Supplying the market at home leaves a pending question, “Which Market?” Statistics has it that Ugandan population has depended on second hand clothes for as long as this regime (NRM) has been in power. This was shown in the collapse of the textile industries based in the first chapter of the book. Most Ugandans do not even know where to find new clothes let alone those made in Uganda! We have places in Uganda where people are basically naked!

The challenge with this research was the fact that at the mention of the word Challenges of AGOA in these interviews, some people thought that if they speak well then probably one day they will be added incentives to run the companies. One of the people interviewed actually asked me, *“Is this going to help our company in future? Will the government look at what has been done so far and assist us with the challenges that underlie this trade?”*

The rest of the textile industries are also in business but do not export to the United States and it is the major objective of this research to focus on those industries that are exporting apparel/textile to the US.

4.3 Importance of the Textile Industry in Uganda today

“The importance of this industry in Uganda lies in the Manufacturing Process and Value Added chain.” said one of the directors. Phenix Logistic (U) Ltd has its own machines which work on every step of the process that is to say from Cotton balls to yarn to Fabric then to clothing. They make T shirts, Men’s shirts, women’s blouses under wear, baby wear etc.

Through the textile industry, Uganda has been able to boost its international relations with some countries through the export of yarn to Japan, Kenya, Tanzania, Mauritius and China. This is boosting the country’s image with the outside world.

The textile industry in Uganda is so organised as to give its customers and other stakeholders a complete range of services from advice on textiles, dress designs and styles, colour etc. The close contact and communication with the end consumer and our organisation ensures that a customer receives the best required attention at all times.

4.3.1 Textile and Garments Industry as a major source of employment

The industry has created opportunities for employment of over 15,000 farmers in Uganda and various jobs for ginnerers, Garment Factory workers and Design houses.

In Phenix logistics alone the machines are in operation 24 hours as the entire process from cotton to the shirt is done right at the factory. The personnel officer said they employ over 500 workers and at recruitment, the workers are trained for a period of 3 – 6 months. Phenix Logistics Uganda Ltd recognises that skilled manpower is the backbone of its success and takes interest in the development and training programmes for staff, the personnel Manager said.. This enables them to keep abreast any changes and developments in textile and garment manufacture.

4.3.2 Textile's contribution to GDP

The contribution of textile exports to the gross domestic products is still minimal. In 2005 – 2006 GDP growth was round about 5.8 and the exports contribution was about 1%. This is because Uganda at the moment not yet so export led.

For AGOA purposes, Uganda is classified as a ‘Lesser developed Country’ providing it with a limited opportunity of utilizing non-qualifying third country exports.

4.4 Cost and Productivity in the Textile Sector.

In terms of cost, Uganda's textile clothing products must clearly meet U.S market price points. *“This has been made possible even though unit export costs are affected to a large extent by labour costs, the prices paid for imported materials (fabric & trims), and the cost of capital to finance operations and investments.”* said one of the top directors.

However the personnel officer said that worker productivity in Uganda was quite low, due to a combination of low starting skills, poor or non existent training, lack of information on part of

managers of efficiency standards in other parts of the world, ineffective wage incentives, lack of bundling production flow through, and use of outdated equipment that breaks down frequently or that does not allow higher through-put.

She further said, *“There is no practice of bench marking worker productivity relative to international standards. Thus, though labour may appear to be a good deal in Uganda, its potential likely pales when compared with labour productivity achieved in textile and garment industries else where around the world.”*

4.5 Working or Labour conditions

4.5.1 The process of labour

The labour process is determined by the structure of the work place and the composition of the labour force. The workers face strict conditions at work. Since they are trained before they get on the job, they are all given targets of the number of pieces per day and these are targets which they must reach by all means.

“It is not very difficult” commented all the girls interviewed. *“This is because no one is given or expected to sow a whole outfit by oneself. We all specialize in different parts of the production cycle. They are all involved in different ‘lines’”* as they termed it. Some cut the cloth, others stitch and only particular parts, others put the buttons, another line irons to straighten out the outfit, and so on and so forth. They all operate different machines. Some the single needle, others the double needle, the bobbin carrier, machine pincers & doffers, some cut, others iron and in one way or another it is possible that all of them are involved in the making of one outfit that is to say one shirt or trouser or any other cloth. Therefore the absence of one worker affects the process on line. They still operate the Fordist system which is labour intensive.

