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# Uganda's Lint Export Performance Prior and Subsequent to Trade Liberalization

**Tomson Odongo**

Department of Finance, Makerere University Business School Kampala, Uganda

**Email address:**

tsodongo@yahoo.com (T. Odongo)

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**Abstract:** This study uses trend of available data to explain Uganda's lint export performance in the periods prior and subsequent to Trade Liberalization. The study discovered that average growth rate of lint export from Uganda increased significantly in the period prior to trade liberalization but fell sharply in the period subsequent to Trade Liberalization. The study recommends for promotion of trade within the region to supplement Uganda's lint export to the world market.

**Keywords:** Export Performance, Prior and Subsequent, Trade Liberalization

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## 1. Introduction

The debate on the role of trade policy reforms to economic development has been central in developing countries for most of the second half of the Twentieth Century. The leading opinion during this period favored import substitution strategy of industrialization (Greenaway, Wyn and Wright, 2002). The rationale behind this opinion was that this strategy would support establishment of locally owned industries to replace the major imports of the time. Trade barriers were considered indispensable safety means through which local industries would be sheltered from wide spread competitions in world trade.

Surprisingly, during the 1990s focus of developing countries completely changed in favor of liberalization of international trade and payments (Greenaway, Wyn and Wright, 2002). Trade liberalization was introduced to developing countries as part of the Structural Adjustment Program under International Monetary Fund and World Bank (Balassa, 1983). It became dominant in developing countries and had collectively been used with privatization and deregulation policies to promote better management of fiscal and monetary policies (Pineiro, 2006).

Trade liberalization may mean elimination of all biases against free trade. These include; removal of import tariffs, import subsidies, export duties, exchange rate control and output price distortion (Thirlwall, 2004). Trade biases together with other trade and payment restrictions reduce the levels of transactions and specialization which foster development of

import substitution industries; that often fail to attain degree of efficiency and flexibilities shown by countries exposed to international competition (International Monetary Fund, 1987). There are several measures of trade liberalization in economic literature. Some of such measures include; average import tariff, share of trade to non-tariff barriers, export duties, index of effective protection and relative price distortion (Thirlwall, 2004).

Many earlier studies have explained the association between trade liberalization and export performance of developing countries during the 1980s and the early 1990s. Some of these studies indicate that countries that had embarked on trade liberalization during this period improved on their export performance (Weiss, 1992), (Joshi and Little, 1996) and (Helleiner, 1994). Other researchers on the other hand, found little evidence to uphold the relationship between trade liberalization and export performance of developing countries (UNCTAD, 1989), (Greenaway and Sapsfordin, 1993), (Shafaeddin, 1994) and (Jenkins, 1996). The conflicting evidence on the role of trade liberalization to export performance of developing countries indicated above serves to motivate this study to investigate empirically Uganda's lint export performance in the periods prior and subsequent to trade liberalization.

Cotton is one of the several agricultural export crops which are vital to Uganda's economic growth. It is produced in almost all parts of the country and employs a considerable number of households. Uganda's cotton is of high premium and it is extremely valued by international consumers (Bakunda, 2005).

Cotton is Uganda's fourth largest agricultural foreign exchange earner after coffee, tea and tobacco. It has potential to increase its contribution to the economy through greater foreign exchange earnings, value addition, rural and urban employment creation (Collinson, Kleih and Burnett, 2002). This therefore implies that intervention in the cotton sector is vital for poverty eradication.

Since liberalization of Uganda's cotton industry in 1994, no attempt has been made to explain Uganda's lint export performance in the periods prior and subsequent to trade liberalization. Whereas Bakunda (2005) and Blake, McKay and Morrissey (2001), attempt to explain the association between trade liberalization and Uganda's economy, such attempts are too broad and lack focus on specific details regarding Uganda's lint export performance in the periods prior and subsequent to trade liberalization. This study therefore serves to fill the knowledge gap on Uganda's lint export performance in the periods prior and subsequent to liberalization.

