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12 November 1997

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Minister of Finance
Ministry of Finance
KAMPALA

VALUE ADDITION TO OUR PRODUCE

Reference is made to our Cabinet Meeting of 3 November, 1997, held in Masaka.

In that Meeting, I brought to Cabinet, three containers of Instant coffee;

1 A plastic container with a capacity of 100 grams of blended coffee *(Robusta/Arabica)* originating from Uganda but processed abroad and costing U.S $14;

2. A glass container of 100 grams of coffee from Colombia and worth U.S $7 in U.K.;

3. A paper container with a capacity of 250 grams of Uganda's *Robusta* coffee but ground in France and sold at U.S $7.

Let me remind you, again, that 100 grams is 10 per cent of a Kilogram of soluble coffee and to get 1Kg of soluble instant coffee, one needs 2.5 Kilograms of coffee beans. How much would a kilo of soluble coffee earn if 100 grams earn U.S $7 in London? By multiplying U.S $7 ten times we come up with U.S $70.

During our meeting, we found out that 2.5 Kilograms of coffee beans is needed to process one kilogram of soluble coffee. However, according to the current rates, a kilogram of soluble coffee only gives U.S $1.3 to the Ugandan exporter.

Therefore, the 2.5 Kilograms of soluble coffee, would only give us U.S $ 3.25. Hence, our product that gives us a *miserable* U.S $3.25 gives our foreign "Partners-in-development" U.S $70, twenty one times more than what we get out of it. This is outrageous!! We need to control this flabbergasting situation of the value lost to the European Countries. In addition to this *massive robbery*, the Country loses employment opportunities and other services through this processing of coffee abroad.

It is, indeed, infuriating to note that a lot of time is spent on drafting and discussing a multiplicity of papers like the "Position Paper" and many other documents, without putting enough emphasis on the *massive robbery*, alluded to earlier.

It is true that some of the so called "Structural Adjustment" measures help in "creating an environment" that is healthy for investment if utilized for "investment" rather than for convenient evacuation of unprocessed raw-materials (liberalization) and earnings of foreign based companies (convertibility of currency). I must admit that the above measures do ease the work of farmers through prompt purchase of their crops and the exporters through liberalisation as well as 100 per cent forex retention but they do not address the historical question of massive loss of value by Africa to Europe as demonstrated above.

What I said about coffee, is true of cotton, fruits, beef and other produce, with the difference that many of them like Uganda beef, never get exported at all – not even at the slave prices quoted above.

Therefore, the so called Least Developed Countries (LDCs) are characterized by two major factors among many:

i) Massive loss of value to the G-7s and;

ii) Massive under-diversification of its export potential (narrow and incomplete diversification) like in the case of Uganda.

What is amazing is that our planning and financial machinery has never addressed this strategic disadvantage.

When we were still in the bush, the National Resistance Movement (NRM) enunciated the Ten-Point Programme. Point Number five of this Programme tasked us with "**Building an Independent, integrated and Self-Sustaining National Economy**".

Inspite of the clear guidance, Uganda, eleven years after the NRM Government came into power, is still exporting raw materials in a narrow range of areas. This is what is responsible for problems in (i) and (ii), above.

I, supported by a few colleagues, but not the system, have personally made efforts to monetize a few sectors and several of them have joined the Export sector. In 1986, Fish had a zero export capacity but now it is U.S $100 million; Milk; Horticulture; Soap; Tea and Beer have also been monetized. However, there are so many other areas that have not been tapped like beef, fruits, forest products, minerals and others.

What does our financial and planning machinery spend time on? Apart from the Macro-Economic Stabilisation measures, they spend all their time and efforts on getting "Import-support Funds", "Debt Forgiveness", and less time on Infrastructure (*you remember my quarrel with them on roads).*

I am aware that the Macro-Economic Stabilisation creates a conducive "environment" by controlling inflation. However, if the environment is not used to plant, there will be no harvest. Some crops may grow by themselves (Private enterprise, market forces), but without deliberate planting, there will be no bountiful harvest.

Therefore, this slavery role of Uganda will have to end! Ugandan products, processed into finished goods, must be linked with the consumers through the super-markets in Europe, America, North Africa, the Middle-East and through bi-lateral arrangements with countries like India, China, Russia and Japan. To speed up this process, we should try to work with the multi-nationals like Nestle, etc. However, using our Uganda Asians, we should be ready to move by ourselves if the multi-nationals try to obstruct us although I do not believe that myself. Most likely, it is our officials who have been obstructing the multi-nationals.

Finally, we cannot content ourselves by smearing our faces with nice creams and waiting to be noticed by the foreign investors, who currently, have to a lot of other opportunities in the world to choose from. The Ugandan state, using tax revenue money, but in partnership with private companies, should start these deliberate investments in priority sectors. Within a few years, if we implement these measures, Uganda will not need "Import Support", "Debt-Forgiveness", etc. The value we lose far exceeds these petty sums being talked about. We have doubled the amount of coffee we export from 2 million bags to 4.5 million bags, making Uganda the Number One exporter of coffee in Africa. Our export earnings, however, have remained around U.S $400million.

If, however, we process coffee to a soluble stage, our earnings will more than quadruple. If we repeat this in respect of cotton and other crops, Uganda will no longer be a borrower country.

Yoweri K. Museveni
PRESIDENT

cc: H.E. Vice President

cc: Rt. Hon. Prime Minister

cc: Honourable Ministers

cc: Honourable Ministers of State