Uganda: Deepening Engagement with India through Better Market Access

By Vinaye Ancharaz, Paolo Ghisu and Jessica Wan, ICTSD

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LIST OF ACRONYMS AND ABBREVIATIONS

DFQF	Duty-free and Quota-free
DFTP	Duty-Free Trade Preference
DRC	Democratic Republic of Congo
EAC	East African Community
EU	European Union
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
HS	Harmonized System
LDC	Least Developed Country
MFN	Most-Favoured Nation
MOP	Margin of Preference
NTBs	Non-Tariff Barriers
POIs	Persons of Indian Origin
SADC	Southern Africa Development Community
SME	Small and Medium Enterprises
SSA	Sub-Saharan Africa
UAE	United Arab Emirates
UIA	Uganda Investment Agency
UEPB	Uganda Export Promotion Board
WTO	World Trade Organization

FOREWORD

It has long been recognised that, if trade can contribute to economic development, then trade preferences granted to developing countries' exports can be a potent means of achieving that goal. This was the rationale for the Generalized System of Preferences (GSP) when it was launched in 1971. There has been a constant call since then to improve upon the GSP and to provide more meaningful preferences to the least developed countries (LDCs). Over time, new schemes have emerged. Several of these schemes combine trade preferences with aid and technical assistance to ensure that preferences are effectively utilized. The evidence by and large suggests that those countries that have made optimal use of trade preferences have seen their exports increase significantly, boosting economic growth and reducing poverty.

While trade preference schemes have become more inclusive over the years, and rules of origin less onerous, the demand for improved preferences has not waned. Partly in response to this demand, WTO members, at the 2005 Ministerial Conference in Hong Kong, agreed that: "Developed-country members shall, and developing-country Members declaring themselves in a position to do so should, provide duty-free and quota-free (DFQF) market access on a lasting basis, for all products originating from all LDCs by 2008..." (emphasis added).

India was the first among the emerging economies to propose a duty-free market access scheme for LDCs following the Hong Kong Ministerial Declaration of 2005. The duty-free trade preference (DFTP) scheme, launched in August 2008, initially offered preferential tariffs on 94 percent of Indian tariff lines. A revision to the scheme in April 2014 extended duty treatment to 98 percent of tariff lines; yet it continues to exclude several products of export interest to LDCs. While the revised scheme goes in the direction of ICTSD's recommendations, the remaining exclusions point to some disconnect between the scheme's intent and its actual impact.

Little is known about the effectiveness of the recent initiatives by emerging economies, such as India and China, arguably because it is too early to assess their impact. In the case of the Indian scheme, however, more than five years after its launch, it is useful to take stock of how it has affected LDC exports, identify potential impediments and propose remedial measures for enhancing the scheme's effectiveness. This is the motivation behind this paper, and five other papers in a project that examines how India's engagement with LDCs – especially African LDCs – can be strengthened through trade relations and technological collaboration with a view to supporting growth and structural transformation in Africa's poorest economies.

In future work, ICTSD intends to apply the methodology used in this project to a thorough analysis of the Chinese trade preference initiative. The scheme, launched in January 2008, initially provided DFQF market access on select products to 33 African LDCs enjoying diplomatic ties with China; it was expanded in terms of product coverage and extended to all LDCs in July 2010.

At a time of little progress on the duty-free quota-free market access proposition of the Hong Kong Ministerial – other than the decision being reiterated in Bali in December 2013 –, the analysis and findings of this paper suggest that, not only should the major developing countries that have yet to come up with a trade preference scheme for LDCs do so in earnest, but those that already offer such preferences – both developed and developing countries – should reassess their schemes with a view to enhancing their effectiveness.

Ricardo Meléndez-Ortiz
Chief Executive, ICTSD

1. INTRODUCTION

As a least developed country (LDC), Uganda enjoys preferential access to the markets of major world economies under the Generalized System of Preferences (GSP).[1] Although such preferences are, in general, discriminatory and, therefore, illegal under World Trade Organization (WTO) law, they are nevertheless allowed under the Enabling Clause to facilitate and promote developing countries' trade. This imperative to help developing countries and, in particular, LDCs to better integrate with the global economy was re-affirmed at the 2005 WTO Ministerial Conference in Hong Kong when members agreed that developed countries, and developing countries "in a position to do so", should provide duty-free and quota-free (DFQF) market access for at least 97 percent of products originating from LDCs.[2] While developing-country members are not legally obligated to commit themselves to the decision, countries such as Korea and Turkey, which were providing preferential market access to LDCs' exports, expanded their system of preference. Other developing countries such as China and India opened their markets by providing preferential treatment to exports from LDCs.

While LDCs enjoy a plethora of unilateral DFQF schemes, these initiatives have provisions that regulate preferential market access in varying degrees of stringency. All schemes have rules of origin that set limits on products eligible for preferential tariffs, which are usually based on the added value of the final product in the exporting country. In addition, many preferential trade schemes have exclusion lists of products (to protect domestic industries) that do not receive preferential access and are subject to most-favoured nation (MFN) tariffs. Aside from explicit restrictions in the duty-free schemes, LDCs' exports face other challenges, including non-tariff barriers (NTBs) such as burdensome documentation requirements, and export-import complementarity.

This study aims to critically assess the implementation and impact of India's Duty-Free Trade Preference (DFTP) scheme on Ugandan exports. India became one of the first developing countries to offer preferential access to LDC exports in 2008. Open to all LDCs, the scheme provided preferential market access on 94 percent of Indian tariff lines when it became fully operational in October 2012. A revision to the scheme in April 2014 extended duty concession to 98 percent of tariff lines.

In order to assess the implementation and impact of the DFTP scheme, the study looks at Uganda's most competitive exports to the world relative to Uganda's top exports to India; the performance of Uganda's preferential exports; and the relevance of the scheme in relation to Uganda's competitive exports. It also considers whether the Ugandan export community is sufficiently aware of the Indian scheme; whether exporters are actually taking advantage of it, and if not, why. Finally, the study goes beyond the trade scheme and examines how India's relations with Uganda in such areas as investment and aid are helping — or could help — Uganda strengthen its export capacity to India.

The paper is divided into seven sections. The next section provides an overview of the Ugandan economy and of Uganda's exports to the world. Section three focuses on Uganda's economic and trade relations with India and provides a detailed description of the DFTP scheme. Sections four and five assess the implementation and impact of the DFTP scheme based on secondary data sourced mainly from the United Nations Comtrade database (section four) and primary information obtained during the authors' fieldwork in Uganda, where they interviewed key public and private sector stakeholders (section five). Section six will review other key components of Uganda-India relations that support Ugandan exports, such as foreign direct investment (FDI) from India; technological collaboration; technical assistance; and aid. The concluding section provides recommendations and policy options for improving the inclusiveness of the DFTP scheme and deepening Uganda-India trade and economic relations.

2. GENERAL BACKGROUND

2.1 Overview of Uganda's Economic and Social Development

Uganda has a population of over 35.87 million with a population growth rate at 3.58 percent.[3] The age structure of the population is as follows: 48 percent of the population is between the ages of 15 and 64, 50 percent of the population is between the ages of 0 and 14, and 2 percent of the population is over 65 years old. As of 2012, there were 14.5 million persons over the age of 15 active in the labour force.

Uganda's Gross Domestic Product (GDP) growth since the 1990s has fluctuated between 3.1 percent and peaks of 11.5 and 10.8 percent respectively in 1995 and 2006 (Figure 1). Despite the economic turmoil in 2011[4], GDP still grew by 6.6 per cent, although GDP growth decelerated to 3.4 percent in 2012 — its slowest rate of growth since 2000. Currently, the services sector has the largest share of GDP (50 percent by 2011). This sector had a modest growth rate of 4.8 percent from 2012 to 2013. The industry sector, which contributed 25 percent to GDP in 2011, registered 6.8 percent growth in 2012–13. The major growing industry subsectors include construction (8.2 percent growth); electricity supply (10 per cent) and water supply (4.2 per cent); and formal (4.7 per cent) and informal manufacturing (2.5 per cent).[5] While agriculture is a smaller contributor to GDP growth (23 per cent), agriculture remains a key sector of the economy: it employs over 80 percent of the workforce and accounts for more than 30 percent of exports. From 2012 to 2013, the cash crops subsector grew by 3.9 percent, the livestock subsector by 2.8 per cent, and the food crops subsector grew marginally by 0.2 per cent.[6]

In terms of social development, Uganda's Human Development Index ranking is 161 among 187 countries, largely due to a low score on the income indicator.[7] For 2013, multidimensional poverty indicators[8] show that 69.9 percent of the population was affected by some form of deprivation; however, the percentage of deprivation across all indicators decreased between 2006 and 2012. The improvement in social development is observed in the increased literacy rate (over the age of 15) from 71.4 to 73.2 percent between 2006 and 2010. Child mortality rates (under five) decreased from 83 per 1,000 live births in 2009 to 69 per 1,000 in 2012. Similarly, Uganda observed a drop in poverty headcount at the national poverty line from 31.1 percent in 2005 to 24.5 percent in 2009. However, there is increasing income inequality as the Gini Index[9] increased from 42.6 in 2006 to 44.3 in 2009.[10]

Figure 1. Uganda's GDP Growth (2000-2012)

Source: World Bank (2014).

Uganda's recent success came from a series of trade reforms, improved macroeconomic stability, and movement towards a market economy over the last two decades. By the late 1980s, the National Resistance Movement government inherited a trade system not conducive to exports. Similar to other sub-Saharan African countries at the time, Uganda had a dual exchange rate system; the official rate was kept at an artificially strong level to facilitate access to foreign exchange by importers and manufacturers of goods while a "black market" dealt with unofficial transactions. By March 1990, the government legalised the parallel exchange rate and unified the parallel and official exchange rates.

Although Ugandan exports were historically dominated by the export of coffee, macroeconomic stability and trade policy reforms led to export diversification, and non-coffee exports expanded rapidly. To promote exports, the Ugandan government reversed the trend of anti-export policies such as NTBs and high export taxes. The government promoted pro-export policies including the abolition of the coffee export tax and the reduction of import tariffs from a high of 350 percent to 20 percent by the end of the decade. Consequently, Uganda saw a growth in non-coffee exports, which helped prepare the ground for the liberalization of coffee exports. Inflation, which was rampant before the reform period, was brought under control through fiscal policy.[11]

Alongside measures to increase trade and maintain macroeconomic stability, the government undertook several pro-investment initiatives. In 1991, the Uganda Investment Authority (UIA) was established as a centralized unit that approves applications for investment incentives and grants licences. In addition, the government encouraged private investment by returning properties expropriated during Idi Amin's expulsion of Asian communities. This measure had a positive demonstration effect that signified Uganda's strong commitment to private sector development and the rule of law.

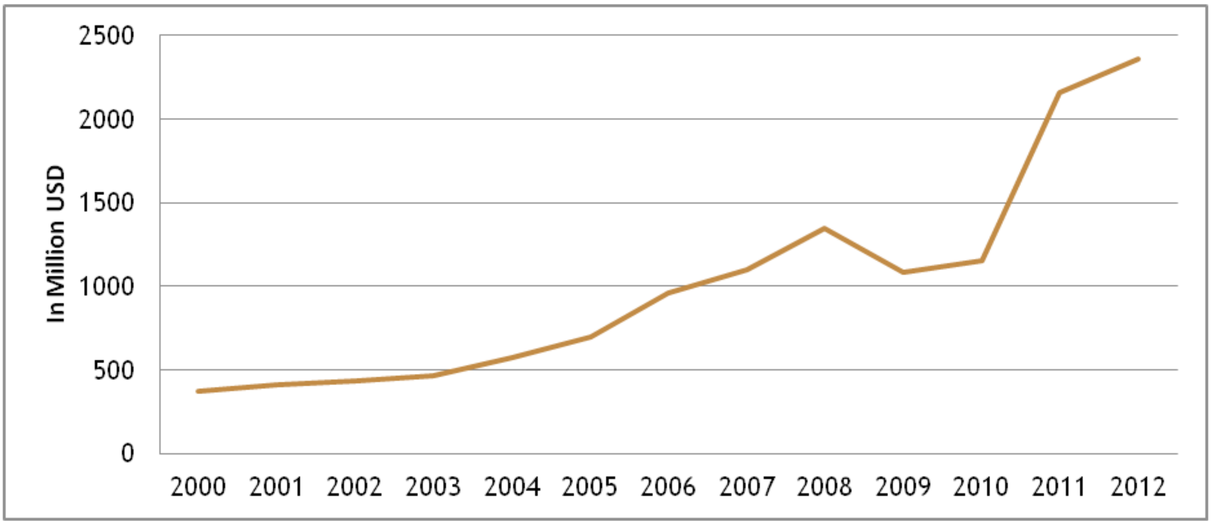
In recent years, Uganda has taken further steps to increase integration in the market economy. The country benefits from trade as a member of the East African Community and has taken advantage of markets such as Sudan and, more recently, the newly independent South Sudan and the Democratic Republic of Congo (DRC).[12]

2.2 Ugandan Exports to the World

Between 2000 and 2012, Uganda's exports to the world grew by an average of 19 percent a year (Figure 2). Despite the drop in exports in the aftermath of the financial crisis in 2009 (a decrease of 19 percent), the country has been able to maintain a high level of exports to the world over the last decade. The most significant increases in exports were in 2011 (87 percent) and in 2007 (38 percent). The growth in 2007 was attributed to increasing exports to the Common Market for Eastern and Southern Africa (43.7 percent), the EU (42.5 percent), and the Southern Africa Development Community (SADC, 57.4 per cent). In 2007, the top products exported to the EU market included coffee (not roasted, not decaffeinated) and fresh or chilled tilapia. Within the EAC and the SADC, the top products exported from Uganda include black tea, tobacco, and vegetable fats and oils. Kenya is the biggest importer of Ugandan black tea.[14]

The growth experienced in 2011 was due to the increase in value of exports of coffee, transmission apparatus, and light oils.[15] The biggest importer of transmission apparatus in 2011 was the United Arab Emirates (UAE). For coffee, Switzerland, Germany, and Sudan were the most significant importers.[16] The increase in the volume of coffee exports in 2011 was accompanied by a boom in the composite price of coffee, which grew from USD147.24 per pound in 2010 to USD210.39 per pound in 2011.[17]

Figure 2. Ugandan Exports to the World



Source: UN Comtrade (2014).