## 2. Background on Uganda's Cotton Sector Performance in the Periods Prior and Subsequent to Trade Liberalization

This section presents the background on Uganda's cotton sector performance in the periods prior and subsequent to Trade Liberalization. This is particularly important to this study because it provides insight on the performance of Uganda's cotton industry in the periods under the review.

### 2.1. Uganda's Cotton Sector Performance in the Period Prior to Trade Liberalization

Cotton was introduced to Uganda in 1903 by the colonial government as both cash and poverty alleviation crop (Bakunda, 2005). Cotton is an annual crop and it is exclusively an export oriented crop with no value addition (Ferris, Jagwe

and Muganga, 2002). These features distinguish it from other agricultural export crops in the country. Cotton dominated Uganda's economy until 1950s when it was superseded by coffee (Bakunda, 2005). During the 1960s, Uganda ranked third among African cotton producing countries after Egypt and Sudan (Ferris, Jagwe and Muganga, 2002).

Cotton is produced in most parts of Uganda but over 60 percent of the crop is produced in areas North and East of River Nile (USAID, 2003). Other areas of the country that are known to be producing plenty of cotton are West Nile region and South Western region. Uganda's cotton production is being carried out in altitude of about 1500 meters above sea level (Ferris, Jagwe and Muganga, 2002). The crop is grown by small scale farmers who operate on an average land holding of 0.5 to 2 hectares (Bakunda, 2005). Uganda's cotton production is dominated by traditional method of cultivation, coupled with rudimentary technology, based on hand hoe as a predominant mode of cultivation.

Cotton fiber is harvested from cotton plant and it is the most valuable component of the cotton plant (Ferris, Jagwe and Muganga, 2002). It represents about 90 percent of the cotton farm value (USAID, 2003). Cotton fiber requires processing to separate seeds from the fiber (Ferris, Jagwe and Muganga, 2002).

Until 1994, Uganda's cotton industry was managed by cooperative movement (USAID, 2003). This was a body corporate established by Act of Parliament to oversee activities within the cotton industry. Four major cooperative unions were created. These include; Lango Cooperative Union, Bukedi Cooperative Union, Teso Cooperative Union and Nyakatonzi Cooperative Union (Bakunda, 2005). In the period between 1960 and 1994, Ministry of Agriculture was responsible for research and cotton seed multiplication. Lint Marketing Board on the other hand, was responsible for lint marketing for the country (USAID, 2003). It also regulated all aspects of the cotton industry.

Table 1: Volumes of Uganda's Lint Export Performance Prior to Trade Liberalization<sup>1</sup>.

| Years<br>(Cotton Seasons) | Export Volumes<br>(Kilogram) | Export Values<br>(USD) | Export Price<br>(USD per Kilogram) | Share of World<br>Price(Percentage) |
|---------------------------|------------------------------|------------------------|------------------------------------|-------------------------------------|
| 1980/81                   | 1,000,000                    | 2,060,000              | 2.06                               | 4.96                                |
| 1981/82                   | 2,000,000                    | 3,740,000              | 1.87                               | 8.70                                |
| 1982/83                   | 4,000,000                    | 6,800,000              | 1.70                               | 10.69                               |
| 1983/84                   | 7,000,000                    | 12,950,000             | 1.85                               | 21.18                               |
| 1984/85                   | 9,000,000                    | 16,020,000             | 1.78                               | 16.85                               |
| 1985/86                   | 6,000,000                    | 7,920,000              | 1.32                               | 11.36                               |
| 1986/87                   | 5,000,000                    | 5,500,000              | 1.10                               | 4.85                                |
| 1987/88                   | 3,000,000                    | 4,440,000              | 1.48                               | 7.13                                |
| 1988/89                   | 2,000,000                    | 2,600,000              | 1.30                               | 15.38                               |
| 1989/90                   | 3,000,000                    | 4,950,000              | 1.65                               | 12.12                               |
| 1990/91                   | 6,000,000                    | 9,600,000              | 1.60                               | 18.30                               |
| 1991/92                   | 9,000,000                    | 12,600,000             | 1.40                               | 20.20                               |
| 1992/93                   | 4,000,000                    | 4,800,000              | 1.20                               | 14.10                               |
| 1993/94                   | 8,000,000                    | 16,480,000             | 2.08                               | 20.80                               |

Source: CDO; Agricultural Policy Committee Reports (1990) and (2001) and Cotton World Statistic September (2003).

