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UGANDAN-AMERICAN ECONOMIC RELATIONS: FROM INDEPENDENCE TO THE 1971 MILITARY COUP

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Abstract
American economic interests in South, Central, and East Africa constitute a significant but not overwhelming portion of the United States' foreign trade and investments. This region serves as a crucial supplier of strategic materials, including diamonds, cobalt, chromite, manganese, copper, and sisal, which are vital to the free world. The United States heavily depends on these resources, along with a variety of minerals and agricultural products. Consequently, the primary objectives of the United States in this region are to safeguard its economic interests and counteract communist influence.

Keywords: United States, Uganda, American investments, military coup, coffee exports, cotton exports

Introduction

The United States did not harbor significant sensitive geopolitical or commercial interests in Uganda, although several American companies engaged in profitable ventures within the country, particularly during President Idi Amin's tenure (1971-1979). Consequently, the U.S. government adopted a stance of political neutrality, refraining from meddling in Uganda's internal political affairs, while administering a modest economic aid program and soliciting Uganda's backing on various matters at the United Nations. Concurrently, Ugandan authorities pursued a policy of non-alignment, enabling them to critique US actions such as its involvement in Vietnam, while simultaneously urging the United States to expand its developmental support and bolster Uganda's international standing to distance it from influences of the Soviet Union and China.

Ugandan-American economic relations from independence to the 1971 military coup

American economic interests in South, Central, and East Africa accounted for a relatively modest percentage of US foreign trade and investment. In 1958, this region accounted for only 2.2 percent of US trade (about $650 million), with US investments in the region amounting to about $450 million, the bulk of which is located in the Union of South Africa, where most American economic interests lie. The region is a major source to the free world of strategic materials such as diamonds, cobalt, chromite, manganese, copper, and sisal. The United States relies heavily on the region to obtain these materials, in addition, It obtains many minerals and other agricultural products

The general goals of the United States in this region were to preserve its economic interests and eliminate communist control over it. Therefore, the strategy of the United States of America depends on

A. Reducing communist influence; B. Organized economic development and political progress towards self-determination for the countries of the region in cooperation with the free world; C. Access to military rights, facilities, and strategic resources that may be required in US national security interests. The United States supported regions gaining independence (1) to make the maximum contribution to their economic development, (2) to remove barriers to trade and investment, (3) to take measures capable of attracting the maximum amount of external private capital, and (4) to primarily look to Western Europe, international financial institutions of the free world, and private investment to meet their external capital needs as long as this is consistent with the security interests of the United States of America.

The United States encouraged businesses and the free world to participate more actively in the development of the economies of these countries by expanding trade and investment, seeking to deny or restrict exports of strategic goods from these regions to the Sino-Soviet bloc by the U.S. economic defense policy, and advancing the expanded efforts of American private enterprise in the areas of education, training, and research in East Africa.

American policy focused on Uganda, which was essentially a bourgeois commercial society for Africans, Europeans, and Asians, but in reality, it gave the largest share to the Africans at the expense of the European settlers, who were more interested in academic or university ties. So, the Africans established their chamber of commerce. They also owned a large number of shops and established cooperative societies and a wealthy class emerged from them. Therefore, Uganda did not witness any political revolutions in the period following World War II amidst this feudal African system and commercial prosperity, in addition to a colonial government working to support the feudal authorities.

The Ugandan economy relied on two crops, as coffee and cotton are considered two of the main crops, and occupy an important place in the country's trade and economy. Coffee represents about 47% of the value of Ugandan exports, and cotton about 26% of exports. So, Uganda is completely dependent on these two crops as exports, securing the imports it needs and serving as a major source of hard currency.

The United States purchased more than 20 percent of Uganda's immediate post-independence exports, and despite the importance of this trade, Uganda often found itself at odds with the United States. In late 1964, for example, the Uganda People's Congress (UPC) issued a statement condemning US participation in the Stanleyville raid in Congo (now Zaire), and the Ugandan press and parliament then debated the political costs of accepting US aid and whether Washington had adopted a neo-colonial policy in Africa.