Since 2000, there have been several changes in the composition of products exported, though the share of total exports was largely dominated by vegetable products such as coffee (Table 1). In 2012, the three most prominent exports were vegetable products (32.3 percent), followed by food products (12.9 percent), and machinery and electrical products (9.6 percent). Although there was a significant increase in the share and quantity of exports in stone and glass (including precious metals) between 2000 and 2006, both dropped sharply in 2012. However, despite the increase in exports of non-traditional agricultural products (food products, fuels, machinery/ electrical products), Ugandan exports remain dependent primarily on agricultural products.

The growth of food exports is explained by the fundamental changes in fish processing in the country and the demand for fish products in the EU-27.[18] With extensive public sector support and private investment, new technologies, infrastructure, and sanitary conditions were adopted to meet the EU's standards for fish. Consequently, there was a dramatic increase in fish exports, particularly in fish fillets, to the European market. Fish fillets are now the second biggest exports to the EU, behind coffee.

The United Arab Emirates (UAE) is the biggest importer of machinery and electrical products from Uganda. As of 2012, the UAE imported 67.2 percent of all machinery and electrical products exported by Uganda. The other major importers of this category of products were Sudan (7.17 percent), Tanzania (4.36 percent), and Kenya (3.67 percent). More strikingly, the UAE imported 97.3 percent of all transmission apparatus, which is also one of Uganda's top exports to the world.[19]

Table 1. Ugandan Exports to the World by Product Category in 2000 and 2012

Type of Product	2000 (USD million)	Percentage	2012 (USD million)	Percentage
Animal	31.5	8.5	89.5	3.8
Vegetables	184.9	49.8	761.4	32.3
Food Products	30.4	8.2	303.9	12.9
Minerals	16.1	4.3	117.3	5.0
Fuels	18.7	5.0	156.4	6.6
Chemicals	2.8	0.7	79.3	3.4
Plastics/Rubber	1.9	0.5	30.7	1.3
Hides/Skins	14.1	3.8	42.8	1.8

Table 1. *Continued*

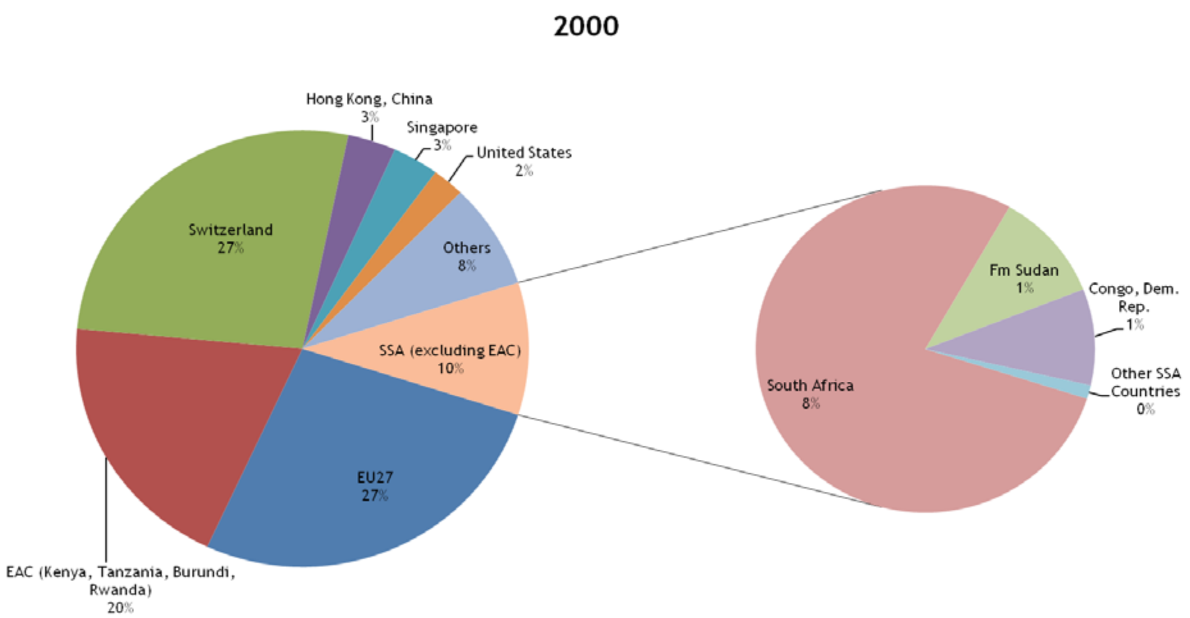
Wood	0.5	0.1	30.0	1.3
Textiles/Clothing	23.2	6.2	100.6	4.3
Footwear	0.0	0.0	4.6	0.2
Stone/Glass (incl. gold and precious metals)	43.3	11.7	24.1	1.0
Metals	3.3	0.9	151.5	6.4
Machinery/Electrical	0.6	0.2	227.3	9.6
Transport	0.1	0.02	96.4	4.1
Misc.	0.2	0.1	141.8	6.0
Total	**371.5**		**2,357.5**	

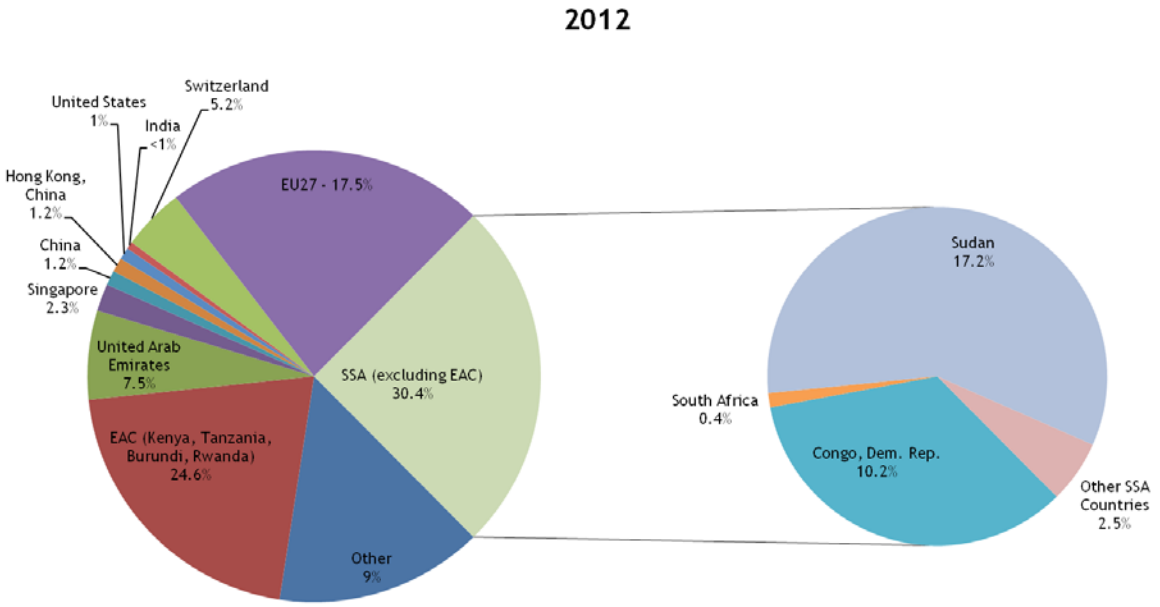
Source: Authors' calculations based on data from UN Comtrade (2014).[20]

Overall, Uganda's export destinations have diversified since 2000 (Figure 3).[21] In 2000, the major destinations for Ugandan goods were the EU-27 (key importers being the Netherlands, the UK, and Spain), Switzerland (which has the same share in value as the whole of the EU-27), the East Africa Community (EAC, mainly Kenya and Tanzania), and South Africa.

By 2012, the share of exports to the EU-27 declined to 17.5 percent despite the increase in the total value of exports. By contrast, SSA became a major destination for Ugandan goods. While South Africa's market share of Ugandan exports decreased significantly from 8 percent in 2000 to 0.4 percent in 2012, the sharpest increases in market share occurred in the EAC, Sudan, and the DRC. According to UN Comtrade, the key export to Sudan from Uganda is coffee, and Portland cement is the major export to the DRC. Over this 12-year period, Uganda's export destinations diversified from the EU-27 and the EAC as major trading partners to include the UAE, the DRC, Sudan, and many other countries. Although the significance of China, India, and other emerging economies in SSA is increasing, their shares of Ugandan exports are small. China and India together only accounted for approximately 1 percent of exports in 2012.

Figure 3. Direction of Ugandan Exports, 2000 and 2012





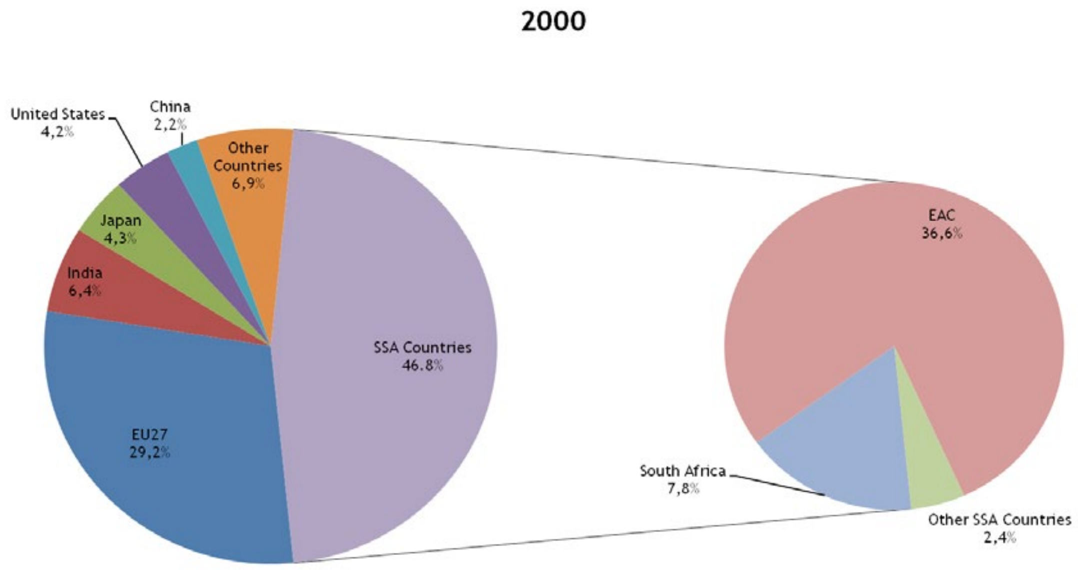
Source: Authors' calculations based on data from UN Comtrade (2014).[22]

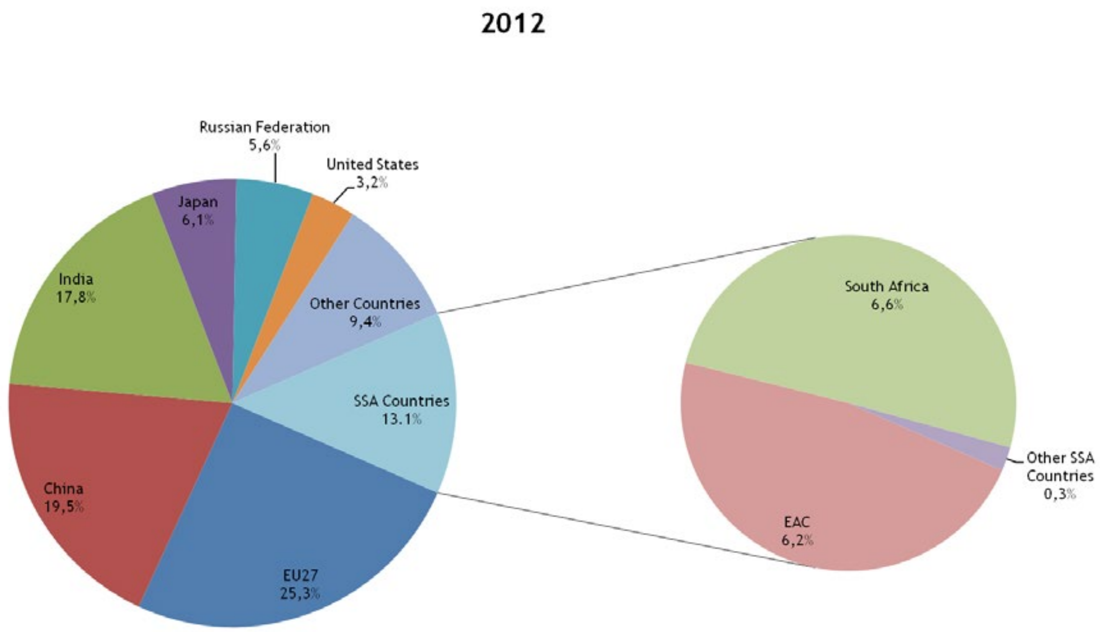
2.3 Ugandan Imports from the World

Since 2000, the biggest exporters to Uganda included the EU-27, SSA countries, and India (Figure 4). Of the SSA countries, the biggest exporters to Uganda were South Africa and the EAC (mainly Kenya and Tanzania). However, the importance of the SSA countries as exporters to Uganda has declined, mainly due to the growing significance of exports from India (17.8 percent in 2012) and China (19.5 percent in 2012). Although SSA countries continue to be key exporters to Uganda, their share declined from 46.8 percent of total value in 2000 to 13.1 percent by 2012.[23] Of the EU-27, the biggest exporters to Uganda in 2012 were Germany (4.9 percent), the UK (3.9 percent), and France (3.5 percent).

