

US Should Reconsider Position on AGOA

Private Sector position: US Advisory unfavourable

On October 23, 2023, the United States Department of State issued a Business Advisory for Uganda where it “inform[ed] U.S. businesses, individuals, and other U.S. persons, including health services providers, members of academic institutions, and investors, of potential risks they may face if they are conducting, or contemplating to conduct, business in Uganda” (US Department of State, October 23, 2023). Similarly, on Monday October 30, 2023, the US President listed Uganda as one of the African countries he intends to get off the list of African Growth and Opportunity Act (AGOA), starting with January 1, 2024. AGOA was enacted on 18th May 2000 and signed into law by US President Bill Clinton. The AGOA legislation has been renewed on different occasions, most recently in 2015, when its period of validity was extended to September 2025.

The Private Sector Foundation Uganda (PSFU) is not happy with the United States Government business advisory and the decision to suspend Uganda’s participation in African Growth and Opportunity Act (AGOA). Uganda has for long been a close partner with the USA in global security in the “Horn and East/Central Africa and in combatting terror, particularly through its contribution to the African Union Mission in Somalia” and peace keeping in South Sudan, Central African Republic, Democratic Republic of Congo among others.

AGOA reports indicate that Uganda exported goods worth US\$174 million and imported \$166 Million in 2022. These numbers create job opportunities for both Uganda and USA citizens. Uganda is also a major tourist destination for US citizens with USA arrivals averaging 50,000 between 2005 to 2017, with 61,775 tourists in 2017, 7100 in 2020, 7571 in 2021 and 13,212 in 2022. We are also partners in the education sector. For instance, “in the 2019-2020 academic year, 318 U.S. students studied abroad for academic credit in Uganda” (US Department of State, 2020).

The decision to suspend Uganda’s participation in AGOA by the United States of America (USA) Government brings about losses to both our private sector player and economies while affecting the USA business more than Uganda. For instance, according to the Organization for Economic Cooperation and Development (OECD) 2021 trade data, USA exported vaccines, blood, antisera, toxins, and cultures (US\$62.3 million), aircraft parts (US\$18.2 million), and laboratory reagents (US\$9.04 million). Both countries have enjoyed an average annualized growth in exports (5.4% for USA and 10% for Uganda) since 1985 (OECD, 2021 data). On the other hand, Uganda exported US\$89.6 million worth of coffee, vanilla, and mushroom spawn among other to the USA.

PSFU wishes to inform the public, development partners and investors both local and foreign that Uganda's business environment and potential investment opportunities in Uganda are favourable. We wish to emphasise that the US business advisory is misguided and does not represent the facts on Uganda's business environment.

For the second time in a row, Uganda has been ranked the 4th in Africa as the Most Favourable Country for Investment according to a 2023 study conducted by Absa Group Limited. According to the report, Uganda was ahead of its neighbours like Kenya, Tanzania, and Ethiopia with bigger economies (Uganda Investment Authority, 2023). Uganda's better performance in investment is premised on her liberal market depth, market transparency, tax and regulatory environment, access to foreign exchange, capacity of local investors, macroeconomic environment/ transparency, and legal standards and enforceability.

In 2022, Uganda's Foreign Direct Investment (FDI) increased by 37% to US\$ 1.4 billion compared to US\$ 911 million in 2021 (Bank of Uganda, 2023) and Specifically for the United States, Uganda received an FDI from the United States worth US\$ 104 million in 2022 which is 13% increase from the US\$ 81 million in 2021 (Bureau of Economic Analysis, 2023). The growth in FDI has been influenced by oil sector project-related spending.

Uganda presents a range of investment opportunities to the US companies given that it is a growing free market economy with an average 5% GDP growth and projected to grow by 6.5% in 2023 and 6.7% in 2024, (Africa Development Bank Group, 2023) has a substantial and rapidly growing consumer market of over 45 million people and with emerging oil and gas industry. Further, the importance of strategic location of Uganda with access to the East African Community (EAC) market of over 300 million people combined with a GDP of US\$ 163.3 billion, Common Markets of East and Southern Africa (COMESA), African Continental Free Trade Area (AfCFTA) with a population of 1.3 billion people and a GDP of US\$ 2.4 trillion cannot be over emphasised.

Conclusively, Uganda's has enjoyed political stability for over 36 years and has a consumer market population of over 45 million people, is a free market economy with a liberal financial system, openness to foreign investment, strong natural resource base, highly competitive labour costs among others offers better investment options.

We therefore appeal to the US government to reconsider this position. We also encourage the Government of Uganda to leverage the diplomatic channels and engage their US counterparts to reverse these private sector damaging decisions.

Choosing to invest in Uganda is choosing the right investment destination.

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