There are a number of control categories that the management uses to influence workers' behaviour on the production lines: supervision, punishment for breaches of rules and record keeping through a system of a log book.

The purpose of supervision is designed to control the work-rate or productivity of labour. The role of supervision is to ensure that the production process moves smoothly. A supervisor watches over workers attendance, discipline, the quality of products and also suggests the promotion of a particular worker.

The workers interviewed complained of close supervision, being overworked and poor quality of the lunch they get. The management argued that the basis of these complaints is the wrong attitude to work on the part of the workers.

The workers complained of the lack of transport to and from the factories as the levels of wages cannot be supportive. The shifts most affected are the evening and the midnight ones. They complained of their lives being at risk as they head for home. The work process in the industry is based on the shift on line supervision for maximum extraction of labour power. This is most especially in Phenix Logistics where there process of labour begins right from the time cotton is brought in to the time an out fit is produced. The idea of working in shifts is due to the fact that the long duration on the machines makes a worker tired and lowers ones capacity to deliver. A new labour group is able to continue and therefore, have a maximum utilization of time.

4.5.2 Wage Levels.

In an interview with the human resource/ personnel manager of Tri star Ltd, *she argued that the organization offers at least a good wage rate and said that it was because there is hardly any one satisfied with the money they got.* The workers interviewed were un happy about their pay and as a point to note, all of 95% of said *they were their because they had no other option and that they were looking for other jobs or wanted to start their own small businesses.* There have been several strikes reported and workers reported mistreatment, there have been some lay offs of workers of which the most recent lay off was in February 2006

The average pay was Ushs 80,000 per month and there were no benefits or allowances except the lunch. In Tri Star ltd, they were not satisfied with the way the food was cooked *plus the fact that they felt over worked as they even work on weekends.* The major reason for the complaint on the wages they say is the high cost of leaving in Uganda today. The wages for instance can not meet the daily requirements as per the estimate for basic foods by the Government Nutrition Unit.

Table 4.3: Minimum Diet for 28 Days for the Ugandan Worker: Requiring 3000 calories and 80 gm protein. Maize Meal (Posho) based Diet

Item	Amount for 28 days	Price Per Unit	Total Cost (Ushs)
Maize mill	20kgs	700	14,000
Meat	1 or 2kgs	3000	6000
Dry Fish	1kg	1000	1000
Fresh Milk	4 litres	500	2000
Dry beans	3kgs	1200	36,000
G. Nuts	2kgs	2000	4,000
Sugar	1.12kgs	2000	2,240
Greens	3.8kgs	400	1,520
Curry Powder	0.2kgs	800	160
Cooking oil	1kg	1500	1500
Salt	0.5kg	500	250
Tea	0.25kg	1000	250
		Total	68,920

Note: Figures of Price per kilo obtained from the current market rates in the available and reportedly cheapest markets in Kampala like the Nakawa and Kalerwe markets.

Source of diet: Adapted from E.Y Baingana, "Wage Regulation in Uganda: Policies & practices. A Trade Union View, May 1989, Mimeo, p.6.

As per the table above, a matoke or rice based diet is even more expensive. If the cost of transport, housing and clothes is added the cost of living only is overwhelming with a basic salary of less than 150,000/= . The kind of pay they get can only allow them to stay in slum areas in fact 97% of the workers were staying in the slum areas of Bugolobi, Namuwongo and they footed to work. However management says they are looking into this and hope to improve.

"Though things are not easy," as one of them commented. "We have to work because you know how Kampala is like these days- there are hardly jobs and one must survive."

This challenge cannot be underestimated as human resource is the basic necessity in this trade. If workers are striking most of the time as was the case for Tri Star Ltd, the results then become obvious. It is no wonder that they closed and are presently only subcontracted.