Uganda was also skeptical of American investment. In 1964, a delegation of businessmen from the United States visited Uganda. The then Ugandan Minister of Trade, Mayanja-Nkanji, welcomed them but warned them that there were regulations under which they would operate to ensure that profits would not be repatriated. At that time, foreign investment was seen as a channel for economic exploitation, according to the principles of capitalist economics. Investment aimed to generate public relations, and capitalist countries invested abroad for this purpose. However, African leaders considered the repatriation of these profits tantamount to exploitation. This suspicion of American investment was reflected in the Minister's aforementioned statements, while the United States viewed Uganda as a place for investment opportunities, Uganda viewed such investment with suspicion.

The presence of the United States in Uganda has become clear in many ways, as it is the main market for exports and one of several sources of economic and technical assistance. The value of cash crop exports from East African countries to the United States in 1966 amounted to \$84.7 million, and the value of exports to these countries amounted to \$38 million, of which \$22.7 million represented agricultural products, especially from Uganda.

Uganda's foreign trade relied heavily on the export of a small number of agricultural semi-finished items and the import of capital and intermediate products, investment capital, and many consumer goods. Prices generally fell about import prices in 1966, but the balance of merchandise trade consistently showed a surplus. Independent governments pursued policies designed to reduce the country's exposure to fluctuations in world market prices by diversifying exports. Although coffee and cotton accounted for more than 75 percent of foreign export earnings, the economy's vulnerability to changes in the individual commodity market has been reduced to some extent, with the increasing importance of basic products such as copper, tea, and animal feed. The level of export earnings, particularly from coffee and cotton, remains the most important factor in determining national income, ranging from 44 to 50 percent of Monetary GDP at current prices. Investing these profits in the local economy or spending them on locally produced goods and services has a secondary effect on national income. Therefore, the effects of an increase or decrease in export income are multiple, leading to a secondary expansion or contraction of different sizes in income, at the national level, employment level, government revenues, local capital formation, and import of capital goods.

In 1966, Uganda was the sixth-largest coffee exporter in the world (after Brazil, Colombia, Angola, Mexico, and Ivory Coast). Coffee production during the 1964-1965 crop season reached 2.4 million bags, while in 1965-1966 it was 2.6 million. In 1966-1967, it was 2.4 million, while Uganda’s coffee production in 1967-1968 was estimated at 2.5 million bags (60 kilograms per bag). Most of its exports of this material went to the United States of America.

In 1966, Uganda became the fourth-largest cotton producer in Africa after Egypt (2 million bales), Sudan (890,000 bales), and Tanzania (360,000 bales). Cotton production in Uganda in 1966 reached 335,000 bales (400-pound bales), but bad weather conditions caused the 1966 crop to decrease by more than 35,000 bales from 1965, which was 370,000 bales. The 1967 crop was estimated at 5,000 bales. Cotton has been grown in Uganda for more than half a century and has been a major export crop for some time. The average yield per acre for down cotton is 80 pounds - the lowest in Africa - compared with 450 to 500 pounds per acre in the United States, mainly due to the failure of farmers to adopt improved farming practices. Virtually all cotton in Uganda is grown on thousands of small African farms, in addition to exporting moderate quantities of tea, sugar, cottonseed, leather, and vegetable oils. American companies were the main suppliers of Ugandan goods based on the United States' foreign policy towards Africa, aiming to link the Ugandan economy with the United States of

America. For Americans, the Ugandan economy served as a factor of investment for American capital and a means of exerting political pressure against governments when necessary.