In 2000, Uganda's imports from the world totalled USD640.8 million. By 2012, Uganda's global imports reached over USD2.3 billion. Overall, Uganda's trade deficit decreased from USD269.3 million in 2000 to USD184 million in 2012.

Figure 4. Source of Ugandan Imports, 2000 and 2012





Source: Authors' calculations based on data from UN Comtrade (2014).[24]

3. UGANDA AND INDIA TRADE

3.1 Overview of Uganda-India Relations

India-Uganda relations have improved since the expulsion of over 55,000 persons of Indian origin (POIs) under the Idi Amin regime in 1972. POIs have since returned to Uganda, and properties seized under Idi Amin have been returned. Currently, over 20,000 POIs and Indians are working and operating businesses in Uganda in sectors such as manufacturing, agro-processing, sugar, banking, real estate, tourism, hotels, and information technology.

Over the last two decades, ties between the two countries have strengthened. Since the late 1990s, there have been several high-level visits to Uganda by Indian officials and visits to India by Ugandan officials. In 1992, President Museveni of Uganda visited India and, in 1997, the Prime Minister of India visited Uganda. Over the last decade, India has engaged with Uganda politically at the African Union, the Regional Economic Communities, as well as bilaterally.

Alongside the growing political ties, India has become an important trade, investment, and aid partner. From 2000 to 2012, bilateral trade grew from USD40.9 million in 2000 to USD466.4 million. In recent years, India has become one of the biggest FDI investors in Uganda. In terms of aid, India is involved in various development projects in energy, education, food processing, and health.[25] The remainder of this section and the following two sections will analyse the changing trade relations between the two countries. In particular, the following two sections will assess the effects and impact of the DFTP scheme on Uganda's exports to India on the basis of secondary data (section 4) and primary information obtained from the authors' fieldwork in Uganda (section 5). Section 6 zooms in on Indian investment, transfer of technology, and aid to Uganda.

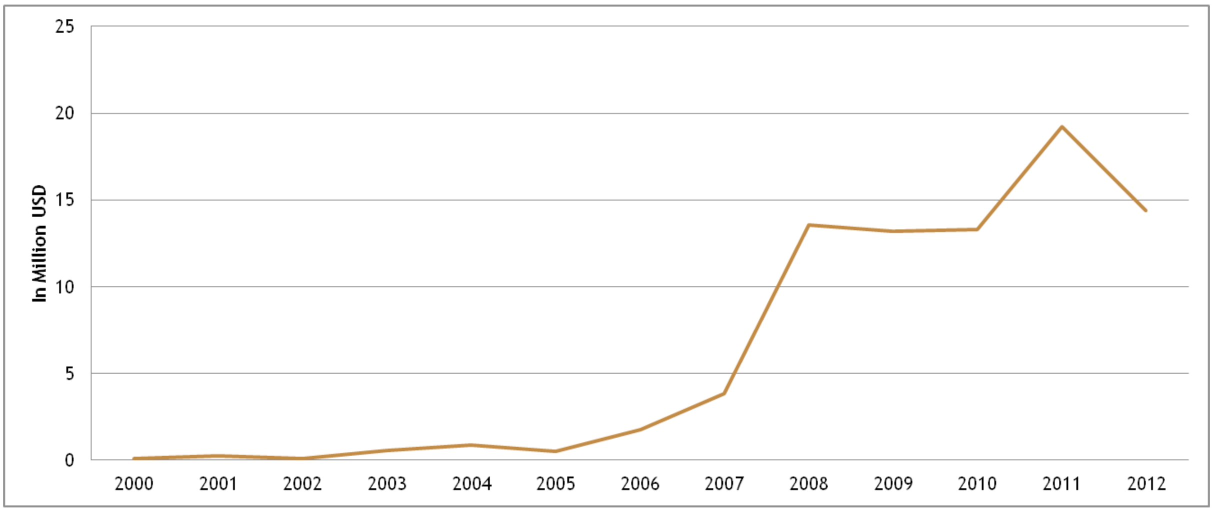
3.2 Overview of Uganda-India Trade

Although Uganda's total exports to India stood at less than USD100,000 in 1999, it reached over USD14 million by 2012 (Figure 5). Despite this increase, it amounted to a paltry 1 percent of Uganda's global exports. Uganda's imports from India, however, reached over USD452 million in 2012.[26] According to Indian import data, the main products imported from Uganda include pharmaceuticals; bicycle and bicycle parts; small industry and agro-processing machinery; textiles; tyres and sports equipment; and automobile components.[27] As such, Uganda runs a substantial trade deficit with India, which amounted to USD438 million in 2012.

While exports to India have increased in value since 2000, India is a marginal market for Uganda, particularly in comparison to EAC countries. In 2012, Uganda's exports, by value, to India were significantly less than those of Tanzania and Kenya. Their exports to India in 2012 totalled USD480.6 million and USD103. 3 million respectively, while Uganda's exports that year were only worth USD14.27 million.[28] Although Uganda's exports to India far exceed those of Rwanda and Burundi, India is nevertheless a less significant trade partner.

Looking at the export basket (Table 2), Uganda's exports to India are primarily concentrated in a handful of categories (vegetables, hides and skins, metals, chemicals, and textiles/clothing). In comparison with 2000, exports to India have diversified in recent years, even though in 2012 vegetable products still accounted for about 80 percent of total exports. While the export of chemical products and hides and skins increased in value, their shares decreased in 2012 because of the growth in value of vegetable product exports. Other categories such as food products and machinery and electrical products saw an increase in both value and share of total exports.

Figure 5. Uganda's Exports to India



Source: Authors' calculations based on data from UN Comtrade (2014).[29]

Table 2. Ugandan Exports to India by Product Category, 2000 and 2012[30]

Product	2000 (USD million)	Share in 2000 (%)	2012 (USD million)	Share in 2012 (%)
Animal	0.0	0.0	0.24	1.7
Vegetables	0.0	0.0	11.48	79.9
Food Production	0.0	0.0	0.59	4.1
Minerals	0.0	0.0	0.08	0.5
Fuels	0.0	0	0	0.0
Chemicals	0.0	0.0	0.78	5.4
Plastics/Rubber	0	0.0	0.01	0.1
Hides/Skins	0.1	96.9	0.86	5.0
Wood	0.0	0.	0.0005	0.0
Textiles/Clothing	0.0	0.0	0.07	0.5
Footwear	0.0	0.0	0	0.0
Stone/Glass (including gold and precious metals)	0.0	0.0	0.002	0.01
Metals	0.0003	3.2	0.006	0.04
Machinery/Electrical	0.0	0.0	0.21	1.5
Transport	0.0	0.0	0.003	0.02
Misc.	0.0	0.0	0.05	0.3
Total	**0.1**	**100.0**	**14.37**	**100.0**

Source: Authors' calculations based on data from UN Comtrade (2014).

3.3 The DFTP Scheme for the LDCs

India became the first emerging economy to announce a tariff preference scheme for the LDCs - at the India-Africa Forum Summit in April 2008. Before the scheme was revised in April 2014, it offered duty-free treatment to LDC exports on 85 percent of India's tariff lines; a further 9 percent of tariff lines attracted a margin of preference while the remaining 6 percent were excluded. The revised scheme extends trade preferences to 98% of tariff lines. The exclusion product list has been trimmed down to 97 products (from 326 products originally); yet the scheme continues to exclude some products of key export interest to LDCs.

The analysis in this section is based on the pre-April 2014 version of the DFTP scheme since it was completed before the new scheme was disseminated. However, since the analysis uses data up to 2012, it remains unaffected by the changes in the scheme.

Box 1 summarizes the main changes in the DFTP scheme. Significantly, for Uganda, coffee, its main export to India and to the world, remains an excluded product.

Box 1. The Revised DFTP Scheme

On April 1, 2014, the Government of India published in the Gazette of India a notification that brought further amendments to the DFTP scheme announced on August 13, 2008. The notification includes two tables that are meant to replace the corresponding lists of preference products (that is, products on which lower-than-MFN tariffs are applied) and excluded products in the original notification. Both lists are significantly shorter than their original versions. With these changes, the DFTP scheme will now effectively provide duty treatment to about 98 percent of tariff lines, up from 85 percent initially.

The number of tariff lines in the exclusion list has shrunk from 326 to 97; the new MOP list features 114 tariff lines compared to 468 originally. This means that 229 products have been moved out of the exclusion list. The majority of them now enjoy duty-free status; only a few products – notably fresh tomatoes, almonds (shelled) and walnuts – have been shifted from the exclusion list to the "positive list" with a margin of preference (MOP) of 25 percent. Among the products that have been fully liberalized are rice, maize, most fruits and vegetables (except fresh apples and onions), and waste and scrap of most metals (except copper).

Nevertheless, the new scheme continues to exclude a number of products of key export interest to LDCs, especially African LDCs. These include milk and cream (with sugar), whole milk powder, some fruits and vegetables (e.g. apples and onions), cashew nuts, coffee, tea, some spices and oilseeds (e.g. linseed, sesame), wheat flour, beer, wine and spirits, tobacco and cigarettes, and copper and related products (e.g. bars, rods, cathodes, waste and scrap).

Finally, while over 350 tariff lines from the MOP list are now 100 percent duty-free, it appears that both the exclusion list and the positive list feature products that were not there initially. While this could be a statistical anomaly (we notice, for example, that many of these products are at the 8-digit HS level instead of the traditional 6-digit level), we suspect that some tariff lines from the duty-free list may now be subject to tariffs, or excluded altogether. Further analysis is needed to confirm if this is indeed the case.

Source: Authors' analysis based on information on the changes to the DFTP scheme published in the Government of India gazette. Available at http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2014/cs-tarr2014/cs08-2014.htm.

Vegetable products constitute over 40 percent of the items on the exclusion list and make up 25.8 percent of the value of total exports of exclusion products from beneficiary LDCs. The second largest category of products on the exclusion list is "base metals and articles" (17 percent of exclusion products), followed by prepared food products and tobacco (16 per cent). Chemical and allied products, which make up only 6 percent of tariff lines on the exclusion list, constitute a significant 44 percent of the value of exports of exclusion products from beneficiary LDCs.[31] As analysed in the following sections, the exclusion list includes several products in which Uganda has a notable comparative advantage.

As in every preferential scheme, preference products can be exported to India at concessional rates provided they comply with the rules of origin regime. While these rules are clear and simple, they can be a barrier to trade for LDCs producers as we will discuss in section 5. Under the DFTP, to be eligible for tariff preferences, products need to simultaneously satisfy the following conditions: at least 30 percent domestic value addition; a change in tariff heading; and the final process of manufacture is performed within the territory of the exporting LDCs. Cumulation of value is allowed only with inputs from India and not from other parts of the world.

We now turn to an analysis of recent trends in Uganda's exports to India in the pre- and post-DFTP periods, and examine trends in Ugandan exports at the Harmonized System (HS) 6-digit level in both pre-DFTP (2004–07) and post-DFTP periods (2009–12). All calculations are based on direct data (Ugandan exports to India) as opposed to mirror data (Indian imports from Uganda) using HS 2002; all the data stem from the UN Comtrade database. The next section will examine the trends in, and the growth of, exports according to their status as duty-free, MOP, or exclusion products. Instead of using year-by-year data, the analysis will use averages for the pre- and post-DFTP periods to avoid disturbances based on random shocks (the financial crisis, the European slowdown, and the inflation spike of 2011).

4. THE IMPACT OF THE DFTP SCHEME ON UGANDA'S EXPORTS

4.1 Observing Changes and Trends in Export Patterns to India

In this section, we assess the impact of the DFTP on Uganda's exports on the basis of secondary data mainly sourced from the UN Comtrade database. To do so, Uganda's exports trend to India and to the world before and after the DFTP came into force in 2008 will be analysed. The analysis is conducted at the HS 6-digit level and will look at trends for the three categories of products defined under the DFTP. The analysis is based on assessment of the top 30 products exported to India and to the world. This is because the top 30 products account for more than 90 percent of total exports to India, and about 70 percent of total exports to the world.

Before undertaking the data analysis we have to make an important assumption: Indian and Ugandan customs data, as well as the UN Comtrade database do not provide detailed information on whether or not trade takes place under the DFTP or MFN tariff rates. Therefore, we assume that Uganda's exports to India take place under the DFTP scheme. In practice, this may not be the case. For instance, obtaining certificates of origin may be a cumbersome process and not worth the hassle where the margin of preference is very small. In other cases, exporters might not be aware of the opportunities offered by the scheme. In section 5 we will discuss the limitations of this assumption.

The following paragraphs outline how we gauge the impact of the DFTP scheme on Uganda's exports.

First, we examine changes in the composition of Uganda's exports and compare exports to India with Uganda's global exports in the pre- and post-DFTP periods based on whether the products receive preferential treatment or not. This analysis should show if India has become a more attractive export destination for Uganda's exports, specifically for preference products.