4.6 Benefits/ Returns in the Sector

An official in the AGOA offices said, *"One of the benefits is the Duty free access to imported raw materials. For garment manufacturers who will need to import raw materials in the short run until Uganda's textile mills produce acceptable export quality fabrics, duty free access is essential."*

My argument is, No export-oriented clothing industry anywhere in the world expects its firm to pay duty on imported raw materials and still compete internationally. Countries usually employ some combination of duty draw backs or exemptions, bonded ware houses, or physical citing of plants in export processing zones in order to accommodate such access should normal rates of protection be high in the domestic market as is the case for the top SSA countries exporting under AGOA.

In Uganda we heard of import duty rates varying from 7 % on imported greige (neither dyed nor printed) fabric with 35% on imported finished fabric for products destined for the local market. Trims and findings imported from within COMESA incur duties 6%, while the same sourced from Asia is assessed at a rate of 17%. However firms manufacturing for export from Uganda are allowed to import their raw materials either under a bonded warehouse or bonded factory scheme or with a duty rebate returned ex-post.

One firm- Phenix indicated that it is having difficulty procuring a bonded factory license from the Uganda Revenue Authority (URA). The latter is said to be waiting for Uganda's AGOA approval before issuing the license.

These are issues that should not even be heard of if exports are to boom! URA or whichever institution that is responsible for provision of any kind of assistance to these industries should be alert and very fast in offering a solution so that the export process is made easy.

4.7 Internal weaknesses.

Some of the people interviewed said *there is no possibility of further exports from the Tri-Star to the United States unless there is a change in management then after financial input*. Upon saying of this statement, 96% of them added, *"Please do not quote me on this."*

The case of export of clothes to the US was a new one for Uganda. The industry was at first given incentives by the government but checks and measures were not put into place to follow up the financial support. *"With time government stepped back and textile industries were to support themselves financially"* commented Hashim, an official in the AGOA offices Kampala.

The industry started to look for private means of financing in order to support this export to the US but with time, the export of textiles declined. This was as a result of mishandling of the incentives/financial support given to these industries.

An academician in the faculty of Economic Management who observed this trade said, *It is also worth noting that the management changed and in around 2005, a new management team took over the company. The investor who was reportedly from Sri Lanka left and now it is under management of Indians.*

After the AGOA Act, this industry got a lot of political support and in particular Tri-Star to such an extent that the president was involved in the way this trade was going to flow. *Recruitment of the girls, and putting the AGOA offices under Office of the president made the whole thing so politicised that one wonders if it was good for our country!*” a scholar in the Faculty of political Science MUK. It was so politicised that there was no room for the Ministry of Trade to put a hand in this!

An official in AGOA offices commented *that in the trade between these two nations, Uganda stands to benefit a lot* and so were the comments of the biggest percentage of the people interviewed. Generally speaking, these products (Clothes from Uganda) had not been to the United States before. The marketing manager (Phenix) said, *“The US market is so big and Uganda is unable to meet with the demand. It is a question of demand vs. Supply”* This may be true but behind it all were some major issues that the respondents sighted as being the major hindrance to this trade.

4.7.1 Cost of Financing

“Financing poses severe challenges for this industry”, commented the management of these textile exporting companies. On the textile side there is a lack of market intermediary to cover storage costs in the upstream pipeline, between ginneries and mills. As the seed cotton is harvested, it must be ginned in a timely fashion or risk link quality.

By the end of the ginning season, which runs from November to April, gins need to sell all their output in order to cover their upfront purchasing costs. *The world market provides a ready and willing buyer. In order to compete for some of the domestic supply before it is exported, we must be prepared to buy and store six to eight months of cotton lint requirement.*” said the employers in the industry of textile.

This statement alone is enough to advocate for strategic trade theory. Why won't the government protect the industries at home? They do not need to compete for domestic supply if there is some level of protectionism. But because the government has accepted the orthodox view, the prices are determined at the world market! This alone is enough to keep it third world. The financial support that lacks in the maintaining of this cotton causes the export of cotton in its raw form.