<sup>1</sup> Lint export prices from 1980/81 to 1992/93 are in calendar years.

Cooperative Unions had networks of producers and ginning operations throughout cotton growing areas in the country. It also had networks of primary societies scattered throughout cotton growing areas that spanned to the grass root (USAID, 2003). Primary societies managed over 90 percent of cotton farmers in the country and supervised farmers' activities, purchased and distributed farm inputs to local farmers as well as transported raw cotton to ginneries for processing (Bakunda, 2005). In addition, it handled extension and support services in form of demonstration plots.

During the 1980s, Cooperative Unions together with Union Exporters Association set up price stabilization scheme that guaranteed stable farm gate prices in the country (CDO, 1995). This scheme was important because it insulated cotton farmers from wide spread fluctuations in world price and further encouraged improvements in quality as well as quantity of cotton sold during this period.

The overall performance of Uganda's cotton export in the period prior to trade liberalization is indicated in table 1. This table presents cotton seasons export volumes, export values, export prices as well as percentage share of world market price received by Uganda's cotton farmers.

The volumes of lint export from Uganda during this period increased significantly, from 1,000,000 kilograms in 1980/81 to 8,000,000 kilograms in 1993/94. The share of world market price received by Uganda's cotton farmers increased from 4.96 percent in 1980/81 to 20.80 percent in 1993/94. In the period between 1980/81 and 1984/85 the volumes of lint export from Uganda increased considerably, but fell sharply in the period between 1985/86 and 1988/89. The performance of lint export from Uganda in the period between 1985/86 and 1988/89 is possible due to effect of political instabilities in cotton growing areas in the country during this period.

## ***2.2. Uganda's Cotton Sector Performance in the Period Subsequent to Trade Liberalization***

Uganda's cotton industry was liberalized in 1994 following enactment of Cotton Development Statutes to oversee activities within the cotton industry. This period witnessed introduction of various new measures in to the cotton industry. Some of these new measures include; creation of district cotton farmers association to strengthen farmers' access to inputs, credit facilities, extension services and technology. Secondly, Uganda ginneries and cotton exporters association was set up during this period to team up ginneries with cotton exporters in the country (CDO, 2001). Seed buyers' registration was also launched during this period and its responsibility was passed on to district authorities.

In the period following liberalization of Uganda's cotton industry, cooperative societies collapsed. This performance is possible due to high level of competition within Uganda's cotton industry during this period. Such competition however, encouraged domination by private firms of most activities within the cotton industry (Bakunda, 2005). Cotton

Development Organization was set up during this period. It has currently become active in setting out standard for cotton seeds in the country and it distributes seeds to local farmers for planting (USAID, 2003). It is also responsible for announcing cotton prices at the beginning of the cotton season. Its main objective however, is to monitor production and marketing of cotton as well as registration of new entrants in to the cotton industry.

Whereas Cotton Development Organization has become a key sector institution within Uganda's cotton industry, it collaborates with many other public sector bodies like Ministry of Agriculture, Animal Industries and Fisheries, Ministry of Finance, Planning and Economic Development and Plan for Modernization of Agriculture secretariat to strengthen performance within the cotton industry (Collinson, Kleih and Burnett, 2002). All the above stake holders are in collaboration with one another and they provide support to local farmers which strengthen performance within the overall agricultural sector in the country.