Agriculture, mainly subsistence farming, represents more than 95 percent of the population, which is increasing at a rate of 2.5 percent annually. Uganda, a landlocked country, is largely self-sufficient in agriculture and food needs, and the country does not have problems with food shortages. Land at this time, with agricultural activities accounting for about 6 percent of GDP and 8 percent of total exports, and in 1966, GDP was $686 million - $89 per capita for a population estimated at 7 million

The main structural weakness of the Ugandan economy is its dependence on world market prices for coffee and cotton. There is an urgent need to establish and develop agribusiness enterprises to supply consumer products to the expanding domestic market. It is necessary to reduce the drain on foreign exchange earnings by expanding the export base, including This includes primary products and manufactured goods, as the multiplier effect of expanding the export base would expand and diversify the supporting local industries and services

Agricultural products constituted a major sector of Uganda's total export trade, accounting for 80 percent in 1965 and 82 percent in 1966. During 1966, coffee and cotton represented 65 percent of Uganda's total export earnings, so the United States of America was Uganda's best customer, it received about 25 percent of the total value of exports in 1966, as it bought about 40 percent of Uganda's coffee exports in 1966, as coffee exports to it were of the utmost importance to the United States, because The main source of hard currency in the form of dollars required to the country, while agricultural exports to Kenya and Tanzania, especially sugar, vegetable oils and tobacco, represent about 15 percent of the total value of annual exports, and other major customers for Uganda’s exports in 1966 were the United Kingdom and West Germany.

The industrial sector in Uganda began to develop due to the country's need for manufactured products. The total value of imports in 1966 was $170 million, with manufactured agricultural products constituting $22 million, or 13 percent of the total. Wheat and grains, including flour, made up approximately 3.3 percent of imports, with the largest share of agricultural imports coming from Kenya and Tanzania. Only about 2 percent of Uganda’s annual imports came from the United States. However, agricultural imports from the United States were expected to increase significantly due to Uganda's need for products such as wheat, powdered milk, and canned fruits and vegetables.

USAID and its predecessor agencies authorized approximately $28 million in grants and $21 million in loans to the country through mid-1967. Additionally, the United States provided more than 130 million shillings in aid to Uganda, with a focus on agriculture and education. Nearly 80 million shillings were specifically allocated to agricultural projects such as cooperative movement development, extension education, and animal husbandry. Education aid totaling approximately $12 million primarily supported secondary education and teacher training. Other projects funded through US aid included public service training, a revolving loan fund for agriculture and industry, and feeding refugees through the Food for Peace program. Furthermore, funds were allocated for teachers in Uganda, Peace Corps programs, and the purchase of machinery and equipment for industrial and agricultural enterprises by the state-owned Uganda Development Corporation.

By the end of May 1967, the government had issued approximately 70 certificates of approval covering total planned foreign investment of approximately Sh200 million, of which Sh90 million had already been invested. Of the total planned investment, about 47 percent was in mining, chemicals, and water development, with 13 percent each in textiles and miscellaneous industries. Real estate finance and development companies accounted for 10 percent, agriculture for 9 percent, hotel development for 5 percent, and the steel and machine tool industry for 3 percent. Investment guarantees were specifically entered into with the United States under the auspices of USAID to protect US investment in Uganda against non-commercial risks such as expropriation, non-convertibility of currency, and loss due to war, revolution, or rebellion. Extended risk warranties covering up to 75 percent of political and commercial risks were also available to safeguard American investors' rights.

In 1968, Uganda reduced its dependence on imported goods for some needs, but imports still comprised about 33 percent of cash GDP. Certain import categories declined as agricultural self-sufficiency increased, alongside domestic production of previously imported light manufactures and consumer goods. Imports shifted toward capital and intermediate goods that couldn't be locally produced. Export revenues and internal financing met investment needs for both private sector and government development programs. However, the government sought additional resources abroad through foreign private investment, with public and private foreign sources expected to provide over a third of total financing for the Second Five-Year Plan (1966-1971). Foreign aid aimed to cover over half of public sector development spending.