The in charge of operations told the researcher about the process. From the time the bales are opened in the blow room at the beginning of milling process it supposedly takes 45 days for receipt of payment for the fabric that will ultimately be milled from it. *In case cash flow is tight, and six to eight months of bales cannot all be procured upfront, the alternative is to buy bales from nearby Tanzania, which comes on the regional market at other times during the year. Tanzanian cotton imported into Uganda is more costly and because of less favourable growing conditions is a lesser quality raw material.* Ugandan mills have to blend much more carefully under those conditions in order to assure some homogeneity of final product.

On the garment side, the cash flow problems loom even larger. Tri Star found it very costly to buy imported raw materials out of own cash and would prefer to borrow against letters of credit (LCs) supplied by the foreign customer. However letters of credit were likely to be difficult to arrange because firms can receive 60-90 % on an LC to cover operating expenses because the terms are risky. If the loan is borrowed in dollars, the interest rate is 6% with significant foreign exchange risk.

If the loan is for Ugandan shillings interest rates may be as high as 20-27% (compared with inflation of just 5-6%)

In addition such exposure upstream, exporters will have to wait in all likelihood 75 to 90 days before receiving payment from U.S. clients, just accounting for long delivery terms between ex factory and New York City (Six weeks minimum, probably and normal 30 – 45 day payment terms by U.S firms before taking into account bank clearing delays once the U.S dollar payment is received in country. Such tightness in the capital market obviously makes large investments in rehabilitation of factory equipment difficult to finance. In addition to the \$1.8million already spent in the rehabilitation out of own resources by Ugandan Textile Mills, foreign partners are currently sought for \$4million via joint venture, preferential partnering. The countries other two large plants, Nyanza Textiles (Jinja) and Phenix Logistics (Kampala) formerly (UGIL) have already attracted significant capital to upgrade facilities and expand capacity. An Asian industrial group now runs the former, while the latter has benefited from private Japanese and Singaporean support.

Exchange rate fluctuation has been a problem in Uganda, especially more recently since the coffee market bust and ensuring terms of trade difficulties. High real rates of interest are said to be due to a combination of;

- 1) Tight monetary policy being pursued by the central bank authorities in order to control the overheating of the economy during the previous coffee boom and with foreign capital rushing in for a wide range of agricultural, industrial, and service sector projects.
- 2) Underdevelopment of investment lending by excessively risk averse Ugandan private banks who can earn a better less risky return from high yielding Treasury bills (Gov 2001).

In summary the sectors face financial difficulties. *The managing directors said that sometimes they lobby for credit from the banks which comes with very high interest rates and with delays most of the time. In analysis with the selected top exporters of apparel, this has a big implication on the production, productivity and competitiveness to the textile sector.*

4.7.2 Qualitative factors affecting competitiveness

Besides cost, these textile industries faced other challenges especially in the manufacturing process. They are hampered by persistent erratic electricity supply. In Kampala there are

outrages where these industries are sometimes load shaded and business is interrupted yet the entire production process depends on the availability of power. The industrial sector in Uganda consumes most electricity and thus they need some kind of stability if they are to be more productive. Moreover with the increase in the cost of electricity since last year, they are facing a challenge in meeting the costs. This is pushed on to the prices of the clothes and one director commented, *“If there was no contract with the AGOA Act being duty free, there would be no business for of textile export.”* When asked why this is so, they replied, *“Our prices are so high compared to other exporters and this implies the taxes that would have been charged to us by the US Customs would have been too high for us to cope with.”* On average the cost a shirt made in Uganda is Ushs 4,500, yet the same t-shirt other countries such as China costs Ushs 3,000. This is also partly as a result of the fact that Uganda being a land locked country; it is at a disadvantage with respect to transportation. The road freight charge from Uganda to Mombasa for a 20ft container is US \$3500 and for a 40ft container is US \$4500 then from Mombasa to the US is US \$3000 and the whole process is so costly. Moreover this is met with delays at times and one estimate given was 4-5days to get to Mombasa, a week sitting in port, 4weeks to sail to New York, and 3 days to clear through New York Port Authority.

More to that, 95% of the respondents from the industries said the capital is high. As a result of this, the product margin is low. Presently Uganda’s capacity is low as compared to the other African countries. Some of the employees There are few textile industries in Uganda with full capacity to produce in large quantities. The space to produce a lot of textile for export is not enough and the facilities are not sufficient to produce the required quantity. There is a need for more machinery and better technology. Phenix is looking at the upgrading of the facilities such that they can be able to compete favourably on the market.