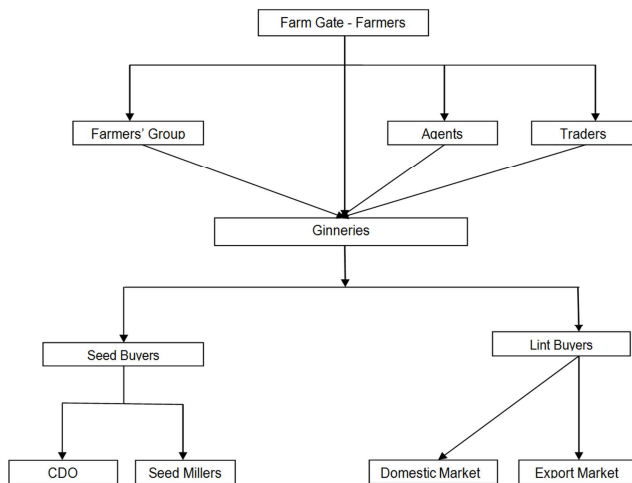
Following liberalization of Uganda's cotton industry in 1994, cotton production in the country increased considerably over the years, from an average output level of 117,294 bales in 2001/02 to 250,000 bales in 2004/05 and it had been projected to reach 1,000,000 bales by the year 2010 (USAID, 2003). By the 2006/07 cotton season, over two million participants were engaged in the cotton industry (Bakunda, 2005). These include; local farmers, ginneries, middle men, oil millers, transporters, exporters and other textile workers in the country. Among the many stake holders in Uganda's cotton industry in the period subsequent to trade liberalization, private sector takes the lead because all activities from production to export are currently being carried out either by private individuals or private firms. By the 2003/04 cotton season, most ginneries and Cooperatives Unions in the country had made joint ventures with private firms in all activities from processing to export (USAID, 2003).

Many considerable strides have been carried out in market building initiatives and economic partnership with various countries within the region as well as those outside the region. In particular, Uganda is a member of World Trade Organization, Cotonou Agreement and African Caribbean Pacific trade initiative (USAID, 2003). Within the region, Uganda is a member of Common Market for Eastern and Central Africa and East Africa Community, (Bakunda, 2005).

In addition to the above partnership, Uganda benefits from several market access initiatives, notably; African Growth Opportunity Act which grant duty free and quota free access to North American market for specific products of which cotton is part. The country also enjoys Generalized System of Preference for market access to Canada and Japan under "Everything But Arms" initiative. The Japan GSP scheme covers both industrial and agricultural products.

Beside the above export opportunities, European Union has decided to do away with every quota and tariffs for all products except arms exported into her market by 49 poorest

countries of which Uganda is a member (USAID, 2003). During the 1995 Trade Policy Review and the subsequent one of 2002, Uganda demonstrated commitment to continue pursuing policies consistent with free trade. These include liberalization of exchange rate, liberalization of marketing system and reduction of undesirable trade barriers. Uganda has also reformed trade policies in various areas in order to undo rigidities that had previously affected the cotton industry. The country has reviewed and adjusted trade agenda in the cotton sector through strategic export initiative (CDO, 1995). Liberalization of markets and privatization of services provide additional opportunities for producers and other operators within Uganda's cotton industry to benefit from other developments in the country (Bakunda, 2005).



Source: Collinson, Kleih, Burnett, Muganga, Jagwe and Ferris, (2005).

**Figure 1:** Lint Market Chain for Uganda Subsequent to Trade Liberalization.

Lint market chain for Uganda in the period subsequent to trade liberalization starts with the local farmers who are predominantly the major players in the cotton industry. The local farmers produce the raw cotton and supply the local market, while farmers' group, agents, cooperative societies

and traders transport the raw cotton to ginneries for processing. It is from ginneries that cotton is packed in to bales, ready for export. A simplified representation of lint market chain for Uganda in the period subsequent to trade liberalization is indicated in figure 1.

