The Impact of East Africa Economic Integration on Bilateral Trade in East Africa: Uganda as the Case Study

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Disclaimer:

This document represents part of the author's study programme while at the International Institute of Social Studies. The views stated therein are those of the author and not necessarily those of the Institute.

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List of acronyms

CET	Common External Tariff
CEG	Computable Generalized Equilibrium
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EADB	East African Development Bank
EALA	East African Legislative Authority
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
GDP	Gross Domestic Product
NTBs	Non-Tariff Barriers
SADC	Southern African Development Community
UN	United Nations
UNCTAD	United Nations Conference on Trade And Development
USD	United States Dollar
WDI	World development Indicators
WITS	World Integrated Trade Statistics
WTO	World Trade Organization

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Abstract

East African Community (EAC) is a regional integration comprising of Kenya, Uganda, Tanzania, Rwanda, Burundi, and South Sudan. This study examines the impact of EAC economic integration (one of the pillars) on bilateral trade among its members with key focus on Uganda as case study. This Research used Descriptive Statistics Methodology using secondary data with time series data for the years 1967 to 2020. The analysis is divided into two, the period before and after Integration. There has been an argument that some countries have benefited more than others, or the achievements have been misrepresented by politicians, or some are losers and winners, hence I chose to analyse this using Uganda as my case study.

The findings show that the EAC economic integration has resulted to positive impact on trade among and within its members through expansion of exports worth USD 14B within which 22.4% exports are associated to intra-EAC trade, thus the economy recording an annual average rate of 6.5% increase. Subsequently, trade within and among EAC has increased due to harmonization and reduction of tariff barriers from 26.1% in 1994 to 9.2% in 2011. The regional competition continues to register increment after the integration as the economic growth of 6.5% is the best in Sub-Saharan Africa. The GDP-trade share has increased also with imports rising from 21% in 2000 to 28% in 2015 while exports came from 13% to 18% in the same period. Uganda is the greatest beneficiary of the integration with trade effects of 3.4% totalling $1241600 with a record increase of 26% exports between 2001 and 2009 and imports doubling from USD 288b to USD 547B in the same period. Therefore, EAC economic integration has a positive influence on bilateral trade within and among its member states.