5.7.3 Institutional and policy constraints

Government’s support for the textile sector is still minimal. *The directors of these industries complained of a lack of a policy framework from the government concerning the textile sector. “This has brought about an unpredictable investment environment in this particular sector and the more reason why investors are reluctant to put in their capital.”* said one of the directors

This is not the same with the other countries exporting under AGOA. Their governments have provided support in such a way that they are various textile and apparel factories with more investors encouraged to look into this sector. The Government has duty to ensure that a policy framework is put in place, and attempts should be made to ensure that all hindrances or negative influences (political, administrative, historical, internal and public) are done away with. The government should at all time view itself as an independent entity with the sole authority to ensure that its economy is boosted in which ever way possible as is the case of other top exporting SSA countries. Only then shall its economy be in a position to grow because there is a huge potential but in the textile sector, there is hardly a policy framework and this is one mistake that should be worked upon. Countries such as Lesotho, and Swaziland discussed previously are landlocked but there is a lot of progress in the export of textiles. This is attributed to the strong government policies and Uganda can also be a leading exporter if the government puts in extra effort.

5.8 Possible Solutions

About 60% of the people interviewed felt that government made a mistake in putting the AGOA Offices under the office of the President and this in one way excluded other available institutions that would have been very essential in the export process of this trade. For instance they would have taken this agreement like any other such as the GSP Agreement, ACP agreement, and called upon the institutions to take part.

Other institutions, notably the Ministry of Trade, Ministry of Foreign affairs, the development bank, Uganda investment Authority (UIA) and export promotions agencies such as the Uganda Export Promotions Board (UEPB) should work hand in hand to coordinate this trade and to strengthen it. *“For instance, in the Textile Sector there should have been thorough preparations so that there is a cumulative effect on building on what is already there and that way, it would perform well.”* said an official in the Ministry of trade. *“A crash program should be avoided in future.”* The Uganda Investment Authority, having become operational, should now help the government, by creating a very conducive environment for investors by enforcing some laws which are already in place to create a predictable environment and by constantly taking relevant information to the public as a means of getting the right information to future investors

There is still a need to educate the business sector about opportunity of the duty free access and to work hand in hand to make this trade work. It is still not too late for this as the AGOA agreement's expiry date is now in 2015. However the government must get involved in supporting this sector by even encouraging all the other textile industries in Uganda to start getting involved in this trade, giving them financial support followed by accountability and this in one way or another will help in increasing the exports to meet the US market. The government should further protect this industry.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the conclusions drawn from the research findings, as well as recommendations the researcher makes basing on the findings from the study. Areas of further research are also highlighted and limitations of the study are also presented as the last part of the research.

5.1 Conclusions

While AGOA was supposed to be domesticated, there were a lot of political interventions and these continued up to date. The officials in some Ministry were not even concerned about it well as they should be the ones encouraging this trade. It is very clear that there was more to AGOA than what meets the eye AGOA.

There is a challenge in Uganda. It is over liberalised. There are more imports in terms of cloth/apparel in the country than needed. The challenges faced by the Ugandan textile firms in accessing the duty free access to the US market are cost of financing, high capital, transport costs, electricity and institutional and policy constraints. These challenges have caused a decline in the exports. Increased local and international demand for textile products such as garments, clothes, to mention but a few are shown by the growing population at home and increased US demand for organic cotton products.

As a result of this, textiles industries have had to strive to meet with the demand by using all the possible means available to them such as training more people for the sowing cycle, the use of different machines, getting loans from different credit institutions and subcontracting other textile firms to make certain clothes which is some measure taken by some textile in order to meet with the export demands of the United States.

There is a need for the Ugandan government to intervene in all sectors which lead to the export of textile for instance the transport sector which was the major complaint of the managers of the

companies. The policy makers in this country make decisions against the businesses of the private sector and this has greatly affected investment. There would be a possibility of decreasing the transports costs if the government worked hand in hand with the relevant authorities to probably come up with some sort of discount for these textile exporters, encouraging more production of apparel with an assurance that they will have easy access through customs and also assured low transport costs.