Second, we examine the coverage of the scheme in relation to Uganda's main exports to the world in order to determine whether or not Uganda's main export products enjoy preferential market access under the DFTP.

Third, we analyse India's global import demand of Uganda's top 30 exports to the world in order to establish if there is complementarity between Uganda's most competitive exports and India's import demand. We compare Uganda's top exports to the world to India's global import demand (in the post-DFTP period) to see if there is a demand for Uganda's competitive exports in India.

4.2 Comparing Uganda's Exports to India and to the World

To determine whether India has become a more attractive destination for Uganda's exports as a result of the DFTP scheme, it is helpful to compare exports between the pre-DFTP period (2004–07) and the post-DFTP period (2009–12). It is also useful to disaggregate the top exports based on their classification under the scheme (MOP, duty-free, or exclusion products).

Like many LDCs, Uganda's exports are heavily concentrated around a limited number of products, mainly agricultural. But while Uganda's exports to the world have slightly diversified over the last few years, exports to India appeared to be more concentrated in the post-DFTP period than before 2008. For instance, in the pre-DFTP period, Uganda's top 30 exports represented 80 percent of all exports to the world. By 2009–12, however, the same top 30 products made up 70.5 percent of Uganda's world exports, suggesting that some degree of export diversification had occurred during this period.

On the other hand, Uganda's top 30 exports to India made up 90.5 percent of total exports in the pre-DFTP period and 92.5 percent after 2008. Therefore, the export basket to India appears to be more concentrated than the export basket to the world, and the implementation of the DFTP scheme has not helped Uganda's exporters to diversify their exports. This is a challenge that Uganda needs to face in the years to come as the DFTP gives an opportunity to expand and diversify what Uganda has to offer.

If the DFTP had an impact on boosting exports to India, the largest effect would be observed for preference products (duty-free or MOP) and with India eventually becoming a larger market destination for Uganda's goods. But an analysis of Uganda's export trends for the three categories of products suggests that the impact of the DFTP has been minimal.

Despite growth in exports to India over the last few years, average exports between 2009 and 2012 were only USD18 million (Table 3). Moreover, although exports of duty-free products increased from USD2 million in the pre-DFTP period to almost USD3 million in the post-DFTP period, MOP products and exclusion products experienced a much faster growth rate, 1,900 percent and 918 percent respectively (Table 3).

Table 3 also shows that in the post-DFTP period only 1.5 percent of Uganda's top 30 exports made their way to India, an increase of 1 percent in share compared with the pre-DFTP period. But the increase was mainly driven by the exports of exclusion products (5 percent), whereas the export of MOP products as a share of total exports to the world showed a slight increase of 0.4 percent and the share of duty-free products remained constant (0.7 percent).

As further demonstrated in the three tables in Annex 1, the exports of exclusion products outperformed the exports of preference products. A majority of the total exports to India are actually exclusion products, in particular coffee. They doubled their share of total exports since the pre-DFTP period (from 33.34 percent to 64.84 per cent). Similarly, Uganda has increased its exports of MOP products. Uganda's exports of duty-free products have performed relatively poorly in comparison, with their share decreasing from 53.18 percent to 15 percent.

Annex 1 indicates that the top Ugandan exports to India include coffee, cocoa beans, grains, tanned animal hides, cane sugar, and prepared or preserved sardines, sardinella, and sprats. Out of the top 30 exports to India in the post-DFTP period, seven products were on the exclusion list and nine enjoyed a margin of preference. Under the new scheme, all but the most significant of Uganda's export products — coffee — have been removed from the exclusion list. On the other hand, many of Uganda's preference products have limited commercial value: with the exception of cocoa beans, none of them exceed USD1 million in exports to India in the post-DFTP period.

Annex 2 compares exports to India and to the world of Uganda's top 30 exports to India (in the post-DFTP period). The table shows that Uganda's exports to India grew faster than exports to the world, but that India remains a marginal market for Uganda. It indicates that exports to India have been mainly driven by products that do not enjoy any tariff preference under the DFTP scheme. In particular, coffee and coffee products, which are on the exclusion list and made up almost two-thirds of Uganda's exports to India in the post-DFTP period (USD12.2 million), dominated Uganda's export basket to India. Exports of preference products have grown but remain limited. As such, the impact of the DFTP has been modest. In the following sections we will further analyse the causes of this poor performance.

Table 3. Uganda's Top 30 Exports to India as a Share of Total Exports to the World

	Exclusion	MOP	Duty Free	Total Average Exports
Uganda's Exports to India (USD million)				
Pre-DFTP	1.3	0.1	2.0	3.4
Post-DFTP	12.7	2.5	2.9	18.2
Growth rate (%)	**917.7**	**1,900.8**	**47.7**	**439.2**
Uganda's Exports to the World (USD million)				
Pre-DFTP	301.8	102.4	282.5	686.7
Post-DFTP	233.8	527.2	439.0	1,200.0
Growth rate (%)	**-0.2**	**4.1**	**0.6**	**0.7**
Uganda's Exports to India as a Share of Exports to the World (%)				
Pre-DFTP	0.4	0.1	0.7	0.5
Post-DFTP	5.5	0.5	0.7	1.5
Difference	**5.0%**	**0.4**	**0.0%**	**1**

Source: Authors' calculations based on data from UN Comtrade (2014).

4.3 The Scheme and its Limited Coverage of Uganda's Competitive Exports

This section evaluates the scheme and its coverage of Uganda's global competitive exports. This analysis helps us determine whether or not the scheme is inclusive of Uganda's top global exports and assess whether or not its competitive exports enjoy preferential market access under the DFTP.

The pre-April 2014 DFTP scheme claimed to exclude a mere 6 percent of tariff lines; yet, in practice, excluded products made up 15 percent of LDCs' global exports in the post-DFTP period. The share of exclusion products in the total exports of individual countries ranges from 0.1 percent (Lesotho) to 82.4 percent (Burundi). In the case of Uganda, many products of export interest, accounting for about half of its global exports, are on the exclusion list (Ancharaz and Ghisu, 2014).

In order to assess the inclusiveness of the DFTP, Annex 3 presents Uganda's top 30 export products to the world in the post-DFTP period. Among them, 14 can be exported duty-free, eight are on MOP terms, and eight products are excluded under the DFTP scheme. The 14 duty-free products make up 25.7 percent of Uganda's exports to the world. Of these, the most commercially valuable products are Portland cement, fresh fillets, transmission apparatus, and light oils. The eight MOP products constitute 13.7 percent of Uganda's global exports. The most commercially significant of these MOP products include cotton, cocoa beans, and vegetable fats.

The eight products (coffee; tobacco; other black tea; black tea; flat-rolled products of iron or steel; maize seeds; beer from malt; sesame seeds) on the exclusion list have the highest value share of all exports to the world (31 per cent). Coffee dominates the value share of total global exports (20 per cent), followed by tobacco and black tea.

Among the top exports to India and the world in the post-DFTP period, coffee is the most important. Coffee holds the highest share of value of exports to India and the world, and its export has experienced tremendous growth. However, coffee (decaffeinated, caffeinated, and other) is on the exclusion list and does not enjoy preferential trade. Coffee and coffee products face an ad valorem duty of 100 percent while entering the Indian market.[32]

The fact that coffee and other key export products such as tobacco, black tea and other agricultural products do not enjoy preferential market access under the scheme is a major limitation for Ugandan exporters. While the revised scheme liberalized most of these products, coffee, tea, some vegetables (e.g. fresh onions) and some spices remain on the exclusion list. The impact of the scheme's changes is yet to play out but one wonders if the new scheme would make a difference to Uganda's exports if the previous one did not prove very effective — more so if it continues to exclude products that matter most to Uganda.

4.4 Does India Need What Uganda Exports?

Ugandan exporters can make use of preferential market access under the scheme and expand their exports to India only if there is a demand for their products. In this section we analyse India's global import demand for Uganda's top 30 exports to the world to establish if there is complementarity between Uganda's most competitive exports and India's import demand. This is a crucial assessment because the impact of the DFTP largely depends on this factor.

As detailed in Annex 4, Uganda's top 30 global exports account for a mere 2.3 percent of India's global import demand. With the exception of four products (transmission apparatus, light oils, refined palm oil and cane sugar) the other items account for less than 0.1 percent each of India's global imports. Even coffee, which is Uganda's top global export, makes up only 0.02 percent of India's global imports in the post-DFTP period. As such, Uganda's main exports have limited complementarity with Indian import demand. This lack of trade complementarity can seriously limit the relevance and impact of the scheme on Uganda's exports.

To further assess export complementarity with India, or lack thereof, we utilized an export complementarity index that measures the level of complementarity between India's imports and Uganda's exports. The index was constructed using the following equation:

$$EPI = 100[1 - \Sigma_k|x_k - m_k|/2],$$

where x_k is the share of product, k in the exporting country's global exports and m_k represents the share of product k in the importing country's global imports.

The index is inspired by the trade complementarity index (TCI) that has been widely used in assessing the potential for trade among partners in a regional bloc. Our formula, however, focuses on one country's (Uganda's) potential to export to another country (India) based on the import needs of the latter. In its current construct, therefore, the index is in fact an export potential index (EPI), and it is in this sense that we use it in our analysis. Our EPI is easier to implement than the standard TCI since it less data-demanding. We compute it at the HS 6-digit level across Uganda's exports.

The EPI ranges between zero and 100. An index score of 100 would indicate that perfect complementarity exists between the two countries while a score of zero would show that there is no export complementarity (that is, Indian demand for Uganda's imports does not exist). Uganda's index score of 18.0, which is far below the cut-off point of 50 and very close to 0, suggests that there is very limited potential for Uganda to export to India.

In the absence of more information, we can only speculate about the inherent causes of the low trade complementarity. One reason could be India's large, relatively protected market, which encourages production of virtually everything that is consumed locally. Economies of scale and an abundant supply of land and unskilled labour mean that India can produce most goods cheaper than Uganda can. Natural-resource-based products could be an exception; however, few such products figure among Uganda's top 30 exports, and when they do, their export values are rather small.

4.5 The Limited Impact of the DFTP Scheme for Uganda's Exports

Our analysis based on secondary data from the UN Comtrade database suggests that the impact of the DFTP has been modest in stimulating Uganda's exports to India. Despite the growth in exports in the last few years, India remains a marginal market for Ugandan exports. While the DFTP scheme is intended to encourage exports of preference products, Uganda's exports to India have been mainly driven by the growth in the share of coffee and other exclusion products. A major factor limiting the impact of the DFTP is that the scheme currently excludes products of key interest to Uganda such as coffee, tea, tobacco and other agricultural products. Moreover, data reveal that the demand from India for Uganda's export products is modest, which is also a major limitation to the relevance and impact of the scheme.

5. OTHER FACTORS DETERMINING THE EFFECTS OF THE DFTP: PRIMARY-DATA-BASED EVIDENCE

This section complements the data analysis and assessment of the DFTP with primary information from the authors' fieldwork in Uganda in April 2014.[33] Interviews with stakeholders confirmed that despite the growing economic engagement between India and Uganda, there are several factors limiting exports to India and the overall impact of the DFTP scheme. Many of these factors are not specific to Uganda. The authors found various analogies between Uganda and Tanzania (Ancharaz et al., 2014b). Possibly, some of these issues are common among LDCs and reduce the overall impact of the DFTP scheme on their exports. Interviews with Ugandan stakeholders also revealed that in order to improve the scheme's impact on exports, actions by both Uganda and India are necessary.

5.1 Trade Policy and Export Strategy

Over the last 25 years, the Government of Uganda adopted and implemented various economic reforms to eradicate poverty and ensure prosperity for its people. Moreover, the country witnessed increased literacy rate, decline in child mortality, rapid economic growth and overall decline of poverty rates.

International trade has contributed to stimulating Uganda's development. Between 2000 and 2012 Uganda experienced an average growth in global exports of 19 percent a year. Though Uganda's exports are largely concentrated and dependent on agricultural products, the country, to a certain extent, has been able to diversify towards non-traditional exports and new markets. The government played an important role in reducing barriers to trade, providing an enabling environment for private sector development and in promoting exports.

During our fieldwork, however, we noted that the National Export Strategy, which expired at the end of 2012, has not been renewed. The government's current priority is to restructure the Uganda Export Promotion Board (UEPB), with the expectation that the new Board will work on a fresh export strategy. While this is understandable, the delay in the process is frustrating. Without a clear export strategy, the country cannot effectively facilitate trade and promote exports. This situation is keeping potential investors away, but one wonders how much longer they will wait.

Overall, we find that there is a lack of attention given to exports, which is manifest in various ways. Even before 2012, trade and export policies were not well articulated and their implementation constituted a key challenge. For instance, the size of the staff and resources at the disposal of the Ministry of Trade and export promotion agencies are inadequate. Consequently, they lack the capacity to define and implement trade policies and reforms, promote exports and strengthen the productive capacity of the private sector.

We observed that no sectoral strategies had been adopted or implemented by the government in recent years for some key export sectors (horticulture, leather, food products, and so on), for the development of small and medium enterprises (SMEs), and for attracting investment. This is a serious policy blunder and inconsistent with the goal of supporting the development of the private sector. Like in Tanzania, initiatives to enhance the competitiveness of key sectors are primarily left to the private sector and sectoral organizations, which often lack human capacity and infrastructure.