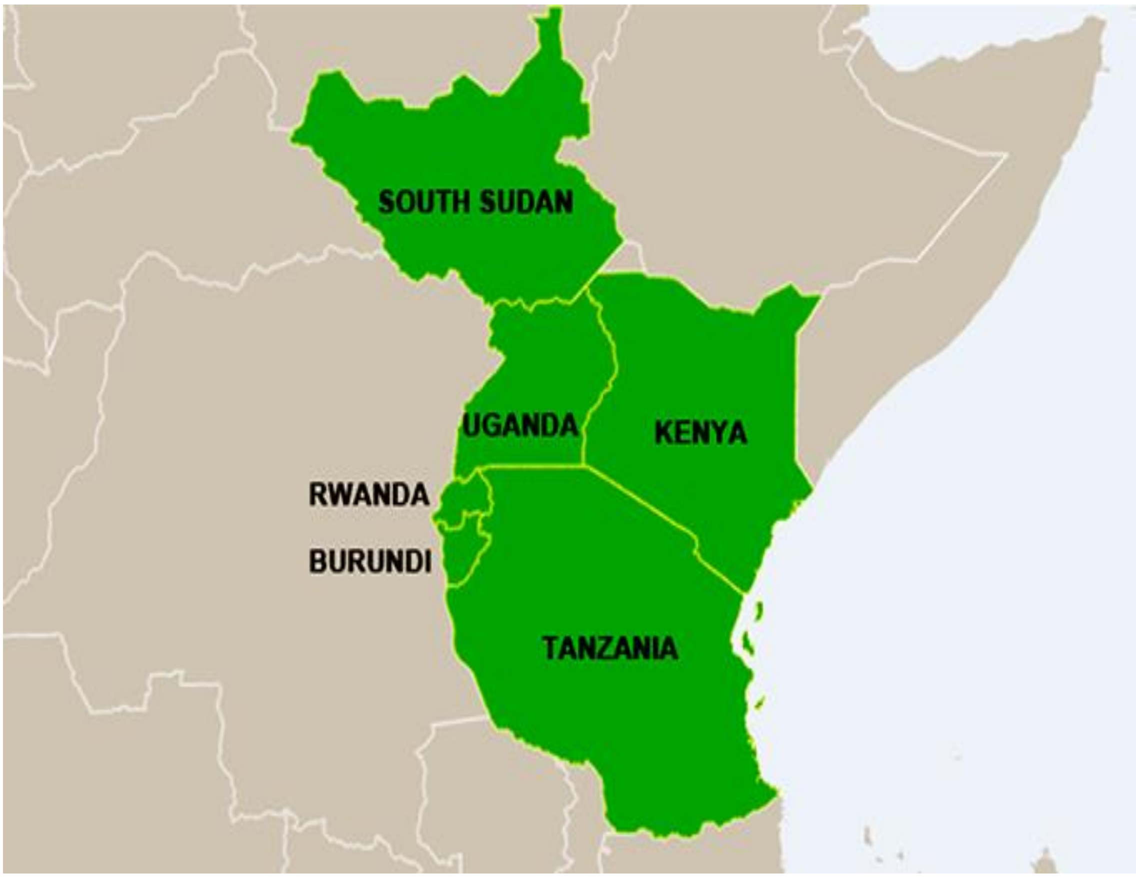
Relevance to Development Studies

This research will add more knowledge on how economic integration has impacted trade in Uganda hence be able to strategize better for its development. Therefore, Regional trade and economic integration are among the key factors that have defined the economic growth and development of many countries in the contemporary global economy. While exploratory study on the impact of these regional trade is important, most of the existing research examines the achievements of the bloc as a whole and rarely analyses its impacts on a specific individual country or sector of this region. Similarly, in EAC, Kenya and Tanzania have since been elevated to Middle Income status whereas Uganda, though improving, is still far below; Rwanda a new member is growing so fast soon surpassing Uganda, South Sudan and Burundi are far bottom. on Based this background, it's quite imperative to analyse how these integrations affect each member country since there are always losers and winners. It then implies that an individual country ought to be positioned strategically to utilize the benefits of any economic integration. The general success of a bloc shouldn't be blindly translated to mean the development of all the members.

Keywords

East African Community, economic integration, bilateral trade, Non-Tariff Barriers, trade creation, trade diversion, Customs Union, Common- Market, Uganda.

Map 1. EAC member partners position in Africa



Map 2: EAC member states

Chapter 1: Introduction

Despite the formation of objective and progressive East African Community revival treaties, and protocols in 2000, and bringing on board more 3 new member countries, the debate as to whether it has lived to fulfil its goals, is still a highly contested issue in academia worldwide. With Tanzania recently joining Kenya in the World Middle Income status, Rwanda development set to surpass Uganda, Burundi and South Sudan in a low Economic state, it calls for a thorough Research of the achievements of EAC integration, paying attention to benefits of individual countries rather than collective analysis. Suffices to note; the exit of Britain (BREXIT) from EU, somehow opened this debate that, the individual countries from such economic integrations across the globe could be far over-rated based on collective benefits rather than individual member benefits. However, the plausible acknowledgement of the need to ease the cost of doing business and widen market for their goods and services as a vital factor in economic growth is pressurizing nations to form regional economic blocs. The signing of common protocols, customs union, harmonizing Tariff and Non-Tariff barriers to trade, monetary union, increases their bargaining power and influence on trade between either member states or international trade markets. Arguably, East African countries have achieved the strategy of integration by joining the East African Community (EAC). The integration has been beneficial to member countries like Uganda, which is landlocked, being opened to the international market environment through partnering states. In addition, integration participation by a country enlarges the market size for its products, thus the reason countries are involvement in numerous of economic integration in Africa. A great example is Tanzania, which is a member of both EAC and SADC. In this regard, this study critically appraises whether East Africa Economic integration has impacted its member countries positively or negatively on bilateral trade, with Uganda as the case study.

