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The Case for State-Led Trade Policies in Economic and Human Development

Prahlad Krishnan
SIT Study Abroad

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Author: Prahlad Krishnan

Advisor: Mwambutsya Ndebesa

Academic Director: Charlotte Mafumbo

Kampala, Uganda

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This paper is dedicated to Charlotte Mafumbo, who opened up new doors for me and inspired me to explore new areas

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Abstract

This paper aims to examine the difference in effectiveness on development of least developed countries (LDCs) such as Uganda that opposing trade positions have. Specifically, the paper will look at development state economic policies versus neoliberal policies in both regional and global trade to determine how they both effect development as defined by the Human Development Paradigm and the Neoliberal (Economic) Paradigm.

Research for this paper came from a practicum-based internship with Southern and Eastern Africa Trade Information and Negotiations Institute Uganda (SEATINI). The internship provided guidance for independent research and allowed for participant observation. Information was also gathered through interviews with various organizations and government ministries.

This paper found that development state-led economic policies in global trade benefit LDCs such as Uganda most as it prevents exploitation of their markets by developed economies and promotes inclusive growth rather than exacerbating wealth inequality. However, in regional trade free market policies work best as the East African region stands to gain as a whole. Currently, East Africa's intra-regional trade is weak and everyone stands to benefit from increased trade. Furthermore, exploitation of markets will not occur due to countries being of similar economic size (excluding Egypt and South Africa) and limitations on productive capacity. To reach the full potential of these policies, however, will require strong capacity building in both negotiating and trading. This will require a return to the outstanding issues of the Doha Development Agenda in negotiations at the WTO. Ultimately, the paper finds the Africa rising narrative to be true if strong policy and good governance is attained.

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1.0 Introduction

The purpose of this paper is to analyze developmental state-based policies in trade (defined as state-led macroeconomic planning) versus the current neoliberal trade position that Uganda currently employs and what the difference in effectiveness would be in achieving rapid development, viewed both through the Neoliberal Paradigm and the Human Development Paradigm. Other objectives to this paper include understanding how LDCs such as Uganda can expand their trade and negotiation capacity. Lastly, the paper will measure the ability of Uganda to implement and enforce their trade policies.

To accomplish these objectives, the researcher interned with the Southern and Eastern Africa Trade Information and Negotiations Institute Uganda (SEATINI) as a trade policy analyst in Kampala, Uganda. The organization was created to help underdeveloped and developing economies in East Africa understand multi-lateral trade agreements and help these marginalized economies negotiate. The governments of least-developed countries (LDCs) have limited capacity to negotiate and thus SEATINI engages third-world negotiators and helps them understand trade agreements (global and regional), while also developing alternative policies to help LDCs. Since 1996, they have also been on the official negotiation delegation of Uganda, negotiating with the WTO, EPA and UNCTAD.

SEATINI is strongly against the neoliberal paradigm and free-market economics, believing that it harms LDCs' industries and allows larger economies to exploit their markets such as what happened with neoliberal structural adjustment programs, which collapsed many industries in Africa. Instead, they are for a state-led economy. They believe that the state has a bigger role to play in development and that while Foreign Direct Investment (FDI) is important, there is also a need for state-owned enterprises as well.

It is important to note that while SEATINI is anti-neoliberal in the context of global trade they also see the benefits of the free market between countries of equal economic size. This is why they are pushing for a free trade area between the East African countries and some COMESA countries.

At SEATINI the researcher conducted analysis of regional trade agreements and WTO negotiations, writing policy briefs on the research completed. The researcher also prepared a paper on lessons learned from Singapore's history as a developmental state. This entailed sifting through legal texts, reports from organizations such as the EU and WTO, and talking with individuals formerly involved in these negotiations and agreements.

Other information for this paper was gathered through interviews conducted at various organizations and government ministries. Although difficult to obtain, these interviews gave perspectives on trade policy from each key stakeholder group.

2.0 Background

As Uganda looks to become an industry-based middle-income economy by 2020, they must tackle the question of how to best structure their trade position to achieve rapid development. This requires protecting their industries without losing access to markets or sacrificing industry growth. Due to the government's focus on economic growth as the first priority, they must also be careful not to sacrifice human development through the weakening of public participation in decision-making, failing to empower the marginalized and ignoring indicators such as life expectancy, education levels, literacy, health care and food security.

Currently, the government and civil society lack the expertise and capacity to build and negotiate a trade position that will help them rapidly develop. Ultimately, this is due to unbalanced power dynamics within the WTO and other international organizations. The result of this has been that Uganda has implemented liberalized trade policies against their national interests causing domestic markets to be heavily exploited by developed countries, leading to a huge trade deficit of over $4bn.

On the other hand, within the EAC countries, Uganda is working away from protectionist trade policies towards a common free market in the region as a means towards inclusive growth and development. While there are many roadblocks ahead, especially in the area of implementation, the implications of this position could be huge.

To analyze the effect of these policies on development, the Human Development Paradigm and Neoliberal Paradigm will be employed. Under the Human Development Paradigm development is measured by indicators of health, education and income, ensuring that quality of life is used as the main gage of development. Under the Neoliberal Paradigm development is seen in terms of economic power and size and thus is measured by GDP.

3.0 Justification

While the World Trade Organization and other international administrative organizations are superficially equal through a requirement of total consensus, the reality is that undeveloped and developing economies lack any ability to push their own national development priorities. Through coercion, developed economies can ignore the interests of smaller economies by utilizing their positions on the UN Security Council and as international donors. Therefore, it is important that Uganda develops and negotiates a trade position that will further their national development agenda in both economic growth and human development while maintaining good relationships with the developed economies or being able to withstand the penalty of working against the interests of larger economies. This is why I'll be working with SEATINI, who hopes this will be achieved through building and negotiating a trade position that is inclusive of civil society and promotes a state-led economy that protects industries without suppressing trade and foreign direct investment.

Furthermore, it is important to look at the difference between regional trade policies and global trade policies to understand the difference in effectiveness of ideological trade positions based on where they are implemented. While neoliberal policies may hurt LDCs on a global level, they can be vastly beneficial on the regional level. Understanding this difference will help to create and implement more well-informed and pragmatic policy that is less based on ideology.