It should be realized that cotton ginners in Uganda have never been producing their own cotton; instead they depend on the local farmers for input. The major activities undertaken by cotton ginners in Uganda include; collecting and processing of the raw cotton into lint.

Ginning is a highly specialized process where seeds are separated from the lint. The performance of cotton ginners in Uganda is measured in terms of Ginning Outturn. Average ginning capacity in Uganda over the last five years has had Ginning Outturn of about 35 percent lint, 64 percent seeds and 1 percent waste (USAID, 2003). This performance provides excess ginning capacity for the country.

Whereas Uganda has had excess ginning capacity and high number of ginneries in the country in the period subsequent to trade liberalization, it has been estimated that few large companies account for 50 to 60 percent of cotton processed in the country (USAID, 2003). According to USAID (2003), North Bukedi Cotton Company alone has had ginning capacity of about 91.5 percent. This capacity is enough to cover the whole cotton harvest in most of the years. The total annual ginning capacity in Uganda by 2004/05 cotton season has been estimated to be 61,600,000 kilograms. This translates into 40,000 tons of seeds and 21,600,000 kilogram (116,000 bales) of lint (Bakunda, 2005).

It should also be realized that Uganda's cotton ginners in the period prior to trade liberalization supplied both exporters and the local market. But in the period subsequent to trade liberalization, most of the lint produced in the country has been for export and only limited quantities have been reserved for the local market. This performance is possible due to the collapse of almost all textile industries in the country.

**Table 2:** Registered Lint Exporters in Uganda Subsequent to Trade Liberalization.

| Company                            | Location               | Address            |
|------------------------------------|------------------------|--------------------|
| Dunavant Plexus                    | -                      | -                  |
| Com Trade LTD                      | Agip House, Kampala    | Box 5412 Kampala   |
| Federez (U) LTD                    | Bamunanika             | Box 11615 Kampala  |
| Olam International                 | -                      | -                  |
| Minar Trading Co LTD               | Farmers' House Kampala | Box 8506, Kampala  |
| Mbale Enterprises Ltd              | Lira, Odokomit         | Box 1286, Kampala  |
| North Bukedi Cotton Co. Ltd        | Mbale                  | Box 2496, Kampala  |
| Rautogrove Ltd                     | Nkrumah Road, Kampala  | Box, 5101, Kampala |
| Tradex Ltd Makwana                 | -                      | Box 3373, Kampala  |
| NG. General Ltd                    | -                      | Box 1216, Kampala  |
| Burrowdon Trading Ltd              | Kenya                  | Box 43380, Nairobi |
| S.W. Nile Cooperative Union Ltd    | Nebbi                  | Box 33, Pakwach    |
| Union Export Services (UNEX)       | UCA Building, Kampala  | Box 7455, Kampala  |
| South Bukedi Cooperative Union Ltd | Tororo                 | Box 101, Tororo    |
| Bauman Hinde                       | United Kingdom         | Gordon House (UK)  |
| Paul Reihhert                      | -                      | -                  |
| Bon Buildings                      | -                      | Box 30573, Kampala |
| Balawoli Cotton Ginnery            | -                      | -                  |

Source: Cotton Development Organization.

Lint exports from Uganda are carried out in bales. Some of these exports go to the regional market. These include Kenya, Zimbabwe, Swaziland and South Africa, while others go to European and American market. But lint export within the region has declined substantially over the years, although most of the intra-regional trades in agricultural products are still unrecorded (Bakunda, 2005).

United Kingdom has been the major importer of Uganda cotton following liberalization of the cotton industry. This is followed by Switzerland and Kenya. Others are Germany, Portugal, Italy and the Far East (CDO, 1995), (Collinson, Kleih and Burnett, 2002). Registered lint exporters in Uganda in the period subsequent to trade liberalization are indicated in table 2.

Whereas Uganda receives quite a huge number of

investors of both domestic and foreign origin in processing and export of cotton in the period subsequent to trade liberalization, none of these investors are engaged in cultivation of seed cotton in the country. This performance is partly possible due to high costs involved in cultivation of seed cotton in the country. Activities undertaken by cotton farmers in Uganda include; planting, weeding, pruning as well as picking the raw cotton and finally sorting them before sales.