1.1 Contextual Background

The EAC is presumed to be among the oldest regional economic organization in Africa since it dates to the member states' Independence that comprised Kenya, Uganda and Tanzania before it included Burundi and Rwanda, and later a new nation – South Sudan. The first EAC emanated from a wide-range of regional cooperation between the colonizers of Uganda, Kenya, and Tanzania dating back to late 19^{th} and early 20^{th} century (Mathieson, 2016).

".. whereas formal economic and social integration in the East African Region commenced with, among other things, the construction of the Kenya Uganda Railway 1897 – 1901, the establishment of the Customs Collection Centre 1900, the East African Currency Board 1905, the Postal Union 1905, the Court of Appeal for Eastern Africa 1909, the Customs Union 1919, the East African Governors Conference 1926, the East African Income Tax Board 1940 and the Joint Economic Council 1940; .." (preamble for establishment of EAC establishment treaty).

According to Njenga (2018), these countries were working together under colonialist way of governance until 1967 when EAC was formed by signing a treaty aimed at controlling and administering matters of common interest and to regulate the commercial and industrial relations and transactions between the members by means of a central legislature (pp. 372-374). The hard work and diversified activities of member states made EAC been hailed as one among the most progressive economic integration.

1967: EAC first established – (Kenya, Uganda & Tanzania) as members.

1977: EAC dissolved

Nov 1993: Signing of Agreement for the Establishment of the Permanent Tripartite Commission for East African Co-operation

14 March 1996: Secretariat of the Permanent Tripartite Commission launched, full co-operation operations begin.

30 November 1999: Treaty for the Establishment of the East African Community signed

07 July 2000: Treaty for the Establishment of the East African Community enters into force

18 June 2007: The Republic of Rwanda and the Republic of Burundi accede to EAC Treaty

01 July 2007: Rwanda and Burundi become full members of the EAC

20 November 2009: Protocol for the Establishment of the EAC Common Market signed

30 November 2013: Protocol for the Establishment of the EAC Monetary Union signed

15 April 2016 The Republic of South Sudan accedes to EAC Treaty

05 September 2016 The Republic of South Sudan becomes a full member of the EAC (Matte, 2019; pp. 14-15).

Table 2. The current EAC

In 2000, the Treaty for the Establishment of the East African Community entered into force after a series of negotiations, signing of protocols and agreements. The main pillars were Customs union, common market, market, monetary union and Political Federation. According to EAC website,“The objectives of the Community shall be to develop policies and programs aimed at widening and deepening co-operation among the Partner States in political, economic, social and cultural fields, research and technology, defence, security and legal and judicial affairs, for their mutual benefit'' Our main discussion in this Research was focused on the economic integration .

Area (incl. water)	2.5 million sq. km
GDP (current market prices)	US$ 193.7 billion (2019)
EAC Headquarters	Arusha, Tanzania
First established	1967
Population	177 million (2019)
Re-established	7th July, 2000
Pillars of the re-integration	Customs Union, Common Market, Monetary Union, Political Federation
Official languages	English/Swahili
Current Summit Chairperson	H.E. Paul Kagame (President of RWANDA
Current Council Chairperson	Hon. Dr. Vincent Biruta
Current Secretary-General	Amb. Libérat Mfumukeko

Source: *EAC Website*

1.1.1 Brief description of economic integration

Economic integration generally refers to a combination of several national economies into a larger territorial unit (Mshomba, 2017). According to World bank website,

> "Regional integration helps countries overcome divisions that impede the flow of goods, services, capital, people and ideas. These divisions are a constraint to economic growth, especially in developing countries ... Divisions between countries created by geography, poor infrastructure and inefficient policies are an impediment to economic growth. Regional integration allows countries to over-

come these costly divisions integrating goods, services and factors' markets, thus facilitating the flow of trade, capital, energy, people and ideas."