4.0 Objectives

The objective of this study is:

- To learn how Uganda can develop and negotiate a trade position (both globally and regionally) that will achieve rapid economic growth to accommodate Uganda's shift to an industry-based middle-income country while also protecting and furthering human development priorities. The study will analyze the effectiveness of developmental state-based trade policies in helping small economies achieve rapid economic growth. It will also look at the ability of these policies to promote human development.

Secondary objectives are:

- To assess how free-market values benefit Uganda in regional trade.
- To understand how LDCs such as Uganda can expand their trade and negotiation capacity

Through an internship with SEATINI Uganda, these objectives were accomplished. Furthermore, the organization gained a better understanding of developmental state economics through the example of Singapore, whose economic history was analyzed by the researcher to provide lessons for the case of Uganda. SEATINI also benefitted from an analysis conducted on the WTO's future priorities for the next Ministerial Conference based on their public forum this year and how Uganda should respond. Lastly, the organization gained an in-depth analysis on the Tripartite Free Trade Area in its current state and therefore the potential effects of regional neoliberalism.

5.0 Methodology

5.1 Research Approach

To conduct this study, the researcher interned as a trade policy analyst for SEATINI Uganda. SEATINI Uganda's mission is to build negotiation and trade capacity for East African LDCs such as Uganda, who otherwise lack the capability to negotiate global trade agreements beneficial to their national development interests. SEATINI engages third-world negotiators and helps them understand trade agreements (global and regional), while also developing alternative policies to help LDCs. The organization's activities involve creating policy briefs for government review and dispersing information to civil society and key stakeholders. The intent of the practicum was to analyze the various trade agreements and negotiations that Uganda is currently involved in and understand the effects it will have on national development.

SEATINI is strongly against the neoliberal paradigm for global trade, believing that it allows the markets and industries of LDCs such as Uganda to be exploited by developed economies.

Instead, SEATINI advocates for state-led global trade policies with the state playing a hands-on role in the economy and protecting certain industries.

SEATINI has members on the Inter-Institutional Trade Committee (IITC) and in the Ministry of Trade that creates the national trade positions for negotiations. Since 1996, they have also been on the official negotiation delegation of Uganda, negotiating with the WTO, EPA and UNCTAD.

5.2 Data Collection Methods

Although this study was practicum-based, a few different methods were used to collect data for this research in order to get a full understanding of trade policies and its effect on development such as participant observation, independent research, and interviews. By working with experienced organization members who have participated in international and regional trade negotiations and trade position development, the researcher gained a thorough understanding of the process on trade position development and negotiation capacity building. The internship provided guidance through numerous assignments, involving both qualitative and quantitative research, focusing on trade development and capacity building. Through participant observation, the researcher gained multiple perspectives on trade policy from the viewpoints of the agricultural, industrial and private sector.

During the 5-week long internship at SEATINI, the method most commonly employed was independent research. Most research was conducted through online exploration, particularly on the websites of the World Trade Organization, Ugandan Ministry of Trade, Industry and Cooperatives, TRALAC, and TradeMark East Africa. This research method gave insights into the different perspectives of varying organizations and stakeholders on global and East African regional trade. It provided general background information on the current state of negotiations for varying deals and agreements. It also gave direct access to legal texts on the agreements being analyzed. Through independent research, an understanding of current trade policy and its historical implications were gained.

Another method that was used were interviews. A total of six interviews were conducted with various organizations. These organizations were Private Sector Foundation Uganda (PSFU), Uganda Chamber of Commerce and Industry (UCCI), Ministry of Trade, Industry and Cooperatives, Ministry of East African Community Affairs (MEACA), Uganda Manufacturers' Association (UMA) and Uganda Export Promotion Board (UEPB). These interviews represented the varying viewpoints of different stakeholders from manufacturers to the government to the private sector. Through this method, the benefits and costs of different trade positions were analyzed and better understood. The information gained was useful for understanding the effects of different trade positions on different sectors of society and helped to reveal the disparity in interests between varying stakeholders. Furthermore, interviews with government ministries helped to gain a better understanding of how trade positions are developed, implemented and enforced and where they fall short.

5.3 Limitations

During this practicum-based research, there were many limitations in the methodology used. While online research provided access to numerous viewpoints, articles alone did not provide enough information to accomplish many of this paper's objectives. This independent research was limited to a few official or assured sources with the vast majority of online articles not being reliable. Even articles and papers from official sources such as the WTO website were heavily biased and failed to provide a wholesome picture. Ultimately, these online articles provided only background information and limited scopes of different issues while lacking any ability to observe or understand the reality of the situation on the ground-level.

Participant observation allowed for on-the-ground observation of how trade policy is negotiated and its capacity expanded. However, due to the nature of the office work, interactions among colleagues were limited. Due to the language barrier it was also hard to understand when colleagues made informational remarks. Ultimately, while it gave a better picture of the reality of on-the-ground trade policy work, participant observation was severely limited in its scope of knowledge due to colleagues only representing one set of opinions under the organization.

The interview method had the most limitations and issues arise. While the interviews provided differing viewpoints from varying key stakeholders, logistical issues prevented the interviews from reaching their full potential. Scheduling interviews often required just showing up to the organization and speaking with whomever was available due to frequent failure to schedule interviews with specific members through email and phone. The result of this was that often the interviewees were not prepared for the questions and thus had to give brief answers occasionally. Furthermore, interviews often had to be rushed or shortened due to a lack of time. Lastly, the interviews often gave clashing information, making it hard to determine the truth.

5.4 Ethics

To maintain ethical integrity some precautions were taken. The research gathered during the practicum came mostly from independent research and personal observation. The integrity and truthfulness of the findings of this research is of the utmost importance in this paper.

This study required six interviews to be conducted. These were managed in a confidential manner unless otherwise preferred by the interviewee. All interviewees received a consent form to sign guaranteeing them privacy, confidentiality and anonymity if selected.

6.0 Research Findings

6.1 The Case for Developmental State-Based Policies in Global Trade

This paper argues that developmental state-based policies in global trade are better for LDCs such as Uganda in both economic and human development rather than neoliberal policies such as the ones Uganda currently employs. To understand the potential of developmental state-based policies, the example of Singapore's economic history is examined and lessons for Uganda's development is extracted:

The small, island nation of Singapore began its development 51 years ago. With no natural resources, a dearth of land and a small, uneducated population, it seemed like the country would never prosper. Yet, today Singapore boasts one of the highest GDP per capita in the world with a very high quality of life. This section seeks to understand the economic, geographic and political factors of Singapore's success and the consequences of its development.