American companies played a significant role in Uganda's private sector, especially in industry. Legislation ensured investment security and provided an economic framework for private companies' establishment and growth. Under the Ugandan and Foreign Industrial Compact (Investment Protection Act), US businesses could be recognized as approved enterprises through agreements with the government. These agreements were to foster economic growth while protecting foreign property from nationalization or expropriation, with prompt compensation in foreign currency. Enterprises approved under the Industrial Charter received initial investment bonuses, tax deductions, government assistance, and, when necessary, customs protection and duty-free imports. The Foreign Investment Protection Law allowed foreign investors to transfer profits abroad after taxes, along with invested capital if projects were sold.

Relations with Uganda were mainly economic, with US sales of transportation equipment and manufactured materials making up less than five percent of Uganda's imports. Purchases of Ugandan coffee, valued at about $45 million in 1969, made the United States a major customer. Approximately $10 million of US direct private investment in Uganda focused on oil marketing, banking, and insurance. Bilateral assistance averaged $4 million annually for education, public administration, and agriculture.

In the 1970s, Uganda escalated state control over economic activities and excluded foreigners from the cash economy. Legislative acts in May 1970 authorized the government to acquire

60% of capital in key industries like oil, insurance, banking, and plant industries. This adversely affected many private companies, including 24 owned by foreigners, mostly Americans. Uganda planned to exclude companies from future profits within 15 years and restricted commercial activities for non-citizens to gradually limit their employment in certain areas. The government reviewed policies on migrant workers due to increased population and foreign control over economic activities.

In 1970, Uganda imposed temporary controls on payments between Uganda and its partners in the East African Community, Kenya, and Tanzania. Currency movements were restricted, and all Ugandan currencies outside the country were declared non-convertible. The Ugandan authorities stated that the controls aimed to prevent capital flight. Before nationalization, government participation in the economy mainly included investments in manufacturing and mining certificates by the government-owned Uganda Development Corporation (UDC). The primary role of the UDC was to provide funds when private money was insufficient. As a result, agriculture accounted for about 60% of GDP, 75% of export earnings, and supported 90% of the population.

Many of the 84 companies affected by Ugandan actions have reached agreements, at least in principle, on partnering with the government. However, the US-owned Mobil Oil Company may be an exception due to a lack of alternatives in the country. None of the 24 foreign companies refused government participation. Most of the remaining 60 companies agreed to the 60/40 arrangement, with government participation except for the oil industry, where the government agreed to a 50% share. Management of nationalized companies is entrusted to the Uganda Development Authority, but effective management transition takes place gradually due to resource and manpower limitations. Nationalized companies may also receive liberal compensation for seized assets, although payments are expected within 15 years.

The government negotiated agreements guaranteeing installment payments, ensuring loan repayments and future profits transferred abroad in convertible currency. The main outstanding issue is valuation, with a government committee evaluating company records. Eight American companies, including Esso, Caltex, and Mobil, with operations limited to marketing, were affected by a total investment of about $10 million. In May 1970, the Ugandan government partially nationalized many foreign companies, including US companies. By the end of 1970, negotiations were ongoing with others.

In 1970, Uganda nationalized foreign companies operating in the country and explicitly declared support for socialism. Some nationalized companies had American capital, such as Shell BP, Caltex Oil, BAT, and Anglo-America Insurance Company. Uganda adopted a national charter to exploit the country's resources for the benefit of all its people, emphasizing development and equitable resource distribution. While the United States believed in individual enterprise and market economics, Uganda practiced public enterprise and command economics.

On May 1, 1970, Uganda announced its decision to acquire 60% ownership of all commercial banks and the most important private companies in manufacturing, mining, agriculture, and transportation. At the same time, trade was completely nationalized, and measures were announced to limit the commercial activities of foreigners and replace migrant labor with

Ugandans as soon as possible. In general, foreign companies approved partnerships with the government. This occurred in conjunction with the overthrow of President Obote on January 25, 1971. Although the new military leaders cited high taxes, rising consumer prices, and a growing wealthy class among their justifications for the coup, the nationalization measures themselves were not affected. A memorandum explaining the background and progress of Ugandan nationalization outlined its economic effects in Uganda and the East African Community.