While export promotion and diversification, both in terms of products and markets, appeared to be a mantra during the interviews we conducted, it was clear that no serious efforts had been made by the government in that direction in recent years. Like in the case of Tanzania, Uganda is mainly looking to its traditional partners in the East Africa region and in Europe. It is not doing much to tap into the markets of emerging economies like India. As such, the opportunities offered by the Indian DFTP scheme remain underexploited.

5.2 Awareness and Understanding of the Functioning of the DFTP

A direct consequence of the absence of an effective strategy to promote exports in new markets is the limited awareness and understanding of the DFTP scheme among Uganda's exporters. Interviews with key stakeholders suggest that public officials, policy makers, and the export community are, by and large, unaware of the existence of the scheme. Those who are familiar with it may lack specific knowledge on how to benefit from the tariff preferences available under the scheme. This limits effective utilization of the scheme, and ultimately its potential impact on Uganda's exports.

Information flow about the DFTP scheme is obstructed by bureaucratic delays and poor inter-agency communication. Interviews highlighted the fact that after joining the scheme, the Government of Uganda through the Ministry of Foreign Affairs and the Ministry of Trade, Industry and Cooperatives did not effectively communicate it to other relevant ministries and public institutions, private sector organizations, and ultimately, the exporter community. This partly explains why, almost six years after the launch of the scheme, organizations such as the Uganda Leather and Allied Industries Association (private) and the Uganda Coffee Development Authority (public) are not aware of, or are poorly informed about, its existence.

Interviews also revealed significant information asymmetry with India. The UEPB, for example, was aware of the scheme early on since it is the designated authority for issuing certificates of origin under the DFTP. However, the Board expected further communication from the Government of India on specific details of the certificates of origin, and a capacity-building workshop of the kind that happened when the Chinese duty-free scheme was launched in 2010. India, on the other hand, had assumed that LDCs would take responsibility for seeking and diffusing information themselves, and never took another step in promoting the scheme.[34]

5.3 Rules of Origin

In order to be eligible for tariff preferences, exports must comply with rules-of-origin requirements defined under the DFTP scheme. While these rules are clear and simple, they can constitute an important barrier to trade. Survey data from the International Trade Centre suggests that obtaining a certificate of origin is probably the most burdensome NTB that African firms face while exporting to India.[35]

Interviewees revealed that neither the UEPB nor exporters were initially aware about the specific information required on the certificate and the format of the certificate under the DFTP scheme. As a result, the first certificate of origin for the Indian scheme was only issued by the UEPB in 2012, despite Uganda joining the scheme in 2008. Since then, the Board has issued 82 certificates in 2012, 73 in 2013, and 66 in the first four months of 2014, a total of 218 certificates.[36]

Despite the delay in implementing the scheme, these numbers are encouraging as they suggest that Ugandan exporters are making use of Indian tariff preferences. They also show that Uganda is doing much better than Tanzania in making use of the scheme. At the time of the authors' fieldwork in Tanzania, in February 2014, the country had not issued a single certificate of origin for the DFTP scheme (Ancharaz et al., 2014b).

Nevertheless, a closer look at the data reveals that most of the certificates were issued for products such as coffee, butter, cocoa, and sesame seeds that do not enjoy any tariff preference. Technically, therefore, most of these products are subject to MFN tariffs and, as such, would not require the certificate.[37]

Table 4. Certificates of Origin for Exports to India, Sector distribution

2013	Number of Certificates	2014*	Number of Certificates
Shea Butter	3	Sandal wood oil	3
Sandalwood	2	Coffee	50
Cocoa	3	Cocoa	10
Sesame	8	Art & Crafts	1
Minerals	8	Hides & Skin	2
Beans	5		
Coffee	24		
Hides & Skin	1		
Others	19		
Total	**73**		**66**

** Certificates issued between January and April 2014.*
Source: Uganda Export Promotion Board

5.4 The Design and Coverage of the DFTP

There is little doubt that the scheme is limited by its design. The exclusion of products that Uganda and other LDCs are most competitive in contradicts the declared objective of helping these countries increase their exports to India. Before the revision of the scheme in April 2014, the exclusion list made up 6 percent of Indian tariff lines but, in value terms, excluded products represented 15 percent of post-DFTP global exports of LDCs. The share of exclusion products as part of total global exports ranges from 0.1 percent (Lesotho) to 82.4 percent (Burundi).[38] In the case of Uganda, exclusion products represent a significant 54 percent of its global exports.[39]

Moreover, there is some evidence of escalation in the tariff structure for various products of export interest to Uganda. For example, while ores of iron, copper and aluminium are admitted free of duty, iron products, which appear among Uganda's main global exports, are excluded. The undesirable consequence of such tariff escalation is to foster the exports of low-value-added products at the expense of processed or semi-processed items. Fortunately, this situation has been largely remedied by the recent changes brought to the scheme.

The current architecture of the DFTP is not favourable to Uganda. Eliminating or reducing existing tariff barriers might stimulate Uganda's exports to India, especially for agricultural products such as coffee. Nevertheless, the existing supply-side constraints are a major impediment to penetrating the Indian market.

5.5 Productive and Export Capacities

Despite the rise of exports to India and to the world over the past 15 years, Uganda still suffers from many structural constraints that limit the competitiveness of its exports and the potential impact of the DFTP scheme. Key challenges include the high cost of credit and power supply; limited access to credit and power supply; unreliable supply of production inputs; lack of working capital; limited capacity to comply with standards; sanitary and phytosanitary measures; and other NTBs.

For landlocked LDCs like Uganda, transport infrastructure is a major barrier to exports. Moreover, the cost of trading across borders remains high despite some positive changes in recent years as a result of deepening integration in the East Africa region. According to the Doing Business index, the time taken for export and import has gone down from 38 and 64 days respectively in 2006 to 30 and 33 days respectively in 2014. Documents required were reduced from 12 to seven for export and from 20 to 10 for import. Despite these achievements, costs of export and import operations went up significantly. Costs to export a container increased from USD1,050 in 2006 to USD2,800 in 2014. Likewise, costs to import a container increased from USD2,945 in 2006 to USD 3,375 in 2014.[40]

During the interviews, various institutions expressed the view that even if the DTFP scheme offered full preferential access, Ugandan exporters would probably not be able to take advantage of the scheme because of high trade costs and the inability to compete with Indian firms producing similar products.

Foreign investment and aid for trade can help Uganda build its export capacity. India can do much to enhance the productive capacity of the Uganda's export sector through aid, investment and technological collaboration. India is a leading investor in Africa among the emerging economies, and is also quite active in Uganda. India's increasing FDI can be a conduit for technology transfer and knowledge spill-overs, and it can, therefore, play an important role in the structural transformation of Uganda and other African economies. India's efforts so far are commendable, but more could be done and greater flows of Indian FDI are highly desirable. The next section deals with the role of Indian aid and investment in Uganda and their possible effects in enhancing the country's productive and export capacities.

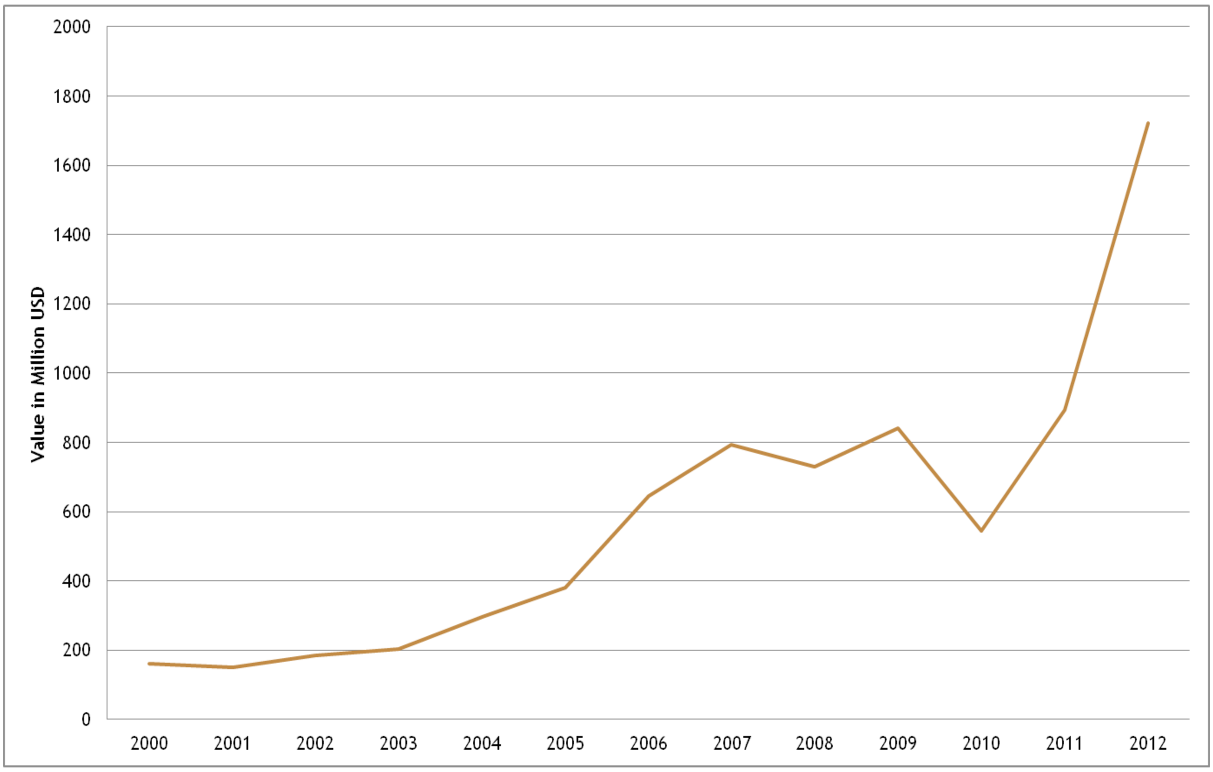
6. INDIAN INVESTMENT AND AID IN UGANDA

6.1 Domestic and Foreign Investment in Uganda

Over the last two decades the relative political and economic stability of many sub-Saharan African countries has attracted the attention of foreign investors. The EAC region has seen increasing investment: for instance, FDI flows to the region accelerated by 50 percent in 2012 to USD4 billion relative to 2011 (UIA 2014). Within the region, Uganda and Tanzania are the main recipients, with about USD1.7 billion (approximately 44 percent of total FDI flows to the EAC) invested in 2012 in each of the two countries.

Figure 6 shows that despite the drop in FDI flows to Uganda after the financial crisis of 2008, the country has had a steady growth in FDI. Since 2010 the growth in FDI was remarkable, with an increase of 64 percent between 2010 and 2011 and 92 percent between 2011 and 2012.

Figure 6. Uganda's Foreign Direct Investment Net Inflows



Source: World Bank World Development Indicators (2014).

According to the Uganda Investment Agency (UIA), India, China, Kenya, and the UK are the top sources of foreign investment in Uganda. For instance, in 2012–13, India was the top source of investment by number of projects, accounting for 32 percent of the total licensed projects (129 licensed projects out of 404). In the same year, India ranked fourth in terms of planned FDI, after China, Canada, and Kenya, with about USD92 million invested, or 10 percent of planned FDI (UIA 2014).

Between 2007 and 2013, the manufacturing sector attracted the highest share of domestic and foreign investment, with about USD2.9 billion of planned investment (Table 5). The sector's positive performance is explained by improved power supply and reduction in power outages, and by the large investment in the cotton and textile industry, metal and metal products industry, as well as the cement and lime industry. Domestic and foreign investment in finance, insurance, real estate and business services attracted about USD1.8 billion, mainly driven by large investments in the real estate industry. These sectors were followed by investment in electricity, gas and water (planned investment at USD1.3 billion), agriculture, hunting, forestry, and fisheries (USD1.1 billion), and transport and storage (USD1.1 billion).

Manufacturing, and finance, insurance, real estate and business services were also the main recipient sectors of FDI, with total planned investment of about USD1 billion and USD 538 million, respectively, between 2009 and 2013 (Table 6). Over the same period, mining, transport and storage and agriculture received 12-13 percent of total FDI each.

Table 5. Planned Domestic and Foreign Investment by Sector (USD million)

Sector	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Total	Share (%)
Manufacturing	559.2	379.4	714.8	714.4	112.6	466.8	2,947.2	30.9
Finance, insurance, real estate and business services	198.5	488.8	183.8	406.6	165.1	356.1	1,798.9	18.9
Electricity, gas and water	171.6	96.1	1.8	446.0	564.4	19.0	1,298.9	13.6
Agriculture, hunting, forestry and fisheries	77.7	185.1	318.1	279.4	135.1	109.5	1104.9	11.6
Transport, storage and communication	84.0	533.6	147.9	22.4	296.9	17.4	1,102.2	11.6
Mining & quarrying	32.5	97.5	20.8	99.8	130.6	243.4	624.6	6.5
Construction	1.6	124.0	187.4	93.4	39.1	10.3	455.8	4.8
Community and social services	6.4	38.5	76.1	2.1	13.3	71.4	207.7	2.2
Total	1,131.5	1,942.9	1,651.5	2,064.1	1,457.1	1,293.9	9,540.3	

Source: UIA (2014).