Lastly, a comparative investigation on the role of various institutions in the export process needs to be carried out to confirm or disconfirm the researcher's conclusion that unless there is government intervention on the managerial and technical aspects of export process, the study remains incomplete.

5.2 Recommendations

The study makes the following recommendations, based on the findings and conclusions reached:

Uganda has got to attract new investments into its weakened cotton-textile sub-sector if revival of any kind is to be achieved in a sector that was once vibrant.

The government has got to wake up! They must come up with a comprehensive textile and garment policy as a matter of urgency! There is a need to develop the whole value chain of the textile industry from the fibre to the garment.

This should include a total ban on second hands clothes, removal of duty and other tax on textile machinery and raw material. The development of a strong and competitive local textile and clothing industry will take long to be realised as long as the government remains complacent to the danger used clothes dumped into this country pose as a hindrances to the development and investment in the local industry.

The present investments in the sector are not even working at optimal capacity. Most of them are working at below 50% installed capacity. Government therefore needs to support the financing modernisation of existing mills. Capacity utilisation for local textile manufacturers can be stimulated if government bought local textile requirements for all government departments such

as the armed forces and the police forces, prisons, government schools, Uganda Wild life Authority, hospitals and local administration police.

5.3 Areas of further research

The need to find out how best other firms can effectively export under AGOA to the United States also needs to be an area of interest to the researchers. Other private sectors which have the capability to export their products need to be encouraged as well and a research needs to be carried out as to what is preventing other sectors from taking advantage of the duty free strategy.

Other areas of research would be determinants of exporting products to the United States such as the bureaucracies of the customs in Uganda, transporting of products, to mention but a few. It is important to remember that this duty free strategy has an expiry date which is 2015. Why cant Ugandan firms get vigorous about this strategy because it will not last forever? These are all areas that need to be investigated. The fact is that the possible role of government and other authorities/ agencies in improving textile performance is also worth investigating.

5.4 Limitations of the Study

Case studies have a main limitation of making conclusions based on single or few cases, a similar limitation to this case study. Another limitation relates to the study carried out in a short time to generate conclusions based on the whole textile management, as well as the sensitivity of respondents, making the quotation of some sources difficult. Additionally, most of the people approached did not want to be quoted. They looked at AGOA as a political issue and did not want to get involved. Lastly, resource constraints have limited the representation of all stakeholders, leading to data being gathered from key informants and written sources.

However, the above limitations can not render this study worthless. Attempts have been made to get data from as many respondents as possible, written sources, documentary reviews and observations. It is the hope of the researcher that these findings are rendered worthwhile by the use of relevant qualitative instruments to carry out a qualitative study, and the triangulate advantage of the different informants and secondary data sources, data collection methods, and to trust in the sources. For avoidance of doubt, there is need for more such studies in future to be

able to generate comparative and critical findings so that the role of the government can be brought out and incorporated in the textile industry export through coming up with policies for increased trade.

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APPENDICES

Appendice 1: Research Instruments

A) INTERVIEW GUIDE FOR AGOA OFFICIALS AND MINISTRY OF TRADE OFFICIALS

Dear Respondent,

I am called **Tusubira Rebecca** from the Department of Political Science and Public Administration, Makerere University. I am carrying out the Study entitled: "Challenges faced by Uganda Textile Industries in accessing Duty Free Trade to the USA markets: A case study of AGOA". This is purely an academic study carried out as a requirement for the award of a Degree of Master of Arts (International Relations and Diplomatic Studies). Your information will be treated with the confidentiality it deserves. Please, cooperate by allowing me/my Research Assistant an interview with you.

1. Background information.

Name.....

Title.....

- (i) For how long have you been serving the AGOA office?
- (ii) Apart from textile export, what other activities is the AGOA office engaged in?