Before looking into the economic and social policies that Singapore was built off of, it is important to recognize the geographic and historical factors that lead to these policies. In 1965, when Singapore left the Federation of Malaysia, its prospects looked grim. It had no natural resources with only 580 square kilometers of land (and even less during high-tide). The country was underdeveloped with no industry and had a population of recent immigrants with little shared history or bonds. Furthermore, unemployment was close to 9% and Singapore depended heavily on the outside world for energy, food and even drinking water. Even the future father of the nation, Lee Kuan Yew, commented in 1957 on these glaring issues that an independent Singapore would be a "political, economic, and geographical absurdity."

From Singapore's inception, there was strife. Independence from Malaysia meant the loss of a common market. The Indonesia-Malaysia Confrontation from 1962-1966, cut off Singapore from its Southern hinterland, damaging the country's role as a trading port for the region. In 1968, the British government withdrew its troops from Singapore, leaving a fifth of the economy vulnerable as thousands of workers became jobless overnight (Menon).

Despite all of these factors, Singapore had a strategic trade location and was a natural harbor. Located at the mouth of the Malacca Strait, almost 40% of world maritime trade passes through the area (Economist, 2016). Also, because of Singapore's problems of underdevelopment, lack of self-sustainability and grim prospects, Singapore gained two clear objectives. First, the nation's survival was of the utmost importance, even at the expense of civil liberties. The second objective was to create a better quality of life for the people through strong economic policies.

While natural factors and good economic policies helped build Singapore into the nation it is today, the role of strong leadership cannot be overemphasized in Singapore's process of development. Under the leadership and guidance of Lee Kuan Yew, the first prime minister and father of Singapore, the country went from a series of small villages to the thriving economic powerhouse it is today. In 1959, he was the Prime Minister, when Singapore won self-government from Britain. Under Lee Kuan Yew's regime of honest and pragmatic governance, the country prospered. He welcomed foreign trade and investment, and multinational corporations found the country to be a natural hub that encouraged their expansion (Economist, 2015). In 1990, Lee Kuan Yew retired, but his influence and guidance under pragmatic capitalism, continues to shape government policy today.

Singapore's economic policies and government structure were effective at achieving rapid economic and human development (measured by the Human Development Index). The government was kept lean, honest and efficient; qualities not found in most of Singapore's neighboring countries. During Singapore's early years, two strategic economic decisions were made, against the conventional economic wisdom of the time. The first decision was to shift away from import-substitution industrialization towards export-led industrialization. Import-substitution industrialization is a very protectionist trade and economic policy that advocates the replacement of foreign imports with domestic production. It was very popular during the period of decolonization, especially among South American countries, for its anti-globalization/anti-imperialism ideology. Export-led industrialization, on the other hand, is a trade and economic policy that aims to accelerate a country's industrialization process by exporting goods that the nation has a comparative advantage for. Rather than protecting all domestic industries, this strategy implies opening markets to foreign competition in exchange for market access in other countries. However, this doesn't mean all domestic markets are open as the state wants to protect and cultivate specific nascent industries, to benefit from a future comparative advantage. Even export industries may be supported through subsidies. Under export-led industrialization, countries hope to gain enough hard currency to import commodities that are manufactured more cheaply elsewhere. The second strategy undertaken was to attract global multinational corporations to use as drivers of industrial growth. Thus, Singapore regularly tops ease of doing business surveys.

These two strategic decisions proved well for Singapore. By promoting foreign direct investments and exports, during a time when most countries were not, Singapore had a decisive advantage. But, to realize this advantage, the government had to take a more hands-on approach in the economy. The state developed infrastructure facilities and industrial land, invested in basic education with strong emphasis on technical skills relevant to industrialization, and reformed labor laws to promote industrial peace. Their sound fiscal and monetary policies fortified investor confidence and guaranteed macroeconomic stability. By 1975, an extensive industrial base had been established as manufacturing's share in GDP rose from 14% in 1965 to 22%.

With the economy at full employment, it was time for Singapore to move up the value chain into more capital-intensive and skill-intensive activities. In the 1960s, factories produced items such as matches, fish hooks and mosquito coils. By the 1970s, these labor-intensive industries steadily declined as petrochemicals, electronics, component and precision engineering emerged. The compositional change of manufacturing was rapid as Singapore became the leading producer of hard disk drives globally by the 1980s.

From 1960-1985, Singapore had its economic "take-off" phase. The economic essentials of prudent public finances, co-operative industrial relations, sound monetary policies, outward orientation and market-based strategies became rooted in Singapore's ideology, governance and culture. By 1985, the economy had grown 10% per annum as Singapore emerged at the forefront of developing countries as a newly-industrialized economy.

In 1985, Singapore went into an economic recession; the only time in its history where the domestic economy contracted while the global economy grew. The recession revealed structural tensions that had been hidden by strong economic growth. These tensions included resource constraints and diminishing returns to investment, thus weakening Singapore's cost advantage as its initial period of growth came to an end. As a result, structural reforms were enacted such as improved wage flexibility in the labor market, faster industrial upgrading, the promotion of innovation, enterprise and entrepreneurship, further entry into regional markets for trade and outward investments, and the liberalization of various service sectors such as finance, telecommunications and utilities (Menon).

The modern oasis of Singapore would still be a series of small, poor villages today without its natural geographic factors, strong leadership and effective developmental economic policies. Singapore is a rags-to-riches story that highlights what a nation can do under developmental state economics.

Based on this economic history of Singapore, LDCs can gain a few lessons (especially Uganda, who shares many similarities with the small island nation):

1. Like Singapore 50-years ago, Uganda is an underdeveloped country with limited industry development and a divided population with little shared history or bonds. Unemployment is high and Uganda relies heavily on the outside world for food security. Despite all of these factors, Uganda has a strategic trade location as a transit point from the coast to the hinterlands of East Africa, sharing a border with five countries. Because of this similarity in background to Singapore, Uganda should have a clear objective: Creating a better quality of life for the people through strong economic policies.
2. Uganda needs strong leadership to guide the nation towards economic prosperity. It requires an honest, pragmatic and hands-on government.
3. Pragmatic Capitalism: Uganda should welcome state-selected foreign trade and investment. Multinational corporations could find Uganda to be a good entry point into African market expansion. Uganda could benefit from this dynamic if the right capital control policies are implemented to limit capital repatriation. These control policies may not be direct but in the form of labor quotas in which most labor must be Ugandan.