The Uganda's lint export performance in the period subsequent to trade liberalization is indicated in table 3 below. This table indicates; cotton seasons, lint export volumes, lint export values, world market price as well as percentage share of world market price received by Uganda's cotton farmers.

*Table 3: Volumes of Uganda's Lint Export Performance subsequent to Trade Liberalization.*

| Years<br>(Cotton Seasons) | Export Volumes<br>(Kilogram) | Export Values<br>(USD) | World Price<br>(USD per Kilogram) | Share of World Price<br>(Percentage) |
|---------------------------|------------------------------|------------------------|-----------------------------------|--------------------------------------|
| 1994/95                   | 6,095,238                    | 12,800,000             | 2.10                              | 57                                   |
| 1995/96                   | 10,439,394                   | 20,670,000             | 1.98                              | 50                                   |
| 1996/97                   | 20,478,495                   | 38,090,000             | 1.86                              | 48                                   |
| 1997/98                   | 5,921,788                    | 10,600,000             | 1.79                              | 50                                   |
| 1998/99                   | 15,172,619                   | 25,490,000             | 1.68                              | 39                                   |
| 1999/00                   | 21,641,791                   | 29,000,000             | 1.34                              | 34                                   |
| 2000/01                   | 18,500,000                   | 27,750,000             | 1.50                              | 36                                   |
| 2001/02                   | 22,200,000                   | 17,760,000             | 0.80                              | 58                                   |
| 2002/03                   | 20,350,000                   | 24,420,000             | 1.20                              | 48                                   |
| 2003/04                   | 29,600,000                   | 44,400,000             | 1.50                              | 61                                   |
| 2004/05                   | 46,987,500                   | 37,590,000             | 0.80                              | 64                                   |
| 2005/06                   | 18,863,637                   | 20,750,000             | 1.10                              | 64                                   |
| 2006/07                   | 24,790,000                   | 27,269,000             | 1.10                              | 64                                   |
| 2007/08                   | 27,750,000                   | 33,300,000             | 1.20                              | 65                                   |
| 2008/09                   | 17,000,000                   | 20,400,000             | 1.20                              | 62**                                 |

Source: Cotton Development Organization (<http://www.cdouga.org/>), Cotton World Statistics September (2010) (ICAC); \*\* Projected.

The volumes of lint export from Uganda in the period subsequent to trade liberalization increased significantly, from 6,095,238 kilograms in 1994/95 to 17,000,000 kilograms in 2008/09. The values of lint export from the country during this period increased from United States Dollar 12,800,000 in 1994/95 to United States Dollars 20,400,000 in 2008/09. The share of world market price received by Uganda's cotton farmers increased from 57 percent in 1994/95 to 62 percent in 2008/09.

Despite significant performance in the share of world market price received by Uganda's cotton farmers in the period subsequent to trade liberalization, the volumes of lint export from the country fell sharply in the period subsequent to 2004/05 cotton season. The decline in the volumes of lint export from Uganda in the period subsequent to 2004/05 cotton season is possible due to low performance in lint output levels in the country during this period.

### 3. Data Type and Sources

The data type for this study is secondary. These include; volumes of lint export, values of lint export, lint export prices (United States Dollars) and percentage shares of world

market price received by Uganda's cotton farmers.

The data sources for this study are Cotton Development Organization and Bank of Uganda. The study uses annual data series dating from 1980 to 2009. The data series dating from 1980 to 1993 capture performance of lint export in the period before trade liberalization while the data series dating from 1994 to 2009 capture performance of lint export in the period subsequent to trade liberalization.

Descriptions of data set have been carried out in this study to provide insight on their characteristics. This is particularly important to this study because it provides quick understanding of the contributions of each an every data set to the overall results in the study.