Economic borders in trade refer to obstacles that limit goods and services mobility as well as factors of production between the partnering nations. These states integrating harmonize and coordinate existing instruments to enhance trade within the bloc and expand competitiveness outside the economic bloc. In Africa, there exist several regional economic blocs; COMESA and SADC, with EAC being among the oldest in East Africa.

1.1.2 The East Africa economic integration

The EAC was specifically for widening and deepening political, economic, social, and cultural integration geared at promoting the quality of life of the people of East Africa through elevated value-added production, competitiveness, trade and investments. All these values are central to the East Africa Community Economic Integration vision, which attracts the urge to be competitive, prosperous, stable and politically united, and secure bloc.

Over the years, the member states have embraced regional trade policies that foster trade thus realizing considerable benefits as guided by its pillars of Customs Union and Common Market. These pillars have helped achieve a reduction in many trade obstacles such as tariff barriers and cost of doing business. The integration has benefitted the member countries a lot and their vision is moving towards a monetary union and later into a political federation. However, some EAC member states are slow in conforming to these pillars associated with implementation approaches, state politics, and selfishness. Basing on this, objectives that were set by the treaty of integration have not been fully met, although there is progress to achieving the goals. In this regard, the integration has given rise to similarities and dissimilarities among the EAC member countries as shown in appendix 1. The exploration of economic integration and its significance on bilateral trade would help in shedding light on the significance of East Africa's economic integration on trade.

1.2 Motivation

Africa as a continent has numerous regional economic blocs, which have a long history of existence. In most instances, their efficiency is limited since involved member countries have not comprehensively understood the benefits associated with economic integration. The EAC is one among the oldest economic integration in the continent. In this regard, the bloc is a viable arena to appraise how regional integrations influence the bilateral trades among its partner states. Most scholars focus on the flaws of the old EAC and benefits and frameworks of the new EAC, but little attention is focused on the impact it has on bilateral trade and a detailed analysis of individual member countries. This lack of understanding and information creates a gap that is worth appraising to add value to existing literature and address any flaws arising to promote trade within and outside the bloc.

EAC member states do not show equity in economic growth and trade despite the inception of the integration. According to UNCTAD (2018), Burundi due to its political and socioeconomic crisis has recorded minimal economic growth rates through EAC enhanced trade power while Rwanda had high economic growth rates attributed to the bargaining power of EAC in trade thus enhancing exports to neighbouring countries such as Democratic Republic of Congo. Similarly, Kenya that is presumed to benefit hugely from the EAC integration trading has high corruption rates that display great inequality in distributing the benefits of growth among individuals in the society. Drawing from these variables, Rwanda can trade more with DRC at the expense of EAC member

States, Kenya corruption rates hinders the real facts of EAC trade benefits, while Tanzania's non-commitment to empower women displays one-sided achievements.

Why Uganda as Case Study? Given the above background literature, it is quite logical that case study with Uganda perfectly fits as the avenue to do the research given it has been a full member since the old EAC, its landlocked, geographically situated at centre of EAC, and must transact with EAC partner States, and stands a better chance of reaping the benefits of EAC trade, thus revealing the real facts. In addition, I am Ugandan by nationality and making a contribution to my country's development is an act of patriotism.

A case study research method allows the exploration and understanding of complex issues through reports of past literature. The study of EAC required a holistic in-depth investigation thus making case study preferable. According to Heale and Alison (2017), this method of research is appropriate for an intensive and systematic investigation of a community within which there is need to examine in-depth data related to several variables. In this regard, Uganda makes a good choice because it has been on both the old and new integration with a bit more trade disadvantages than initial members of Kenya and Tanzania. Among the principle trade disadvantages is that the country is land locked. Similarly, Uganda is geographically located at centre of EAC countries, which gives the study weight to weigh both trade advantages and disadvantages. Logically, the country has the potential to develop but little is known on how it has utilized the capacities and abilities presented by the EAC integration. Therefore, Uganda is the most appropriate EAC member state to examine and provide answers to question poised below.