4. Government restructuring: The government needs to be kept lean, honest and efficient. This requires tough laws on corruption, a downsize in civil service, reduced bureaucracy, and the halt of the creation of more districts.
5. Export-led Industrialization: Import-substitution industrialization where foreign imports and replaced with domestic production ultimately leads to higher prices, decreased trade and economic growth and thus isn't a model to be considered by Uganda. Export-led industrialization, on the other hand, is a trade and economic policy that aims to accelerate a country's industrialization process by exporting goods that the nation has a comparative advantage for and protecting nascent industries with a future comparative advantage. Uganda should undertake export-led industrialization, focusing on the products/commodities that it has a comparative advantage for (in the region) and cultivating/protecting nascent industries with future comparative advantage potential. This requires improving ease of doing business in the country.
6. The state needs to invest in infrastructure development, industrial land and basic education (that emphasizes technical skills) to promote industrialization as a driver for economic growth.
7. Fiscal and monetary policies must be sound to fortify investor confidence and guarantee macroeconomic stability
8. Uganda should focus on developing its financial services to promote innovation and increase financing/support of industry.

The lessons and implications from Singapore's example are clear and the potential benefits are huge. However, while developmental state policies are evidently beneficial on the national economic level and human development level, it is important to view the potential effects on specific economic stakeholders. Specifically, this paper will look at the effects it has on manufacturers, exporters, and those in the private sector.

Representing manufacturers, an economic policy analyst of Uganda Manufacturers' Association was interviewed. He stated that free-market trade policies should only be between countries of equal economic scale to avoid a huge export deficit due to disproportionately exporting basic goods while importing final products. Also, industry protectionism is viewed as important to their interests as manufacturers cannot compete on the global market yet and need time to catch up to global standards. UMA believes that to support its commercial/industrial development and entrance into a middle-income economy, the cost of doing business and cost of production must improve, which requires a hands-on government. Ultimately, UMA advocates for specific nascent industries being protected. Furthermore, to ensure economic development is inclusive and therefore human development is achieved, UMA believes that people is rural areas need to be empowered as most of the population lives in those areas. This would be done through government increasing salaries in those areas to spark industries to move there while also building credit facilities and investing in technology (Uganda Manufacturers' Association).

Uganda's exporters are represented by the Uganda Export Promotion Board. An interview conducted with an analyst revealed that exporters were hurt by Uganda's liberalization policies due to foreign competition. Instead, UEPB supports some level of government control in which they regulate prices, help with import distribution to ensure equitability and targeted incentives for value-addition industries as Uganda needs to transition away from raw materials towards final goods to reduce their export deficit (Uganda Export Promotion Board).

The only agreement of neoliberal trade policies came from the private sector who was represented by a policy and trade officer from Private Sector Foundation Uganda. The officer stated that liberalization was inevitable and therefore they advocated for liberalization with policies put in place to help people better position themselves for increased competition. This entails focusing on reducing costs of production through infrastructure development and access to credit as well as opening up the market gradually. Although the officer admits that smaller private firms have been hurt by liberalization, they attribute this to inferior export promotion policies that don't incentivize firms with free-market policies. Ultimately, PSFU believes that wealth can only be created in a competitive business environment. Furthermore, they believe the inequality from neoliberal policies can be offset through growing the agricultural sector as that is where most of the population lies. However, the population will double in 25 years and land will not so this is not a sustainable model. Instead, the agricultural sector will either become too diluted or too concentrated in the hands of a few elites (Private Sector Foundation Uganda).

According to an officer in the Ministry of Trade, Industry and Cooperatives, whose department handles all trade policy decisions, the current neoliberal position has been harmful to Uganda as the trade deficit increases and it is unclear if the average level of income has increased or decreased. It has led to inefficiency and environmental destruction. Instead, government needs to monitor industries and place resources accordingly. Even within the ministry that handles trade policy creation and implementation there are conflicting views as many feel that Uganda's current neoliberal policies haven't worked as intended (Ministry of Trade, Industry and Cooperatives).

Overall, it is clear both from historical examples and from the viewpoints of key stakeholders, including government officials, that developmental state policies have a lot of potential to grow the economy in a controlled and inclusive manner while the neoliberal trade policies have failed to encourage human development and inclusive economic development. Therefore, on the global trade level, Uganda should employ developmental state policies.

6.2 The Case for Free Market Policies in Regional Trade

While developmental state-based policies in global trade is beneficial for LDCs, regionally the trade position employed should be one based on free-market values. To understand why, the current example of the Tripartite Free Trade Area will be examined:

The Tripartite Free Trade Area (TFTA) is a proposed African free trade agreement between the regional economic communities (RECs) of COMESA, SADC, and EAC, declared on 12 June 2011. The proposed area will stretch from Cape Town to Cairo, creating an integrated market with a total GDP of about US$1trillion and a population of more than 600 million people. The agreement will come into force once ratified by the parliaments of two-thirds of the 26 member states and will be achieved through the harmonization of policies and programs across the three RECs (SADC, 2015).

The objective of the proposed agreement is to accelerate African economic integration and achieve sustainable economic development that will alleviate poverty and improve the quality of life for people in the region. Between 2004 and 2014, trade within COMESA grew from US$8bn to US$22bn, within SADC it rose from US$20bn to US$72bn and within SADC it grew from US$2.6bn to US$8.6bn. Overall, trade between the three areas rose from $30.6bn to US$102.6bn. The proposed agreement, on paper, would seek to take advantage of this growth (where the continent has seen an average growth rate of 5% during the last few years) and accelerate it (Juma).

The Tripartite Free Trade Agreement has three core pillars: market integration, infrastructure development and industrial development. Under market integration, economic growth will be achieved through the reduction of tariffs and non-tariff barriers to trade. Under infrastructure development, enhanced connectivity and lower costs of doing business will be attained. The issue of productive capacity constraints will be addressed under the pillar of industrial development (SADC, 2016).