Table 6. Planned FDI by Sector (USD million)

Sector	2009/10	2010/11	2011/12	2012/13	Total	Share (%)
Manufacturing	581.2	93.5	49.0	301.9	1,025.7	34.2
Finance, insurance, real estate and business services	119.3	155.3	60.4	203.1	538.1	18.0
Mining & quarrying	7.1	93.1	51.3	234.6	386	12.9
Transport, storage and communication	61.6	16.4	293.3	8.6	379.8	12.7
Agriculture, hunting, forestry and fisheries	114.7	112.2	46.9	93.2	367	12.3

Table 6. *Continued*

Electricity, gas and water	1.7	81.0	3.1	15.1	100.9	3.4
Construction	51.6	30.8	5.6	9.4	97.3	3.2
Community and social services	36.4	1.7	4.7	24.3	67.1	2.2
Wholesale and retail, catering and accommodation services	8.7	11.8	5.1	7.1	32.7	1.1
Total	**982.3**	**595.8**	**519.4**	**897.2**	**2,994.6**	

Source: UIA (2014).

According to a survey conducted by the Uganda Bureau of Statistics, the UIA and the Government of Uganda, which was targeted to all domestic and foreign investment projects approved by the UIA between 1991 and 2010, the favourable macroeconomic and political stability that characterized Uganda in the last few decades, access to domestic and regional markets and affordable labour were the major factors that influenced local and foreign investors to invest in Uganda. The impartiality of the court system in handling business disputes and limited interference by the government in business decisions were also considered positive elements that attracted investment. The survey also revealed that even though foreign investors tended to hire locals, and foreign workers constituted only a small percentage of total workers, domestic investors created more jobs compared to their foreign counterpart. Moreover, for the majority of investment projects, SMEs were significant contributors to investment flows. Nevertheless, investment on large-scale projects generated more jobs.[41]

The Investment Survey Report suggests that investors are directly involved in trading. But while 55 percent of the investors were involved in the importation of products, only 21.5 percent engaged in export of merchandise. The survey also reveals that among investors involved in exports, finished/consumer goods represented 32 percent of total exports, as compared to capital goods (26 per cent), raw materials (22 per cent) and intermediate products (19.6 per cent). Similarly, most of the products imported were finished/consumer goods (34 per cent), followed by raw materials (26 per cent), capital goods (22 per cent) and intermediate products (19 per cent). At the regional level, the main export destination for investors' products was Rwanda, followed by Sudan and Kenya. Outside the region, the UK was the major international export market followed by Italy and the US. China was the major source of imports used by the investors (20 percent of imports), followed by India (16 per cent), Kenya and the UAE.[42]

After an overview of the recent trends in foreign and domestic investment in Uganda, the next section contextualizes India's investments and the role of Indian investors in Uganda in enhancing domestic supply-side capacities. Specifically, we look at the sectors that Indian investors are most active in, and compare the Indian "investment model" with the Chinese one.

6.2 Indian Investment in Uganda

As seen in the previous section, in recent years India appeared to be one of the major foreign investors in terms of the number of investment projects and the amount invested. India has invested in various sectors of the economy, particularly finance, insurance, real estate and business services, and to a certain extent in agriculture and manufacturing (pharmaceuticals, for example).

Indian investment in Uganda, and more broadly in Africa, tends to be private in nature. This is in contrast with the Chinese model, which is characterized by numerous state-owned enterprises and a high level of vertical integration. Although the Indian government may facilitate the use of local inputs, on the whole, Indian firms tend to source inputs locally and place a much greater emphasis on integration with the local labour market.[43]

Moreover, because of India's economically active diaspora in Uganda, Indian investors are likely to develop commercial relationships with local entities and secure inputs from local markets. This can stimulate local production and encourage backward linkages with the domestic economy. In addition, Indian firms tend to employ local people and, therefore, tend to have fewer disputes than Chinese investors, who tend to import labour.[44]

Although these may be sweeping generalizations, the Indian approach to investment could enhance Uganda's supply-side capacities. This is particularly true, for instance, in the production of cassava starch, which is used in the pharmaceutical, food, and non-food sectors such as textiles, cardboard-making, and wood processing. In 1985, the only cassava-processing factory in Uganda was forced to shut down owing to political instability, forcing the country to import all its cassava starch. In 2013, the Indian firm Yogi Agro Industries Ltd. purchased and reopened that factory, which now supplies cassava starch to a number of local firms in various sectors. This is a classic example of FDI building strong linkages with the local economy and leading also to important foreign exchange savings.[45]

There is some evidence that Indian firms have helped improve the manufacturing capacity of local firms, enabling these firms to export to regional and overseas markets. The Indian company Cipla transformed the Ugandan firm Quality Chemicals Ltd. from an importer of pharmaceutical goods to a producer, and eventually an exporter, of antiretroviral drugs and malaria medication. The firm has since begun to export antiretroviral medication to Kenya. In 2012, Cipla helped Quality Chemicals Ltd. expand manufacturing operations. This included a USD50 million investment to triple productive capacity. As a result of the collaboration, the firm intends to expand antiretroviral and antimalaria medication to overseas markets, produce new drugs such as medicines for cancer and diabetes, and pain relievers, and secure inputs locally. Specifically, the firm intends to put up a plant to process raw materials, which are currently exported to India and reimported to Uganda for further processing.[46]

Indian investment often comes with the import of Indian technology. Nevertheless, the technology is generally retained within one firm, which is typically owned by Ugandans of Indian origin, thus limiting spill-over effects to indigenous Ugandans. This point was underscored by several stakeholders that the authors interviewed during the fieldwork in Uganda.

Some stakeholders suggested that the government should create conditions to further attract Indian investment and make Indian technology available for the benefit of the private sector. This can be done by sending business delegations to India, attracting Indian investment and technology transfer in key sectors such as manufacturing and agriculture, and establishing joint ventures between Indian investors and Ugandan firms. But some stakeholders lamented that the government was not doing enough to attract investors.

Bureaucratic delays have also created obstacles to investment and technology transfer. For instance, in 2008 the Uganda Small Scale Industries Association signed a memorandum of understanding with the Indian National Small Industries Corporation Limited (NSIC) to promote and develop small-scale enterprises in Uganda, establish capacity-building programmes, attract investment and facilitate the purchase of Indian technology and equipment through loans, grants, and lines of credit. The agreement was then taken over by the Government of Uganda but has never generated the expected results because it has not been fully implemented.

6.3 India's Aid to Uganda

The Government of India has been implementing development projects and providing foreign assistance to Uganda. It recently implemented several educational and training programmes in Uganda in addition to providing many scholarships for Ugandan students to study in India. As part of the India-led Pan-African e-Network Project, a tele-medical centre was set up in Mulago Hospital, in the northern part of Kampala. This project introduced diagnostic equipment and will provide medical consultations (connected to 11 hospitals in India). In addition, Ugandan students are able to access medical education.[47] By 2013, 275 students received diplomas for completing their master's, bachelor's, or postgraduate courses from Amity University of India. Two additional educational initiatives have been established, which includes the creation of the India-Africa Institute of Foreign Trade, and the Food Processing Business Incubation Centre to train local entrepreneurs in food processing and using new technologies and equipment.

India has also contributed to Uganda's energy sector. In 2008, India extended a USD350 million loan to Uganda for the Isimba Hydropower Project on the River Nile. In April 2013, India agreed to provide a USD450 million loan to fund the construction of a hydropower project in the Kamuli district along the Victorian Nile. Alongside many SSA countries, Uganda has received considerable aid and development assistance from India in recent years.

Through the World Bank's South-South Facility, India has assisted Uganda in expanding its milk industry by increasing milk production, creating a Ugandan National Dairy Board, and addressing supply chain challenges that reduce output. This project established a knowledge exchange between experts and officials from India's National Dairy Development Board and the Gujarat dairy cooperative, and Uganda's Ministry of Agriculture and National Dairy Development Board. With policy actions and the adoption of new management and production techniques, the Ugandan dairy sector saw yields increasing from 25 litres of milk per person in 2004 to 55 litres per person in 2011.[48]

7. CONCLUDING REMARKS AND RECOMMENDATIONS

7.1 The DFTP has had Minimal Effects on Uganda's Exports

This study assesses the implementation and impact of India's DFTP scheme in Uganda. It does so by examining the product coverage of the scheme and the trends in Ugandan exports to India and to the world before and after the implementation of the DFTP scheme in 2008 on the basis of secondary data derived from the United Nations Comtrade database. It considers whether the Ugandan export community is sufficiently aware of the scheme; whether exporters are taking advantage of it, and if not, why. It presents and analyses primary data and information generated by the authors' field visit to Uganda in April 2014. Finally, the study examines how India's relations with Uganda in such areas as investment, technological collaboration, technical assistance and aid are helping — or could help — Uganda strengthen its export capacity to India and to the world.

In recent years, Uganda has been diversifying its market destinations, particularly towards its regional partners within the EAC and other African countries such as Sudan, the DRC, and South Africa. The UAE is also an important destination for Uganda's exports. Asia still constitutes a marginal destination, though Uganda's goods are starting to head east to Singapore, China, and Hong Kong. With less than 1 percent of Uganda's total exports in 2012, India remains an insignificant export destination, despite Uganda's exports to India increasing remarkably in the last 15 years, reaching USD14 million in 2012.

While the revised DFTP scheme extends tariff preferences to 98 percent of Indian tariff lines and features a much shorter exclusion list, Uganda is unlikely to benefit significantly given its concentrated export basket and exclusion by the scheme of its dominant export products. Overall, exclusion products represent about half the value of the country's global exports. Many of Uganda's key exports (coffee, tobacco, black tea, sesame seeds, and other agricultural products) do not enjoy preferential market access to India. As such, the current structure of the scheme is unfavourable to the country (as it is to other LDCs).

Export trends suggest that the DFTP scheme has had a limited impact, if any, in stimulating Ugandan exports to India. The growth in exports over the last few years has been mainly driven by exclusion products, particularly coffee. This product alone makes up about two-thirds of Uganda's export basket to India. Uganda has been able to diversity its exports to the world, but exports to India appear to be concentrated around coffee and other agricultural products. Another limiting factor is that India's import demand for Uganda's products is modest. This makes it difficult for Ugandan exporters to expand their presence in India and make use of the preferential market under the DFTP scheme.

Based on primary data derived from interviews with Ugandan public officials as well as with private sector institutions, we found that there are other important constraints that limit Uganda's ability to utilize the opportunities offered by the DFTP scheme, and its impact. First, there is a policy vacuum in the area of trade and investment and the government is not sufficiently promoting Uganda's exports into new markets such as India. For example, the government has yet to implement a new export strategy since the expiration of the National Export Strategy in 2012. As such, the opportunities offered by the DFTP scheme remain evasive.

Another key limiting factor is the lack of awareness of the scheme among Ugandan exporters, exporter associations, and public institutions. Even when they are familiar with it, they are ignorant about the details and how to make use of tariff preferences. As a result, according to the UEPB, which is the competent authority for issuing certificates of origin under the DFTP, very few exporters have benefited from the DFTP. In fact, the first certificate was only issued in 2012. Since then, the Board has issued 218 certificates, most of which are for products that do not enjoy preferential market access.

Finally, there are various structural constraints such as poor infrastructure, the high cost of credit and power supply, lack of working capital, limited access to credit, limited capacity to comply with standards (sanitary and phytosanitary measures), and other NTBs that increase the cost of trade and make Uganda's exports non-competitive. As such, Ugandan exporters may not be able to compete with Indian firms producing similar products and take advantage of preferential market access.

7.2 India is a Major Investor in Uganda

India remains a small market for Ugandan exports despite the DFTP scheme. At the same time, India is one of the major foreign investors in Uganda, together with China, Kenya, the UK and a few other countries. India is one of the top investors in terms of planned investment, and is active in the sectors of finance, insurance, real estate, business services, agriculture, and manufacturing (pharmaceuticals, for example). While Indian investors are involved in export-import activities and induce exports to local and regional markets, their investments have not stimulated exports to India. And despite the import of Indian technology, interviewees felt that there is limited technology transfer and spill-over effects.

7.3 Policy Recommendations to Boost Exports and Attract Investment and Technology Transfer

Our analysis shows that the effects of the DFTP scheme have been very limited in Uganda. In order to improve its effectiveness a number of concrete actions and policy changes may be required, by both India and Uganda.

The first step would be to improve awareness of the scheme through better communication among stakeholders. If the Government of India intends to use this scheme to facilitate exports from LDCs such as Uganda, then it should increase efforts in communicating with the Ugandan institutions concerned. It should also widely publicize its scheme through the Indian High Commission. By doing so, more exporters from Uganda can gain awareness of the scheme and make use of tariff preferences.

In addition, the Government of Uganda as well as private sector organizations in the country should provide relevant information to encourage firms to export to India. Increasing knowledge about the Indian market and the scheme is crucial because India is still a small market for Ugandan exports. Therefore, extra effort by the two countries is needed to help Ugandan firms actualize unexplored export potential in the Indian market.

Furthermore, given that the scheme excludes products of key interest to Uganda, India could improve the effectiveness of the scheme by extending its product coverage. Unfortunately, the changes in the scheme announced in April 2014, while welcome, go only part of the way in addressing product exclusion. The 2 percent of excluded tariff lines are prejudicial to a number of LDCs. Moreover, the current structure of the scheme affects LDCs differentially. To the extent that the scheme offers duty-free treatment to a variety of manufactured products, such as clothing and footwear, but excludes agricultural products such as fresh vegetables, coffee, tea, some types of spices and oilseeds, and copper products, it tends to favour Asian LDCs over African LDCs. At a time when India is determined to improve its economic relations with Africa, such bias cannot continue.