The Research methodology used is Descriptive statistics given the fact that it best analyses our data and interprets the findings in simple, precise easily understandable forms in terms of chats, tables, graphs among others. Initial plan was to validate these findings with Interviews with key stakeholders in Uganda but unfortunately this was not possible due to Covid-19 pandemic. There are other methodologies like econometrics using Gravity model and Linder effect that have been used by other Researchers but being aware of their limitations they could not lead us to our desired objectives of this research. For example, Gravity model would give us a cumulative impact of EAC but not specifically for Uganda, Linder effect is over specialized and would easily help study our commodity at a time but not trade in aggregate.

1.3. Framing the problem

Africa, in comparison to other regions, is recognized as the home of low proportion in intra-regional trade worldwide. The most important benefit associated with economic integration is that it results in low tariffs or free trading activities among the countries involved in trading activities. The long-run impacts on economic growth due to economic integration are attributed to the benefits witnessed by the member states from the partnership. Such benefits include; increase in competition, the size of the market, investment, and economies of scale. In addition, increase in competition is a dynamic impact associated with economic integration (De Melo and Regolo, 2014; p. 15). Competition acts as the motive for countries to engage in the production of quality products and compete effectively with the member countries. Therefore, there lacks concrete evidence on whether the East African economic integration had resulted to positive or negative impact on trade among and within its member nations and enhanced their competitiveness in the global economy.

1.3. 1. Thesis statement

The EAC is among the oldest regional economic integration in East Africa, thus acquiring rich history. However, there is little information on whether East Africa Economic integration has impacted its member countries positively or negatively on bilateral trade especially on individual member countries.

1.3.2. Main research question

Has the East African economic integration resulted to positive or negative impact on trade among and within its member nations and enhanced their competitiveness in the global economy?

1.3.3. Sub-questions

- How has trade within and among EAC member countries increased or decreased?
- How has the integration increased or decreased regional competitiveness in the global economy?
- How has the GDP- Trade share of the member countries increased or not as a result of this integration?

1.3.4. Research objectives

This research is intended to;

- ➢ Establish the trade trends within EAC members before and after the re-establishment of the federation.
- ➢ Establish to trade trends of EAC bloc with the rest of the world before and after the re-establishment of the federation.
- ➢ Try to explain those trends and what can be done better, and predict the trends in the next 10 years.

1.3.5. Hypothesis

1. East Africa Economic integration has resulted into more positive impacts than negative to the member countries

2. Landlocked countries such as Uganda, Rwanda and Burundi have benefitted more than those that are not locked such as Kenya and Tanzania.

1.3.6. Main argument

This study is set to solve the puzzle surrounding how EAC economic integration has impacted trade among and within its partner states and competitiveness in the region. The research relied on peer reviewed publications to seek answers to whether the integration had resulted to more positive trade impacts than negatives to member countries and the landlocked countries had benefited more than those not landlocked. The answers obtained from these questions revealed that the EAC integration had more positive influence on trade than negatives across the member states. It was revealed that tariffs, technical regulations, police brutality at roadblocks, custom regulations, and procedures formed a major part of trading barriers within the region of East Africa but were slowly addressed through the integration. However, not all landlocked countries had benefited more from the integration due to underlying reasons. For instance, Burundi had realized minimal benefits due to political instability while Uganda had reaped and enjoyed all the available benefits. This resulted to increased competitiveness with each member state pursuing trade benefits.