Trade within Africa is still relatively low, hovering around 10-12% in comparison to intra-European trade, which is 70%. Under the TFTA, trade within Africa would increase to 30% (BBC, 2015). The TFTA will create a much larger market whose free trade status will maintain steady economic growth of 6-7% annually, projecting Africa to reach a GDP of US$29trillion by 2050. This growth will contribute to poverty reduction and increased prosperity. The prospect of a larger market will also stimulate industrial development, creating new industries and jobs as well as diversifying Africa's economy away from raw materials. Not only will the TFTA spur industrial development but will also incentivize cross-border infrastructure development to support its industrial development (Juma).

The TFTA will allow members to achieve economies of scale, eventually allowing them to compete globally. This also results in an overall positive welfare effect on the region of at least US$3.3bn per year if all tariff and non-tariff barriers are eliminated. The effect is very unequally distributed with 72% of the welfare gains going to South Africa alone; however, only Kenya and Zimbabwe have negative welfare gains as a result (Mold).

Lastly, the TFTA lays the groundwork for the African Union's Continental Free Trade Area plan, in which the whole continent will be a free trade zone. By merging the three RECs into the African Economic Community, inconsistencies and costs of overlapping REC memberships are resolved (Ngwenya). Furthermore, consumers in Africa will gain access to cheaper and better quality products as a result of African economic integration.

However, there are a few challenges ahead:

Political Will

There are many challenges to realizing the TFTA. The most pertinent challenge is that many countries don't want to commit to the agreement due to the fear of negative impact on their economies. There are no mechanisms for helping the losers of the agreement, and thus convincing countries to sign the agreement is difficult. Many of the countries have small economies and produce few exportable goods. The TFTA would mean they'd have to compete with larger economies that could hurt their industries. Specifically, many are concerned that, under the TFTA, industrial production would concentrate in Egypt and South Africa, who have the highest productivity levels. However, simulation results suggest this will not be the case as total volume of industrial output will only increase modestly with more growth in industrial output in smaller economies (Mold). Africa has had similar development plans in the past such as OAU, NEPAD and Lagos Plan of Action only to become white elephant projects (Mubangizi). To realize the TFTA requires political will, commitment and stability.

Non-tariff Barriers

The TFTA agreement provides a mechanism for harmonizing COMESA, EAC and SADC NTB arrangements through a process of identifying, categorizing, reporting, monitoring and resolving NTBs. Eliminating NTBs is vital as complete tariff liberalization for intra-TFTA trade with the elimination of NTBs projects an aggregate net benefit for the region of US$3.3bn per year. This is more than five times the gains resulting from full intra-TFTA tariff liberalization alone (David).

Tariff Revenue

Customs duties are a major source of government revenue in the region. The governments of countries such as Malawi, Lesotho, Mozambique, DRC, Uganda, Zambia, Swaziland, Tanzania and Namibia collect up to half of their revenue from customs duties. Thus, the TFTA may signal huge loss of revenue for governments involved. However, it is important to note that most tariff revenue comes from imports from the EU and East Asia, which would be unaffected by the TFTA. Furthermore, the cost of the removal of tariffs would be relatively modest due to revenue gained from increased trade and industrialization (Mold).

Movement of People

The fear of increased unemployment and amplified socio-cultural conflict, has led to the free movement of people being questioned (Kapkirwok). While, perhaps the complete free movement of people within the TFTA is not realistic currently, the free movement of goods and services cannot exist without the free movement of people. Thus, it is important that the free movement of business persons be negotiated to facilitate trade in the area.

Product Diversification

Most African countries export raw materials and basic commodities outside the continent while importing manufactured goods and finished products from outside. The result is that the continent has a huge trade deficit, mostly stemming from trade with the EU and US. Thus, it is important to emphasize the diversification of goods and services and adding value through industrial development and investment in infrastructure. Through regional integration, countries in the TFTA will be able to industrialize, attain economies of scale, and compete on the global markets (Zamfir).

Implementation

As is usually the case, implementation could prove to be the biggest challenge to the TFTA. Already behind schedule, governments could continue to drag their feet on implementing the agreement or fail to remove trade barriers. Ultimately, solving this problem requires political will and good governance. However, it also involves exploring new areas such as infrastructure, intellectual capital and agriculture.

Poor infrastructure, high transaction costs and low levels of industrialization have left African intra-trade low. Average transport costs in Africa are twice the world average and are thought to harm trade more than tariffs. Thus, for the TFTA to be implemented to its full potential, connectivity and linkages among member states must be improved. This comes from investment in transport infrastructure, energy and information and communication technology infrastructure (ICT). Through ICT investment e-learning, e-commerce, and e-governance are enabled and connectivity is increased.

Many countries lack a skilled workforce. Countries like this, such as Rwanda have benefitted from highly trained personnel within the region. Others, however, protect their few jobs instead of opening up to boost their economy. If visa restrictions were not an obstacle, the region would be an intellectual hub due to its numerous universities. To maximize use of intellectual capital, educational policies in the region must be harmonized and free movement be given to students and teachers.

Agriculture is Africa's most neglected sector although it employs 70% of the continent. The region has fertile soils and good climate, yet food security remains weak. To maximize the benefits of the TFTA, African governments need to give sufficient funding for agricultural innovation to improve food security and increase food surplus for exports. Output must increase to avoid a situation where demand increases and supply stays limited, leading to food insecurity as producers flock to more lucrative regional markets.

The eventual goal of the TFTA is 100% liberalization of tariff lines. However, upon entry into the TFTA, only 60-85% of tariff lines need to be liberalized with the remaining lines being liberalized over five to eight years. This is a big disadvantage for Uganda who has already liberalized more than others thus increasing competition in their domestic markets while getting unequal market access in return. Furthermore, Uganda doesn't stand a chance in the manufactured goods market due to high costs related to electricity costs and unsteady supply. Instead, Uganda's competitive advantage lies in exporting low value-addition agricultural based raw materials. Thus, on the surface level it may appear as though the TFTA doesn't benefit Uganda. However, Uganda has the perfect opportunity to utilize its geographical position as a trade center between the SADC countries as a safer transit point to final destinations like South Sudan, Rwanda, Burundi and DRC. Under the TFTA, Uganda will benefit immensely in terms of achieving inclusive economic growth (Mubangizi). To achieve this, the issues above must be addressed.