The nature of the recent changes to the scheme suggests that the Government of India was influenced by industry vested interests. But this should not be the case. With a reform-minded government now in place, one can only hope that future tariff liberalization in the scheme will respond more to the economic needs of beneficiary countries than to those of domesic pressure groups. The government may find comfort in simulation results that suggest that global welfare and the welfare of African LDCs would increase by USD561 million and USD1,201 million, respectively, if India moved to a 100 percent duty-free, quota-free regime for LDCs. Simulation results suggest that global welfare and the welfare of African LDCs would increase by USD561 million and USD1,201 million, respectively, if India moves to a 100 percent duty-free, quota-free regime. The loss to India would be a paltry USD171 million, which, in any case, might be compensated by the resulting dynamic gains from liberalization over the long term (National Council of Applied Economic Research, 2014).

In addition to enhancing the coverage of the DFTP, India can do much to build the productive capacity of Uganda and other African economies through aid, investment and technological collaboration. India is a leading investor in Africa among the emerging economies. It is also among the largest investors in Uganda. Indian FDI can be a conduit for technology transfer and knowledge spill-overs, and thereby play an important role in the structural transformation of Uganda and other African LDCs. For this reason, greater flows of Indian FDI are desirable.

The Government of Uganda has a crucial role to play in attracting investment and technology transfer and creating the conditions to maximise their development impact. An investment survey conducted among investors in Uganda indicates that improving the infrastructural network within Uganda, particularly in the energy and transport sectors, should get high priority to reduce the cost of doing business and attract foreign investment (Uganda Bureau of Statistics et al., 2012). The survey also suggests that the government should promote investment partnerships with foreign investors to boost investment, transfer of technology and exports, and tap the opportunities offered by the DFTP and other preferential schemes available for Uganda's products (Uganda Bureau of Statistics et al., 2012).

But all this will be difficult to implement in the absence of a formal export strategy. The Government of Uganda must come up with a new export strategy, following on the NES that expired in 2012, and taking into account the recommendations made in an evaluation report on the that strategy. While the ongoing restructuring of the UEPB is motivated by the need for greater efficiency and impact, it is difficult to understand how this could be achieved by further downsizing an already skeletal staff, which, additionally, has lost some of its most skilled members due to the prevailing uncertainty, and poor incentives. It is critical to ensure that the Board is adequately staffed and that workers have proper technology and infrastructure to operate with. Moreover, it appears that the Board's outreach to focal points across the country is limited by poor IT and communication links, and lack of human resources on the ground. These weaknesses must be addressed if the export strategy (when it does come) is to be effectively implemented.

In conclusion, the combination of a valid export strategy, its proper implementation, greater awareness of the DFTP scheme through improved information dissemination, a more inclusive architecture of the scheme, and enhanced Indian investment, technology transfer and development aid in priority export sectors may help Uganda boost its exports. This requires effective actions by the Government of India to improve the design and outreach of the DFTP scheme and policy measures by the Government of Uganda to implement a well-crafted export strategy without delay and to address horizontal constraints faced by exporters at large.

ENDNOTES

1 Under the GSP scheme, WTO members can offer non-reciprocal preferential tariff treatment (such as zero or lower-than-MFN tariffs on imports) to products originating in developing countries. Preference-giving countries unilaterally determine which countries and which products are included in their schemes. While a violation of the MFN principle, the GSP scheme is allowed by the WTO under the Enabling Clause.

2 WTO Document; WT/MIN(05)/DEC. Adopted 18 December 2005.

3 Estimates provided by KPMG, 2012. Uganda Country Profile. www.kpmg.com/Africa/en/KPMG-in-Africa/Documents/Uganda.pdf.

4 A few factors contributed to Uganda's economic turmoil in 2011. The shilling decreased in value by approximately 25 percent. There was an inflation spike in January that led to rising costs for various sectors (manufacturing and construction). Also, European imports of Ugandan exports were affected by the economic downturn. Source: KPMG, 2012. Uganda Country Profile.

5 All figures are at constant prices.

6 KPMG, 2013; http://www.kpmg.com/eastafrica/en/IssuesAndInsights/ArticlesPublications/Documents/KPMGUgBudgetBrief2013.pdf; World Bank Development Indicators; http://databank.worldbank.org (2013).

7 The Human Development Index is calculated based on three indicators: life expectancy, educational attainment, and income.

8 The Multidimensional Poverty Index is developed by the Oxford Poverty and Human Development Initiative. The Index comprises three dimensions (education, health, and living standard). Each dimension receives a 1/3 weight. For instance, under education, the indicators are years of schooling and child school attendance. The weight of indicators is adjusted if there is missing data. Source: Oxford Poverty and Human Development Initiative (2013), Multidimensional Poverty Index (MPI) Data Bank. OPHI, University of Oxford; www.ophi.org.uk/multidimensional-poverty-index; Alkire, S. and J.M. Roche. 2013. How MPI Went Down: Dynamics and Comparisons. Oxford Poverty & Human Development Initiative, University of Oxford.

9 The Gini Index measures the distribution of income or consumption among households or individuals. A Gini score of 0 signifies perfect equality while a score of 100 suggests perfect inequality.

10 World Bank Development Indicators; http://databank.worldbank.org (2013).

11 Whitworth, A. and Williamson, T. 2009. Overview of Ugandan Economic Reform since 1986. In Kuteesa, F. et al. (Eds.) Uganda's Economic Reforms: Insider Accounts, pp. 1-34. Oxford: Oxford University Press.

12 http://www.worldbank.org/en/news/feature/2013/02/14/uganda-economic-update.

13 EAC. 2010. Trade Report 2008. Prepared by the EAC Secretariat, Arusha, Tanzania.

14 Data obtained using UN Comtrade. HS2002 direct data at a 6-digit level was used.

15 The increase in value of export of coffee was 72 percent. The increase for transmission apparatus and light oils were both over 10,000 percent. Authors' calculations based on UN Comtrade (2014).

16 Data obtained using UN Comtrade. HS2002 direct data at a 6-digit level was used.

17 Data obtained from International Coffee Organization; http://www.ico.org/coffee_prices.asp.

18 See Kiggundu, R. 2006. Technological Change in Uganda's Fishery Exports, in Chandra V. (Ed.), Technology, Adaptation, and Exports: How Some Developing Countries Got it Right, pp. 301-34. World Bank Publications, Washington DC and Hammerle, M. et al. 2010. The Fishing Cluster in Uganda, Final Report for Microeconomics of Competitiveness, Harvard Kennedy School.

19 Since 2011, transmission apparatus (852520) became one of Uganda's top exports. However, data suggest that Uganda is also importing this item. During our interviews in Uganda, stakeholders did not have any clear idea about this product: some mentioned that Uganda might serve as a recycling centre for transmission apparatus that are then re-exported to be dismantled. This information and the import/export trends for this product need to be verified. Data retrieved from UN Comtrade database 2014.

20 Direct data is used to derive the following values. HS1996 was used for values from 2000 while HS2002 was used for 2006 and 2012 data.

21 This uses direct data. The 2000 values are based on HS1996 while the 2006 and 2012 values are based on HS2002. Authors' calculations based on data from UN Comtrade (2014).

22 Direct data is used to derive the following values. HS1996 was used for values from 2000 while HS2002 was used for 2006 and 2012 data.

23 No data is available for Kenyan exports to Uganda for 2012 and, as such, SSA figure for 2012 is not used.

24 Direct data is used to derive the following values. HS1996 was used for values from 2000 while HS2002 was used for 2006 and 2012 data.

25 Information on bilateral relations from Government of India, Ministry of Foreign Affairs. 2012. India-Uganda Relations; http://www.mea.gov.in/Portal/ForeignRelation/Uganda-January-2012.pdf.

26 This data is derived from UN Comtrade using HS2002 figures.

27 Government of India, Ministry of Foreign Affairs. 2012. India-Uganda Relations; http://www.mea.gov.in/Portal/ForeignRelation/Uganda-January-2012.pdf.

28 This data is derived from UN Comtrade using HS2002 figures. For data on Kenya, mirror data was used because of the absence of direct data.

29 The values used for this figure are based on current prices. The data collected for this is based on direct data (or Uganda as the reporter). The pre-2003 figures are derived using HS1996 and the 2003 and post-2003 figures are derived using HS2002.

30 The data is derived using direct data from UN COMTRADE. The 2000 data uses HS1996 while the 2006 and 2012 data uses HS2002. The availability of data, particularly in 2000, can be explained by both the lack of Ugandan exports to India and the GoU's ability to keep records of its exports.

31 Kallummal, Murali et al. (2013). *Utilising India's Duty Free Preference Scheme for LDCs: Analysis of the Trade Trends*. Centre for WTO Studies, New Delhi.

32 Figures are drawn from the WTO Tariff Analysis Online database.

33 A list of institutions and organizations interviewed during the authors' fieldwork in Uganda is provided in Annex 5.

34 However, it has been brought to our attention that the Government of India did organize an information session soon after the launch of the scheme. No information is available about who attended the event, and whether there was any follow-up.

35 International Trade Centre; country surveys on non-tariff measures. The survey includes specific information on non-tariff measures faced by firms in African LDCs exporting to India.

36 Information provided by the Uganda Export Promotion Board, which is the competent authority for issuing certificates of origin for export to India under the DFTP scheme.

37 We learned that a number of Ugandan exporters sought the certificate anyway since it was demanded by their Indian client.

38 ICTSD (2014). *Deepening India's Engagement with the Least Developed Countries: A Critical Analysis of India's Duty-free Tariff Preference Scheme*.

39 Ibid.

40 International Finance Corporation and the World Bank, Doing Business. Available at: http://www.doingbusiness.org/data/exploreeconomies/uganda/

41 Uganda Bureau of Statistics, Uganda Investment Authority, and the Government of Uganda; (2013); *Investment Survey Report 2012*.

42 Ibid.

43 'What are Chinese and Indian Firms doing in Africa?', International Trade Forum Magazine, Issue 02, 2010; http://www.intracen.org.

44 Harry Broadman, "The Backstory of China and India's Growing Investment and Trade with Africa: Separating the Wheat from the Chaff." Columbia Center on Sustainable International Investment; http://www.vcc.columbia.edu/content/backstory-china-and-india-s-growing-investment-and-trade-africa-separating-wheat-chaff.

45 Uganda Radio Network (2013), "Cassava Starch Factory to Open in Mbale," 25 March 2013; http://ugandaradionetwork.com/a/story.php?s=50993.

46 By 2013, Cipla owned a majority stake in Quality Chemicals. BBC News Africa (2012), "Making drugs into profit in Uganda," BBC, 9 April 2012; http://www.bbc.co.uk/news/world-africa-17639822, Palmer, E. (2012) "Cipla partnership plans $50 million expansion in Uganda," Fierce Pharma Manufacturing, 22 May 2012; http://www.fiercepharmamanufacturing.com/story/cipla-partnership-plans-50-million-expansion-uganda/2012-05-22, and Mwesigwa, A. (2013), "Quality Chemicals in new structure," The Observer, 24 November 2013; http://www.observer.ug/index.php?option=com_content&view=article&id=28768%3Aquality-chemicals-in-new-structure&Itemid=96.

47 Pan-African e-Network (2014), "Inauguration of Pan-African e-Network Project (Phase 2);" http://www.panafricanenetwork.com/.

48 Tanzania is also a participant of this project. World Bank (2012), "Exporting India's Dairy 'Revolution' to Help Feed Children in Africa;" http://wbi.worldbank.org/sske/story/exporting-indias-dairy-revolution-help-feed-children-africa.

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ANNEX I. CLASSIFICATION OF UGANDA'S TOP 30 EXPORTS TO INDIA

Table 1. Exclusion Products Among Uganda's Top 30 Exports to India (Pre- and Post-DFTP)

Pre-DFTP (2004-07)				Post-DFTP (2009-12)			
Product Code	Product Description	Average (USD million)	Share of Total Average Exports (%)	Product Code	Product Description	Average (USD million)	Share of Total Average Exports (%)
090111	Coffee, not roasted, not decaffeinated	1.02	27.08	090111	Coffee, not roasted, not decaffeinated	9.96	50.70
720410	Waste and scrap of cast iron	0.09	2.31	090190	Other Coffee	1.20	6.13
071339	Other (guar seeds)	0.08	2.04	090112	Coffee, not roasted, decaffeinated	1.07	5.46
720429	Other ferrous waste and scrap	0.04	1.14	040590	Ex: Butter oil	0.17	0.86
071190	Preserved Vegetables	0.03	0.76	720429	Other ferrous waste and scrap	0.16	0.81
Total (of average)		**1.25**	**33.34**	120100	Soya beans of seed quality	0.09	0.45
				110100	Wheat or meslin flour	0.08	0.43
				Total (of average)		**12.73**	**64.84**

Source: Authors' calculations based on UN Comtrade (2013).

Table 2. MOP Products Among Uganda's Top 30 Exports to India (Pre- and Post-DFTP)

Pre-DFTP (2004-07)				Post-DFTP (2009-12)			
Product Code	Product Description	Average (USD million)	Share of Total Average Exports (%)	Product Code	Product Description	Average (USD million)	Share of Total Average Exports (%)
520100	Cotton, not carded or combed	0.12	3.28	180100	Cocoa beans, whole or broken, raw or roasted	1.07	5.43
070820	Beans (vigna spp., Phaseolus spp.)	0.03	0.78	170111	Cane sugar	0.37	1.87
Total (of average)		**0.15**	**4.06**	330491	Powders whether or not compressed	0.22	1.13
				391590	Of other plastics	0.18	0.94
				071331	Beans	0.18	0.93
				391510	Waste, parings and scrap, of plastic; of polymers of ethylene	0.15	0.78
				151620	Vegetable fats and oil and their fractions	0.14	0.69
				170199	Other raw sugar	0.11	0.54
				151219	Other (sunflower/ safola, edible/non-edible varieties)	0.09	0.44
				Total (of average)		**2.50**	**12.74**

Source: Authors' calculations based on UN Comtrade (2013).