1.4. Research limitations

The study encountered limitations such as:

- The data acquired is subject to estimations, given that these nations have poor record-keeping concerning the benefits of EAC integration.
- There is missing trade data especially before 1994 and almost no data for South Sudan.
- Member states tend to push their agendas individually, making it hard and challenging to ascertain the role this integration has played in trade.

- The lack of statistical data upgrading results in utilizing the existing literature, which might turn to be out-dated.
- Lack of consistency in each member country roles in the bid to push for actual maturation of the integration.
- Failure to validate these statistics on the ground through key interviews with technical people due to Covid-19 pandemic.

1.5. Relevance of the research

The great role of trade as an instrument to support economic growth and development has been explicitly and implicitly accepted by many countries. In EAC, trade is considered as a foundation tool to long-term development objectives. However, EAC has limited published literature on how it has influenced bilateral trade among and within its member states. Therefore, this research topic is initiated by the need to create an understanding of how EAC economic integration has influenced bilateral trade.

Further, trade can make a significant contribution to the pace of the region's economic development. The region has undeniable need for collaborating in a bid to foster competitiveness and ease of doing business. However, most member states seem to go alone about trade approaches that attract questioning the importance of the integration. In this regard, this research topic is appropriate to appraise what has not been addressed to realize the full potential of the integration.

1.5.1 Relevance of the topic and development studies

The emerging world market environment and the on-going globalization challenges every economy to consider, evaluate, and bring about change in vision, thinking, and action. This vision is focused on ensuring growth and sustainability of a country, and the world at large. Development studies is founded on the principles of development which focuses on evolution of nations from political, geographical, cultural to economic perspectives. In a bid for countries to meet their development agenda, economic blocs become essential in enabling a favourable environment for trade and economic growth. Drawing from this understanding, this topic is relevant in appraising how member states, with Uganda as point of reference, have strategized on promoting development through trade within and outside the bloc to retain the competitive advantages. The questions guiding this research are crucial in supporting this understanding, thus making the topic of great significance.

1.6. Research structure

This research is classified into six chapters. Chapter one is the introduction within which the contextual background, questions, objectives, thesis of the research are presented. Chapter two examines previous literatures from various angles to lay the platform for the research. Chapter three presents the methodology whereby research methods and design, data sources and collection tools, and theoretical framework employed are discussed. Chapter four presents the findings on EAC in general as guided by the research questions and objectives. Chapter five is the findings on Uganda as the case study presenting a simplified format for ease of supporting the chapter four findings. Lastly, chapter six presents the concluding remarks as well as the researchers' recommendations.

CHAPTER TWO: LITERATURE REVIEW

The chapter expounds on the past literature about economic integration by focusing on the East African Community and its role as a regional organization in trade and economic integration. The chapter further explores the east African community, its formation, goals, objectives, and benefits and how it has impacted trading activities. This study focuses on the period between the mid-1960s to the early 2010s. Finally, it provides a detailed case study of Uganda before and after integration.

2.1. Economic integration

Economic cooperation and integration as a means for accelerating and consolidating economic and social development has for long been recognized by global decision-makers. According to Bhasin (2019), economic integration is the unification of certain economics into a single category with the purpose of creating a larger and unified economy. The author continues to argue that economic integration policy is purely commercial, thus the process takes place in a bid to make sure certain trade barriers are reduced in the best way possible. On the other hand, Van Tran, Alauddin, and Van Tran (2019) define economic integration as a proper commercial policy of reducing trade barriers in a discriminative way so that nations join together to produce a larger economy (p. 92). Drawing from both definitions, trade is central to economic integration.

In a world of trade restrictions, political boundaries determine the size of the market thus large countries enjoy economic benefits. According to Akbari, Ng, and Solnik (2019), these trade restrictions attract the need for economic integrations within which under free trade and global markets even the relatively small groups can benefit from trade through cooperating to form a larger bloc. In this regard, there have been numerous economic integrations worldwide, with Africa capitalizing on regional economic integrations. Given the small and fragmented size of African economies, regional integration has the ability to influence the potential to compete in global markets, increase market size, and exploit the advantages of scale among others (Gutowski et al. 2016).