6.3 Capacity Building

As the next WTO Ministerial Conference approaches, it should be the priorities of LDCs such as Uganda to increase their trade and negotiations capacity. This paper looks at the WTO 2016

Public Forum to analyze what the key priorities of LDCs should be to build their capacities in reaction to the agenda set by the economic powers in the WTO:

The fifteenth annual Public Forum of the World Trade Organization was held in Geneva, Switzerland between 27 to 29 September, 2016. It provided a platform for academics, civil society members, the media, non-governmental organizations and leading global businesspeople to come together with representatives of governments and inter-governmental organizations to discuss some of the major trade and development issues of the day. The theme of this year's forum was "*inclusive trade*". The forum emphasized three sub-themes:

- Expanding the capacity of Small-and-Medium Enterprises (SMEs) to participate in international trade as innovation has been driving SMEs' expansion into the global market
- The importance of new digital technologies on trade was highlighted. Trade is a driver of innovation and new technologies has transformed the way the world trades. Thus, the forum focused on how trade can foster innovation and how trade needs to adapt to keep-up with rapidly changing technology. This brought up questions such as:
    - "Whether the WTO needs to reform trade rules to allow members to fully benefit from innovation?"
    - "If technological innovation is a driver of development?"
    - "How can innovation enhance the trading capacities of developing countries?"
- How best to include marginalized groups, such as women, in international trade

This forum, in the view of the developing countries, completely ignored the Doha Development Agenda issues, which are yet to be resolved. This section examines the stance of Least

Developed Countries (LDCs) in response to the Public Forum and where they should focus their efforts to expand their capacities (World Trade Organization).

Doha Development Agenda

During the Bali 9th WTO Ministerial Conference, WTO members agreed to develop a work program to resolve the Doha Development Agenda, which has yet to come to an agreement after decade long negotiations. In the 2016 Public Forum, African nations accused the developed countries of shifting focus away from remaining issues of the Doha Round. This resistance forced a deferment on e-commerce/digital trade negotiations, guided by the Nairobi MC10 in which "ministers agreed to prioritize work on the outstanding Doha issues, such as Agriculture Trade Distorting Domestic Support, SSM (Special Safeguard Mechanism), Public Stockholding for Food Security, Cotton, LDC (least-developed countries) priorities, TRIPS (Trade-Related Intellectual Properties) and last but not least Development and S&DT (special and differential treatment)".

However, this resistance is being challenged by the US and its partners who want e-commerce to be a central theme of the 11th Ministerial Conference. It's important to note that there needs to be a thematic consensus at the WTO for each conference.

The LDCs' response should be to oppose the opening of any new issues before the conclusion of the Doha Agenda issues under the agreement made at the Nairobi MC10 and the 1998 work program on e-commerce, which states that no negotiations can be held on e-commerce that isn't based on the existing mandate set.

E-Commerce Liberalization

The US and its partners want to liberalize e-commerce through prohibiting digital customs duties, enabling cross-border data flows, promoting a free and open Internet, preventing localization barriers, barring forced technology transfers, protecting critical source code. Clearly, these steps towards liberalization would be at the expense of LDCs who lack the infrastructure to reap any of the benefits while their domestic markets would be open up to further competition and their national sovereignty undermined. The issue of LDCs is not that they lack market access but that they can't compete in the market against the subsidized goods of the US/EU due to poor infrastructure and unfair trade deals.

The US and its partners argue that e-commerce liberalization will benefit developing countries through expanding opportunities and furthering inclusivity in the global value chain for their SMEs. However, a World Bank study recently stated that "although there are many individual success stories, the effect of technology on (…) expansion of opportunity for the poor and the middle class (…) has so far been *less than expected*". The Global North also argues that e-commerce liberalization opens up innovative solutions to developing countries through sharing of technology. However, due to the TRIPS agreement, these technologies would have to be imported at high-costs to the benefit of the exporting developed countries with no real benefit to the importing LDC, as seen through the World Bank study. As such, LDCs should not support the liberalization of e-commerce as the benefits are marginal in comparison to the costs of exploitation.

Trade Facilitation Agreement

During the Bali Ministerial Conference, WTO members concluded negotiations on a Trade Facilitation Agreement that would expedite the movement, release and clearance of goods as well as set out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. The Agreement will go into effect once 2/3rds of members have domestically ratified it. Currently, of the 19 COMESA countries, six have signed, not including Uganda. While the agreement looks good on paper, LDCs should not sign it. Africa's share of global trade is around only 2%. This agreement would make it easier for imports to enter Africa without much benefits to exports due to its small scale. The net result would be a further export deficit for LDCs. Therefore, LDCs such as Uganda should not sign the Agreement.

Agriculture and Food Security

Around 75% of the population in developing countries live in rural areas and the majority rely on agriculture for their livelihood. Under the Doha Development Agenda, relating specifically to agriculture, services and manufacturing, the World Bank predicts that global income could increase by $3000bn/year with $2500bn going to developing economies. Therefore, it is important that issues discussed from Doha be implemented in the global trading system such as:

- Promoting export competition through removal of agricultural domestic trade distorting support (eg: US/EU agricultural export subsidies)
- Improving market access by designating and protecting Special Products that have an impact on food security, livelihood security and rural development
- Implementation of public stockholding for food security
- Implementation of a Special Safeguard Mechanism for LDCs (especially to address the challenges of import surges)
- Further improvement to Special and Differential Treatment

Regional Integration

Regional integration is a key priority for LDCs such as Uganda. It offers new opportunities to develop SME exports and create new value chains. Currently, the cost of moving a container to an African neighboring country is higher than moving it to New York. Unless Africa improves upon regional integration, its trade competitiveness will continue to suffer.

Recent East African integration through the East African Community (EAC) has resulted in large trade increase as well as improvements in welfare and stability, according to research. This is due to improvements in cross-border flows of finance, goods trade, free movement of persons, regional value chains and cross-border infrastructure.

However, there are issues around Regional Free Trade Agreements. The COMESA countries export many mutual products. As such, they place tariffs on these "Sensitive Products", which are most goods they export, to protect their domestic markets. Furthermore, the free movement of labor causes tension among populations. This being said, it is important for LDCs to integrate regionally to grow their economies and improve their capacities.

Productive Capacity Building

For LDCs to build their productive capacities requires investment in "infrastructure, finance, energy, skills, laws and regulations". This includes incentivizing the fundamental enablers or financial institutions to fund SMEs as a lack of financing is a major barrier to the economic prosperity of LDCs.