Table 3. Duty-Free Products Among Uganda's Top 30 Exports to India (Pre- and Post-DFTP)

Pre-DFTP (2004-07)				Post-DFTP (2009-12)			
Product Code	Product Description	Average (USD million)	Share of Total Average Exports (%)	Product Code	Product Description	Average (USD million)	Share of Total Average Exports (%)
701990	Other Glass Fibres and Articles Thereof	0.41	10.83	410411	Tanned or crust hides of bovine	0.76	3.89
140420	Cotton Linters	0.40	10.66	410691	Tanned or crust hides and skins of other animals	0.45	2.29
293921	Quinine and Its Salts	0.16	4.16	160413	Prepared or preserved sardines, sardinella and brisling or sprats,	0.30	1.54
780600	Other articles of lead	0.10	2.79	852520	Transmission apparatus	0.23	1.15
410411	Tanned or crust hides of bovine	0.10	2.58	440349	Tropical wood	0.22	1.13
410691	Tanned or crust hides and skins of other animals	0.10	2.57	360200	Prepared explosives	0.18	0.91
901831	Syringes	0.08	2.14	282490	Lead oxides	0.16	0.81
840820	Compression-ignition Internal Combustion Piston Engines for Vehicles	0.07	1.74	300490	Medicaments	0.13	0.65
780300	Lead bars, rods, profiles and wire	0.06	1.73	260500	Cobalt ores and concentrates	0.11	0.58
410621	Tanned or crust hides and skins of goats or kids	0.06	1.56	840991	Parts for spark-ignition internal combustion piston engine	0.09	0.48
482020	Exercise books of paper or paperboard	0.05	1.38	290810	Derivatives	0.08	0.42
780199	Unwrought lead	0.05	1.29	410621	Tanned or crust hides and skins of goats or kids	0.08	0.42
300320	Medicaments containing antibiotics	0.05	1.25	740400	Copper waste and scrap	0.08	0.38
410229	Raw skins of sheep or lambs	0.04	0.98	401511	Surgical gloves	0.07	0.35
730650	Tubes, pipes and hollow profiles, welded alloy steel	0.03	0.91	**Total (of average)**		**2.95**	**15.00**
300490	Medicaments	0.03	0.90				
410390	Raw hides and skins, fresh or salted, dried, limed, pickled or otherwise preserved	0.03	0.89				

Table 3. *Continued*

844319	Offset printing machinery	0.03	0.87	
410310	Raw hides and skins of goats or kids	0.03	0.87	
750890	Articles of nickel, n.e.s.	0.03	0.83	
410120	Fresh cow hide, fresh horse hides	0.03	0.81	
841090	Parts of hydraulic turbines and water wheels	0.03	0.75	
410419	Other tanned or crust hides and skins of bovine or equine animals	0.03	0.68	
Total (of average)		**2.00**	**53.18**	

Source: Authors' calculations based on UN Comtrade (2013).

ANNEX II. UGANDAN EXPORTS TO INDIA AND THE WORLD OF TOP 30 POST-DFTP EXPORTS TO INDIA

			Exports to India			Exports to the World		
Product Code	Product Description	DFTP Status	Pre-DFTP Average Exports to India (USD million)	Post-DFTP Average Exports to India (USD million)	Growth Post DFTP/Pre DFTP (%)	Pre-DFTP Average Exports to World (USD million)	Post-DFTP Average Exports to World (USD million)	Growth Post DFTP/Pre DFTP (%)
090111	Coffee, not roasted, not decaffeinated	Exclusion	1.0	10.0	879.7	184.3	340.6	84.8
090190	Other Coffee	Exclusion	0.0	1.2	N/A	3.2	6.3	98.1
090112	Coffee, not roasted, decaffeinated	Exclusion	0.0	1.1	N/A	0.0	0.0	N/A
180100	Cocoa beans	MOP at 29%	0.02	1.1	5,880.2	10.6	36.5	244.2
410411	Tanned or crust hides of bovine	DF	0.1	0.8	688.8	0.6	7.3	1,122.5
410691	Tanned or crust hides and skins	DF	0.1	0.4	365.8	3.1	7.4	141.7
170111	Cane sugar	MOP at 50%	0.0	0.4	N/A	3.2	19.3	501.9
160413	Prepared or preserved sardines, sardinella and brisling or sprats	DF	0.0	0.3	N/A	0.002	0.6	30,348.3
852520	Transmission apparatus	DF	<0.001	0.2	45,522.2	18.1	67.5	274.0
440349	Tropical wood	DF	0.0	0.2	N/A	0.004	0.2	5,124.8
330491	Powders whether or not compressed	MOP at 75%	N/A	0.2	N/A	0.008	0.08	792.2
391590	Of other plastics	MOP at 50%	0.0	0.2	N/A	0.1	1.0	1,459.3
071331	Beans of species *Vigna mungo*	MOP at 10%	0.0	0.2	N/A	0.7	2.8	295.2
360200	Prepared explosives	DF	0.0	0.2	N/A	0.1	0.8	523.4
040590	Butter oil	Exclusion	0.0	0.2	N/A	0.004	0.5	12,605.9
720429	Other ferrous waste and scrap	Exclusion	0.04	0.2	269.9	0.1	0.2	133.3
282490	Lead oxides	DF	0.0	0.2	N/A	0.0	0.1	N/A
391510	Waste of plastic	MOP at 50%	0.004	0.2	3,514.4	0.01	0.1	992.2
151620	Vegetable fats and oil	MOP at 50%	0.0	0.1	N/A	13.6	40.3	196.0
300490	Medicaments	DF	0.03	0.1	276.9	0.5	1.4	171.1
260500	Cobalt ores and concentrates	DF	<0.001	0.1	57,185.0	17.1	8.4	-50.7

Continued

170199	Other raw sugar	MOP at 50%	0.0	0.1	N/A	2.5	24.4	876.7
840991	Parts for spark-ignition piston	DF	0.0	0.1	N/A	0.01	0.03	338.7
120100	Soya beans	Exclusion	0.0	0.1	N/A	0.5	0.8	49.9
151219	Seeds (sunflower/ safola)	MOP at 50%	0.0	0.1	N/A	0.2	1.5	593.9
110100	Wheat or meslin flour	Exclusion	0.0	0.1	N/A	1.8	4.1	130.3
290810	Derivatives containing only halogen	DF	0.0	0.1	N/A	0.0	0.05	N/A
410621	Tanned or crust hides and skins of goats or kids	DF	0.1	0.1	39.9	0.1	6.1	7,811.8
740400	Copper waste and scrap	DF	0.01	0.1	653.8	0.2	0.1	-55.7
401511	Surgical gloves	DF	0.01	0.07	540.8	0.01	0.1	1,449.6
Total			**1.4**	**18.2**		**260.6**	**578.6**	

Source: Authors' calculations based on data UN Comtrade (2014). This table is based on HS2002 data. The top 30 exports to India are during the post-DFTP.

ANNEX III. UGANDA'S TOP 30 GLOBAL EXPORTS POST-DFTP (2009-12)

Product Code	Product Description	DFTP Status	Post-DFTP Average Export to World (USD million)	Share of Total Average Exports (%)
090111	Coffee, not roasted, not decaffeinated	Exclusion	340.6	20
252329	Other Portland Cement	DF	87.8	5.2
030410	Fresh or chilled fillets and other fish meat	DF	75	4.4
852520	Transmission apparatus	DF	67.5	4
271011	Light oils and preparations	DF	60.3	3.5
240120	Tobacco, partly or wholly stemmed or stripped	Exclusion	54.4	3.2
520300	Cotton, carded or combed	MOP at 50%	47.7	2.8
151620	Vegetable fats and oils and their fractions	MOP at 50%	40.3	2.4
180100	Cocoa beans, whole or broken, raw or roasted	MOP at 29%	36.5	2.1
090240	Other black tea (fermented) and other partly fermented tea	Exclusion	33.5	2
090230	Black tea (fermented) and partly fermented	Exclusion	32.2	1.9
151190	Refined Palm Oil/Palmolein	MOP at 29%	28.9	1.7
060210	Unrooted cuttings and slips	DF	25.7	1.5
170199	Other raw sugar	MOP at 50%	24.4	1.4
060240	Roses, whether or not grafted	DF	24.2	1.4
721420	Concrete reinforcing bars and rods	MOP at 50%	23.8	1.4
721041	Flat-rolled products of iron or non-alloy steel	Exclusion	20.6	1.2
170111	Cane sugar	MOP at 50%	19.3	1.1
730690	Tubes, pipes and hollow profiles (iron or steel)	DF	18	1.1
100510	Maize seeds	Exclusion	17.3	1
220300	Beer made from malt	Exclusion	15	0.9
271600	Electrical Energy	DF	14.6	0.9
810520	Cobalt mattes; other intermediate products of cobalt metallurgy	DF	14.3	0.8
120740	Sesame seeds	Exclusion	13.6	0.8
340119	Household and Laundry Soap	MOP at 50%	13.1	0.8
870323	Spark-ignition Engine	DF	12.1	0.7
190531	Sweet biscuits	DF	11	0.6
284330	Gold compounds (inorganic or organic)	DF	10	0.6
030530	Fish fillets, dried, salted or in brine (not smoked)	DF	9.3	0.5
340120	Soap in other forms	DF	9.3	0.5
Total Average of the Top 30 Exports to the World			**1,200.1**	
Total Average Exports to the World			**1,700.6**	

Source: Authors' calculations based on data UN Comtrade (2014). This table is based on HS2002 data. The top 30 exports to India are during the post-DFTP.

ANNEX IV. UGANDA'S TOP 30 GLOBAL EXPORTS AND INDIA'S IMPORT DEMAND

Product Code	Product Description	DFTP Status	India's Imports (USD million)	Share of India's Average Imports (Post-DFTP) (%)
852520	Transmission apparatus	Duty Free	4,833.29	1.3
271011	Light oils and preparations	Duty Free	1,904.85	0.5
151190	Refined Palm Oil/Palmolein	MOP at 29%	1,117.85	0.3
170111	Cane sugar (raw sugar, no added flavouring or colouring matter)	MOP at 50%	445.17	0.1
170199	Other raw sugar	MOP at 50%	104.25	<0.1
730690	Tubes, pipes and hollow profiles "e.g., open seam, riveted or similarly closed", of iron or steel	Duty Free	98.70	<0.1
090111	Coffee, not roasted, not decaffeinated	Exclusion	82.80	<0.1
252329	Other Portland Cement	Duty Free	51.78	<0.1
180100	Cocoa beans, whole or broken, raw or roasted	MOP at 29%	50.66	<0.1
870323	Other Vehicles, Spark-ignition Engine of a cylinder capacity exceeding 1,500 cc but not exceeding 3,000 cc	Duty Free	46.08	<0.1
090240	Other black tea (fermented) and other partly fermented tea	Exclusion	42.58	<0.1
810520	Cobalt mattes & other intermediate products of cobalt metallurgy; unwrought cobalt; powders	Duty Free	26.30	<0.1
721041	Flat-rolled products of iron or non-alloy steel >=600 mm	Exclusion	23.15	<0.1
340120	Soap in other forms	Duty Free	19.55	<0.1
240120	Tobacco partly or wholly stemmed or stripped	Exclusion	12.92	<0.1
721420	Concrete reinforcing bars and rods, hot-rolled, hot-drawn	MOP at 50%	12.74	<0.1
340119	Household and Laundry Soap	MOP at 50%	9.46	<0.1
120740	Sesame seeds (whether ornot broken)	Exclusion	9.05	<0.1
151620	Vegetable fats and oils and their fractions	MOP at 50%	8.66	<0.1
220300	Beer made from malt	Exclusion	3.20	<0.1
090230	Black tea (fermented) and partly fermented in minimum packing of a content not exceeding 3 kg	Exclusion	3.09	<0.1
190531	Sweet biscuits	Duty Free	2.91	<0.1
520300	Cotton, carded or combed	MOP at 50%	0.50	<0.1
284330	Gold compounds, inorganic or organic, whether or not chemically defined	Duty Free	0.31	<0.1
060210	Unrooted cuttings and slips	Duty Free	0.11	<0.1
030410	Fresh or chilled fillets and other fish meat, whether or not minced	Duty Free	0.10	<0.1
100510	Maize seeds	Exclusion	0.04	<0.1
060240	Roses, whether or not grafted	Duty Free	0.001	<0.1
030530	Fish fillets, dried, salted or in brine, but not smoked fish, including fillets	Duty Free	0.001	<0.1
271600	Electrical Energy	Duty Free	0.0	0
Total			**8,910.10**	**2.3**

Source: Authors' calculations based on data UN Comtrade (2014). This table is based on HS2002 data. The top 30 exports to India are during the post-DFTP.

ANNEX V. LIST OF INSTITUTIONS AND ORGANIZATIONS INTERVIEWED

1. Horticultural Exporters Association of Uganda
2. Ministry of Foreign Affairs of the Republic of Uganda
3. Ministry of Trade Industry and Cooperatives of the Republic of Uganda
4. Private Sector Foundation Uganda
5. Uganda Business Process Outsourcing Association
6. Uganda Coffee Development Authority
7. Uganda Export Promotion Board
8. Uganda Investment Authority
9. Uganda Leather and Allied Industries Association
10. Uganda Manufacturers Association
11. Uganda National Chamber of Commerce and Industry
12. Uganda Small Scale Industries Association

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