#### 3.1. Volume of Lint Output

This indicates production capacity of the cotton industry in the period subsequent to trade liberalization. It also represents internal shocks to the cotton industry during this period. Increase in the volumes of lint output indicates improvement in production capacity of the cotton industry. While a fall in the volumes of lint output indicates reduction in production capacity of the cotton industry. It has been assumed in this study that performance of lint output in the

period subsequent to trade liberalization also affects farm gate price. Data on lint output has been obtained from annual series of lint output.

### 3.2. Value of Lint Export

This captures performance of lint export in the period subsequent to trade liberalization. Data on values of lint export has been obtained from a product of annual series of volume of lint export with its corresponding world cotton price but expressed in local currency. It has also been assumed in this study that performance of world cotton price in the period subsequent to trade liberalization affects the volumes of lint export.

### 3.3. World Cotton Price

This represents external shocks to the cotton industry in the period subsequent to trade liberalization. It has been assumed in this study that shocks from world cotton price in the period subsequent to trade liberalization exogenously determine farm gate price but through the exchange rate. Data on world cotton price has been obtained from annual series of world cotton price.

### 3.4. Domestic Lint Consumption

This captures volumes of lint consumed locally in the country in the period subsequent to trade liberalization. It has been assumed in this study that a higher volume of domestic lint consumption implies a lower volume of lint export. While a lower volume of domestic lint consumption implies a higher volume of lint export.

## 4. Data Estimation Technique

This study uses excel software to analyze the data. The study carried out trend analyses on the available data in the study to explain Uganda's lint export performance in the periods prior and subsequent to trade liberalization.

## 5. Presentation and Discussions of the Results

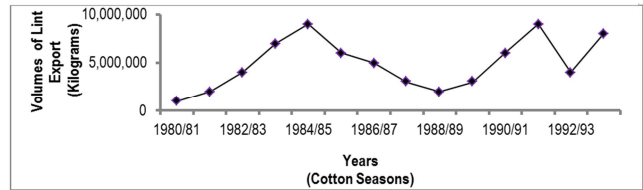
The results in this study indicate Uganda's lint export performance in the periods prior and subsequent to trade liberalization. The performance of lint export from Uganda in the period prior to trade liberalization is indicated below.

### 5.1. Trend of Uganda's Lint Export Prior to Trade Liberalization

The trend of Uganda's lint export in the period prior to trade liberalization is indicated in figure 2. This figure indicates unfavorable performance in the trend of lint export from Uganda in the period between 1985/86 and 1988/89.

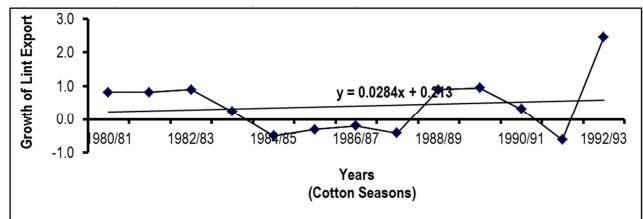
Despite having unfavorable performance in the trend of lint export from Uganda in the period between 1985/86 and 1988/89, average growth rate of lint export from the country

in the period prior to trade liberalization increased significantly, by 2.84 percent per annum. This performance is indicated in figure 3.



Source: Author's Analysis based on data from table 1.

**Figure 2:** Trend of Uganda's Lint Export Performance Prior to Trade Liberalization.



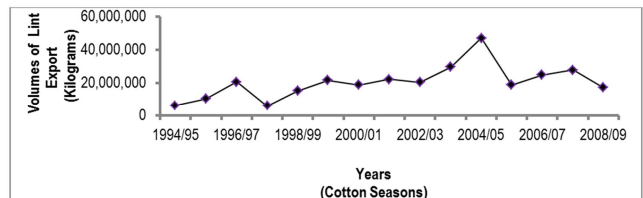
Source: Author's analysis based on data from table 1.