Rather than utilizing e-commerce liberalization to expand capacity through technological development and market access, sustainable investment practices can improve physical infrastructure, advance innovation capacity and develop technology to build the capacity of LDCs while working towards the Sustainable Development Goals.

In conclusion, the priorities of the LDCs, as the 11th WTO Ministerial Conference approaches, should be focused around the unresolved issues of the Doha Development Agenda, e-commerce liberalization, the Trade Facilitation Agreement, protecting agriculture and food security, regional integration, and productive capacity building in order to expand their negotiations and trade capacities given the current state of the WTO. These issues must be at the center of negotiations at the next Ministerial Conference rather than thematic approaches like e-commerce, which is to the clear benefit of SMEs and corporations of developed countries (World Trade Organization).

7.0 Conclusion and Suggestions

Uganda is approaching 2020 rapidly and if the country wants to achieve its mission of middle-income status (that is also inclusive to the interests of civil society as a whole), its trade position will have to be solid. Ultimately, based on the findings of this paper there is a clear answer as to what trade position would be most beneficial to Uganda's national development in the context of human development as well as economic development.

In global trade Uganda needs to move away from neoliberal trade policies that have allowed developed countries to exploit their markets without receiving the benefits of reciprocation due to their weak trade capacity. The result of Uganda's neoliberal policies in trade have been a huge trade deficit and massive wealth inequality. Instead, Uganda needs to employ strategies similar to Singapore, where the state has a role in shaping macro-economics. Uganda needs to allow Foreign Direct Investment to thrive while implementing policies that prevent capital repatriation. Furthermore, while they need to open up their markets to competition they also need to protect nascent industries where they may have a potential comparative advantage later on. To achieve this requires that the government is kept lean, honest and efficient through enforcing tough laws on corruption, downsizing the civil service, and a halt on the creation of more districts. The result will be that Uganda will have rapidly grown its GDP while improving education and healthcare (which are necessary infrastructural improvements needed to continue economic growth), as Singapore has done.

In the context of regional trade Uganda should actually promote neoliberal trade policies and regional integration. By having free trade agreements between economies of similar size investment, competitiveness, innovation, infrastructure and wealth will increase in the region without some countries being exploited by others. Although there are a few larger economies such as Egypt and South Africa that could threaten this fact, the simulations show that this is unlikely due to productivity constraints. To achieve regional integration, the best possibility would be the conclusion of the Tripartite Free Trade Area agreement, which would put 26 African states under one economic umbrella. However, there are a number of issues to resolve before this can be implemented; the biggest issue being political will or lack thereof. Ultimately, political willingness can only come from an understanding that all countries will benefit from this agreement and an acceptance that some will benefit more than others.

Neither trade positions matter, however, if Uganda fails to build its trade and negotiations capacity. This can be achieved, first, by opposing the agenda proposed by the developed countries for the next Ministerial Conference, which shifts focus away from the unfinished work of the Doha Development Agenda. Instead, LDCs need to push to resolve outstanding Doha issues, such as agriculture trade distorting domestic support, SSM (Special Safeguard

Mechanism), public stockholding for food security, cotton, TRIPS (Trade-Related Intellectual Properties) and S&DT (special and differential treatment). They also need to oppose further trade liberalization between the global north and global south until they can be competitive. Lastly, LDCs need to increase their productive capacity so that they can be competitive in global markets. The issue LDCs face in global trade isn't a lack of market access but a lack of ability to compete.

The narrative that "Africa is rising" stands true with countries in the COMESA and East African region with average GDP growth rates of 5%. However, for these countries such as Uganda to fulfill its potential will require strong economic policies, building infrastructure, good governance, and proper policy implementation and enforcement.

The future looks bright on Africa's horizon.

Appendix A: Informed Consent Form

SIT Study Abroad
School for International Training

PARTICIPANT INFORMED CONSENT FORM

INDEPENDENT STUDY PROJECT TOPIC:
STUDENT NAME:

Thank you for taking the time to participate in this project.

My name is Prahlad Krishnan. I am a student with SIT Study Abroad Uganda Development Studies program. I would like to invite you to participate in a study I am conducting. However, before you agree to participate in this study, it is important you know enough about it to make an informed decision. If you have any questions, at any time, please ask me. You should be satisfied with the answers before you agree to be in the study.

Brief description of the purpose of this study
The purpose of this study is to examine how Uganda's trade policy has and should be formed to rapidly develop its economy and develop in the context of human development.

Your participation will consist of ____________________________________ and will require approximately ______________________of your time.

There are ____ foreseeable risks in participating in this study and no penalties should you choose not to participate; participation is voluntary. During the interview you have the right to not answer any questions or discontinue participation at any time.

Rights Notice
In an endeavor to uphold the ethical standards of all SIT ISP proposals, this study has been reviewed and approved by a Local Review Board or SIT Institutional Review Board. If at any time, you feel that you are at risk or exposed to unreasonable harm, you may terminate and stop participation. Please take some time to carefully read the statements provided below.

a. *Privacy* - all information you present in this interview may be recorded and safeguarded. If you do not want the information recorded, you need to let the interviewer know.

b. *Confidentiality* - all confidential information will be protected.

c. *Withdraw* – you are free to withdraw your participation in the project at any time and may refuse to respond to any part of the research. Participants who desire to withdraw shall be allowed to do so promptly and without prejudice to their interests

If you have any questions about your rights as a participant, you may visit the World Learning website and check its policies on Human Subjects Research at www.sit.edu or contact the Academic Director at ______________.

If you have any questions or want to get more information about this study, please contact me at phone: ________ or email at: _________.

Please sign below if you agree to participate in this research study and acknowledge that you are 18 years of age or older.