2. Preparations for the Export of Textiles.

- (i) What did the Textile firms need to prepare for the trade between Uganda and the United States?
- (ii) What human resource preparations were put in place before export of textiles?
- (iii) Were the workers enough to meet the requirements? What challenges were encountered during preparations for the export of clothes based on the past especially with the workers ability to meet the requirements in terms of the output? How were these overcome?
- (iv) Where do you source the raw materials used in the preparation of these textile/ clothing?
- (v) Who finances? In other words who pays for these raw materials?
- (vi) How long have you exported since the beginning of AGOA?
- (vii) What problems do you encounter in the export process?
- (viii) How do you rank the Textile performance during the past and as of today?
- (ix) Why, in your opinion, would have been done to avoid the wrangles of the past?
- (x) What, in your opinion, should the Textile Industry in Uganda have done to perform better than it did?
- (xi) What was the role of the government in ensuring that this trade would work out?

THANK YOU VERY MUCH FOR YOUR COOPERATION

B) INTERVIEW GUIDE FOR AMERICAN EMBASSY OFFICIALS, MINISTRY OF FOREIGN AFFAIRS OFFICIALS AND SENIOR ACADEMICIANS.

Dear Respondent,

I am called **Tusubira Rebecca** from the Department of Political Science and Public Administration, Makerere University. I am carrying out the Study entitled: "Challenges faced by Ugandan Textile Industries in accessing Duty Free Trade to the USA markets: A case study of AGOA". This is purely an academic study carried out as a requirement for the award of a Degree of Master of Arts (International Relations and Diplomatic Studies). Your information will be treated with the confidentiality it deserves. Please, cooperate by allowing me/my Research Assistant an interview with you. Thank You.

a) Background information.

Name.....

Organisation.....

Title.....

- (i) For how long have you worked in this organization?

b) Post 2000 to 2006 AGOA Preparations

- (i) Comment on Uganda's relationship with the United States
- (ii) What developments did you observe since AGOA was put in place?
- (iii) How did these developments emerge?
- (iv) To what extent, in your opinion, was the Uganda prepared to manage the export of textile?
- (v) What in your view, should the government have done to improve on its preparations for the export to the United States under AGOA?
- (vi) What challenges do you think the government faced during these preparations?
- (vii) Were these challenges avoidable to the government?
- (viii) If YES, how? If No, who/which institution would have helped ease the government's work?

a) Any other Comments

- (i) Please, give any other comments and /or information regarding the failure of export presently in Uganda to the United States.
- (ii) What advice do you give me as a researcher and student researching on Challenges faced by Ugandan Textile Industries in accessing Duty Free Trade to the USA markets: A case study of AGOA.?

THANK YOU VERY MUCH FOR YOUR COOPERATION

C) INTERVIEW GUIDE FOR LABOURERS/ EMPLOYEES OF TEXTILE FIRMS EXPORTING UNDER AGOA.

Dear Respondent,

I am called **Tusubira Rebecca** from the Department of Political Science and Public Administration, Makerere University. I am carrying out the Study entitled: "Challenges faced by Ugandan Textile Industries in accessing Duty Free Trade to the USA markets: A case study of AGOA". This is purely an academic study carried out as a requirement for the award of a Degree of Master of Arts (International Relations and Diplomatic studies). Your information will be treated with the confidentiality it deserves. Please, cooperate by allowing me/my Research Assistant an interview with you. Thank You.

a) Background information.

Name.....

Firm.....

Title.....

- (i) For how long have you worked in this firm?
- (ii) What have you been doing in terms of textile preparations?
- (ii) Apart from sowing, what other activities is do you engage in?

b) Comments on Management

- (i) Do you think the Textile firm made sufficient preparations?
- (ii) If no, how would its preparations have been improved?
- (iii) What is your comment on the Textile firm management during the period that it has been making clothes for export?
- (iv) Which aspects of the textile cycle were poorly managed, in your view? Which were well managed?
- (v) Which activities, in your opinion, should the management have emphasized during these?
- (vi) Compared to other firms in Uganda, how good is this firm basing on the conditions?
- (vii) In your view, do you think the firm can be able to meet with standards set for both the workers
- (viii) Comment on the payment that is to say the wages/salary. Are you paid on time?
- (ix) What challenges are encountered during the sowing / preparation of clothes for export?
- (x) Is there anything the management can do to improve the condition? If YES, what?

Thank you very much for your Cooperation.

Appendince 2: Recommendation Letter