**Figure 3:** Average Growth Rate of Uganda's Lint Export Prior to Trade Liberalization.

The increase in average growth rate of lint export from Uganda indicated in figure 3 above provides an impression that Uganda's lint export performance in the period prior to trade liberalization has been significant over time.

### 5.2. Trend of Uganda's Lint Export Subsequent to Trade Liberalization

The trend of Uganda's lint export in the period subsequent to trade liberalization is indicated in figure 4. This figure indicates that the volumes of lint export from Uganda in the period subsequent to trade liberalization fell sharply in the period subsequent to 2004/05 cotton season. The decline in the volumes of lint export from Uganda in the period subsequent to 2004/05 cotton season is possible due to low performance in lint output levels in the country during this period.



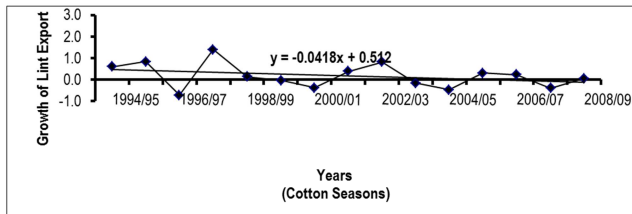
Source: Author's analysis based on data from table 2.

**Figure 4:** Trend of Uganda's Lint Export Subsequent to Trade Liberalization.

The low performance in lint output levels in the country indicated by performance in lint export in the period subsequent to 2004/05 cotton season could be due to seasonal factors as well as political instabilities prevailing in the country during this period.

Regardless of improved performance in the trend of lint

export from Uganda in the period prior to 2004/05 cotton season, average growth rate of lint export from the country in the period subsequent to trade liberalization declined significantly, by 4.18 percent per annum. This performance is indicated in figure 5 below.

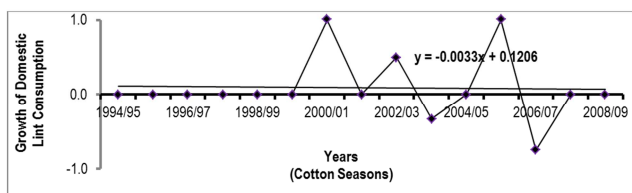


Source: Author's analysis based on data from table 2.

**Figure 5:** Average Growth Rate of Uganda's Lint Export following Trade Liberalization.

The decline in average growth rate of lint export from Uganda indicated in figure 5 above provides an impression that Uganda's lint export performance in the period subsequent to trade liberalization has been insignificant over time.

Despite the decline in average growth rate of lint export from Uganda in the period subsequent to trade liberalization, the growth of domestic lint consumption in the country during this period also declined, by 0.33 percent per annum. This is indicated in figure 6.



Source: Author's analysis based on data from Cotton World Statistics (International Cotton Advisory Committee) September (2010).

**Figure 6:** Growth of Domestic Lint Consumption Subsequent to Trade Liberalization.

The performance in figure 6 indicates that the decline in average growth rate of lint export from Uganda in the period subsequent to trade liberalization has not been caused by domestic lint consumption but it has rather been caused by other operating factors in the economy. Such factors may include fall in domestic lint demand and consequently export resulting from world demand shocks.

## 6. Concluding Remark

This study presents Uganda's lint export performance in the periods prior and subsequent to trade liberalization. The study discovered that average growth rate of lint export from Uganda in the period prior to trade liberalization increased significantly over time but fell sharply in the period subsequent to trade liberalization. The performance of Uganda's lint export in the period subsequent to trade liberalization was in the offering despite decline in domestic lint consumption.

## 7. Policy Implication

The study recommends for promotion of trade within the region to supplement Uganda's lint export to the world market. The decline in average growth rate of lint export from Uganda in the period subsequent to trade liberalization may not be a short run phenomenon. It may persist for some time. This performance can be checked by availability of alternative market that can only be provided by the regional market. Ignoring the need for the regional market for Uganda cotton is like disregarding the life line condition for the overall cotton sector in the country.

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