Participants signature ____________________________________ Date______________

Researcher's signature ___________________________________ Date______________

Appendix B: Interview questions

Uganda National Chamber of Commerce and Industry

1. What does UNCCI membership mostly comprise of? Manufacturing, services or agriculture?
2. What is UNCCI's trade position?
3. What will be the effect of this trade position on Uganda's private sector? How about on agriculture? How about on manufacturing and exports? How about on services? (looking at case for protectionism)
4. How does UNCCI balance the interests of agriculture against industry?
5. How does UNCCI formulate its trade position?
6. What should Uganda's key trade priorities be to support its commercial/industrial development and entrance into its middle-income phase?
7. How does UNCCI advocate or lobby for these policies?
8. What is the effect of Uganda's current trade position on commercial/industrial development and economic development?
9. What are the challenges of pushing UNCCI's trade position to the government?
10. What are the challenges of policy implementation?
11. What policy does UNCCI advocate for in terms of East African regional trade? How does it differ from global trade?
12. How do you see East African regional integration being achieved and why is having a regional free trade agreement beneficial (both economically and commercial/industrial development-wise)?
13. Do you have examples of other countries that Uganda should follow?
14. How can Uganda increase its trade and negotiation capacity?
15. How can Uganda transition to a true middle-income economy (where the whole population is raised up and not just the elite)?
16. What do you see as the future of Ugandan trade and its policies?
17. What is UNCCI's ultimate goal?
18. Any other comments?

Ministry of East African Community Affairs

1. What is Uganda's current regional trade position and why?
2. How will East African regional integration benefit Uganda's development?
3. What are the effects/results of this trade position on economic development and human development (eg: poverty alleviation)?
4. How does this trade position contribute towards Uganda's growth to middle-income status?
5. How has this trade position affected the average Ugandan and are they getting the financial benefits as well?
6. How does Uganda formulate its regional trade position? What is the process?
7. What are some recent examples of trade policy achievements and why?
8. What are the challenges of policy implementation?
9. What should Uganda's key trade priorities be to support its commercial/industrial development and entrance into its middle-income phase?

10. What indicators do you use to test the effectiveness of trade policy?
11. How can Uganda expand its negotiation capacity in the region?
12. How do you see East African regional integration being achieved and why is having a regional free trade agreement beneficial (both economically and commercial/industrial development-wise)?
13. Can you talk a bit about EAC's tripartite deal?
14. How can Uganda increase its trade capacity?
15. How can Uganda transition to a true middle-income economy (where the whole population is raised up and not just the elite)?
16. What do you see as the future of Ugandan regional trade and its policies? How can this be accomplished?
17. Any other comments?

Ministry of Trade, Industry and Cooperatives

1. What is Uganda's current global trade position and why?
2. What are the effects/results of this trade position on economic development and human development (eg: poverty alleviation)?
3. How does this trade position contribute towards Uganda's growth to middle-income status?
4. How has this trade position affected the average Ugandan and are they getting the financial benefits as well?
5. How does Uganda formulate its trade position? What is the process?
6. What are some recent examples of trade policy achievements and why?
7. What are the challenges of policy implementation?
8. What should Uganda's key trade priorities be to support its commercial/industrial development and entrance into its middle-income phase?
9. What indicators do you use to test the effectiveness of trade policy?
10. How is effectiveness measured?
11. What are the repercussions/costs of acting against Western interests in terms of Global Trade policies? How have they responded in the past?
12. How does Uganda go about negotiating with developed economic powers?
13. How can Uganda expand its negotiation capacity?
14. What policy does Uganda advocate for in terms of East African regional trade? How does it differ from global trade?
15. How do you see East African regional integration being achieved and why is having a regional free trade agreement beneficial (both economically and commercial/industrial development-wise)?
16. Do you have examples of other countries that Uganda should follow?
17. How can Uganda increase its trade capacity?
18. How can Uganda transition to a true middle-income economy (where the whole population is raised up and not just the elite)?
19. What do you see as the future of Ugandan trade and its policies?

Uganda Export Promotion Board

1. What is UEPB's trade position?
2. What will be the effect of this trade position on Uganda's export development?
3. What indicators do you use to test the effectiveness of trade policy?
4. What should Uganda's key trade priorities be to support its export development and entrance into its middle-income phase?
5. How does Uganda's current trade position affect Uganda's export development?
6. What are the challenges of pushing UEPB's trade position to the government?
7. What are the challenges of policy implementation?
8. What policy does UEPB advocate for in terms of East African regional trade? How does it differ from global trade?
9. How do you see East African regional integration being achieved?
10. How can Uganda increase its trade capacity?
11. How can Uganda transition to a true middle-income economy (where the whole population is raised up and not just the elite)?
12. What do you see as the future of Ugandan trade and its policies?
13. What is UEPB's ultimate goal?
14. Anything else?

Private Sector Foundation Uganda

1. What does PSF's membership mostly comprise of? Manufacturing or services?
2. What is PSF's trade position?
3. What will be the effect of this trade position on Uganda's private sector?
4. How does PSF formulate its trade position?
5. What should Uganda's key trade priorities be to support its commercial/industrial development and entrance into its middle-income phase?
6. How does PSF advocate or lobby for these policies?
7. How does Uganda's current trade position affect Uganda's private sector?
8. What is the effect of Uganda's current trade position on commercial/industrial development and economic development?
9. What are the challenges of pushing PSF's trade position to the government?
10. What are the challenges of policy implementation?
11. What policy does PSF advocate for in terms of East African regional trade? How does it differ from global trade?
12. How do you see East African regional integration being achieved and why is having a regional free trade agreement beneficial (both economically and commercial/industrial development-wise)?
13. Do you have examples of other countries that Uganda should follow?
14. How can Uganda increase its trade capacity?
15. How can Uganda transition to a true middle-income economy (where the whole population is raised up and not just the elite)?
16. What do you see as the future of Ugandan trade and its policies?
17. What is PSF's ultimate goal?
18. How do you balance interests of agriculture and manufacturing?

19. Last comments?

Uganda Manufacturers' Association (UMA)

1. What is UMA's trade position?
2. What will be the effect of this trade position on Uganda's manufacturers?
3. What should Uganda's key trade priorities be to support its commercial/industrial development and entrance into its middle-income phase?
4. How does Uganda's current trade position affect Uganda's manufacturers?
5. What is the effect of Uganda's current trade position on commercial/industrial development and economic development?
6. What are the challenges of pushing UMA's trade position to the government?
7. What are the challenges of policy implementation?
8. What policy does UMA advocate for in terms of East African regional trade? How does it differ from global trade?
9. How do you see East African regional integration being achieved and why is having a regional free trade agreement beneficial (both economically and commercial/industrial development-wise)?
10. How can Uganda increase its trade capacity?
11. How can Uganda transition to a true middle-income economy (where the whole population is raised up and not just the elite)?
12. What do you see as the future of Ugandan trade and its policies?
13. What is UMA's ultimate goal?
14. Any other comments?

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