US economic relations with Uganda were not extensive. At its peak in 1971, the US contribution to the Ugandan economy included approximately $100 million annually. When the military overthrew Obote's government in January 1971, the United States became Uganda's major trading partner. However, Ugandan-American relations began to deteriorate after the coup due to the policy of President Amin and ended with the closing of the American embassy in Kampala in 1973. Nevertheless, economic relations were not affected, as American companies continued to supply the military government with the necessary equipment for the army and intelligence agencies of Uganda and to purchase large quantities of coffee.

Uganda's economy declined after the military coup due to war and administrative corruption, primarily stemming from the mismanagement of President Idi Amin and the government's plundering of all economic assets. During the early years of his rule, President Amin systematically confiscated almost all industry in the country, leading to neglect and underdevelopment exacerbated by the exodus of experts, expatriates, and qualified Ugandans, largely as a result of President Amin's policy of exclusion and displacement.

After the coup, cash crop cultivation in Uganda stagnated as farmers faced low prices and insufficient foreign exchange allocation for agricultural tools and fertilizers. Consequently, most farmers reverted to growing subsistence crops rather than producing goods for export. The state-sponsored what remained of the retail trade, yet shops lacked stock, warehouses were stripped, and there were no goods left for sale in the Ugandan market abroad.

The economic factor played a significant role in US-Uganda relations, influencing trade and investment dynamics. During the Cold War period from 1962 to 1971, trade between the United States and Uganda mirrored that with neighboring countries in the East African region. While the United States typically eschewed direct investment as an industrialized country, its foreign policy aimed to export capital through loans and investment opportunities. However, direct investment in sub-Saharan Africa, particularly in Uganda, remained minimal and deficient. This aspect is highlighted in the table below.

Table No. (1): American investment in Uganda and its neighbors 1966-1971 (value in millions of US dollars)( )

1971	**1970**	**1969**	**1968**	**1967**	**1966**	**Country**
*	*	*	2	*	*	Uganda
1	8	1	4	1	2	Kenya
2	1	*	*	1	*	Tanzania
16	6	1	2	1	*	Zaire

*The values here were less than 1% of $1 million

This table illustrates the limited interest American entrepreneurs had in Uganda from 1966 to 1971. By the end of 1967, foreign direct investment into Uganda totaled $48 million, with only $2.02 million (4.2%) originating from American sources. In contrast, for Kenya, the figure stood at $14 million, equivalent to 8.4% of the total foreign investment in that country.

Footnotes

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( )Stanleyville Raid: During the Cold War, the United States and the Soviet Union supported opposition factions in Africa. In 1963-1964, various tribal rebellions broke out against the central government in the Congo. The largest of these were the Simba rebels. In August 1964, the Simba family seized the main city of Stanleyville and declared a new country called the People's Republic of the Congo, with Stanleyville as its capital. This new state received support from the Soviet Union and China, which supplied it with weapons and military advisors. After seizing Stanleyville, the rebels declared that all Americans, and later all Europeans, would be held as prisoners.

By late 1964, the central government in Leopoldville, with the support of Western powers, launched several successful military operations against the communist-backed Simba rebellion. Fearing certain defeat, the Simba rebels resorted to taking local white residents hostage in areas under their control. The Stanleyville raid and its bloody aftermath provoked protests in Africa, where the mercenaries' atrocities were condemned. Ghana, Guinea, Congo, Tanzania, Sudan, Kenya, and Uganda responded by providing money and weapons to rebels in Congo, allowing them to use their territory for transit.

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15. ( ) USAID: An independent agency that works on economic development and provides humanitarian assistance around the world, USAID implements a broad program of energy-related technical assistance, innovation, and training in developing countries, and increasingly in Eastern Europe. USAID seeks to expand the availability of clean, affordable, and reliable electric energy by promoting energy efficiency, renewable energy, energy policy and planning, training, and private energy development. USAID has assisted vulnerable communities that reduce their exposure to climate change and other natural disasters while strengthening their ability to respond when natural events occur.
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