African governments have since independence embraced regional integrations as a significant component of their development strategies thus concluding large number of regional integration arrangements (Tuluy, 2016; p. 335). These regional economic integrations include such as ECOWAS, SADC, EAC, ECCAS, and COMESA among others. All these integrations follow a similar paradigm of linear market integration through a stepwise consolidation of goods, labour, capital markets, monetary union, and fiscal integration (Mshomba, 2017). However, critics argue that these regional economic integrations have limited success story and generally ambitious schemes with unrealistic time frames thus equalling neighbourhood arrangements (Yayo & Asefa, 2016; p. 6). Nevertheless, the African regional blocs hold the potential to foster trade through enhanced competitiveness.

2.2. The Old and New East African Community

The old EAC had only three member states that included Kenya, Tanzania, and Uganda. The practice of cooperation in East Africa is attributed to the fact that the East African countries are neighbours, shares a common origin and a joint colonial administration, and engage in trading activities across the border. Kihumba (2018) states that the countries incepted the EAC in 1967, and it collapsed in 1977. Among the factors that contributed to the decline of the EAC is the variation of political and economic ideologies since the countries were at different levels in terms of financial performance (Muli & Aduda, 2017; p. 21). The three countries presumed that Kenya had a large share in the East African Community because it was more industrialized, so it obtained more benefits compared to Uganda and Tanzania. In this regard, Uganda and Tanzania considered incepting private industries and due to such a flow, the East African community collapsed in 1977. In addition, the EAC initial countries had ideological variations with Kenya focused on capitalism, while Tanzania pursued socialism, and Uganda focused on a mixed economy. Such a variety made it difficult for the countries to make plans and ultimately resulted in the decline of the EAC.

Studies have also revealed that foreign influence contributed to the fall of the East African community (Mngomezulu, 2017). Notably, the EAC was presumed to be the most successful form of integration worldwide during its operational years. Foreign countries such as U.S. and Britain presumed that the EAC would enhance the economy of East African nations. The foreign governments presumed that the sprouting of the EAC would cut off their reliance on those nations. The dissolution of the EAC in 1977 resulted in the closure of borders among the involved countries (Mngomezulu, 2017). As well, the collapse resulted in the closure of telecommunication services, airways, and trade and inter-country railways.

After the decline of the EAC, member countries signed the negotiation with the East African Community Mediation Agreement in the year 1984 (De Melo and Regolo, 2014; p. 17). Following the terms of the agreement, the member countries shared their liabilities and assets and ended their cooperation, but the bilateral relations among the countries remained. Table 3 shows the major occasions of Old EAC and steps to keep a comeback alive. EAC was re-established in 1999, and the treaty for its formation was signed in November of the same year (O'Reilly, 2019). The agreement was signed in Arusha, and the EAC was officially launched in 2001. According to Hemingway (2019), the new East African Community was primarily formed to help in the strengthening and coordinating of equitable development among the member countries by enhancing the standards of living and the peoples’ welfare of the member countries.

Table 3: key dates for old EAC and steps towards the New EAC

• 1967: First EAC treaty signed.
• 1977: Collapse of First EAC treaty.
• 1984: Mediation Agreement for the Division of Assets and Liabilities.
• 1993: Agreement for the Establishment of the Permanent Tripartite Commission for East African Co-operation.
• 2000: Second EAC treaty signed.

Source: EAC report 2018

The main objective for the New EAC formation was to enhance political, cultural, social, and economic relations among the member countries as well as with a vision to strengthen the political unity of the member nations (Bar, 2018; pp. 247-248). The EAC has an undertaking of expanding and intensifying the economic, political, social, and cultural integration among the member countries to enhance the quality of life through increasing competition and value-added production, investment, and trade (Mshomba, 2017). The East African Community also aims to strengthen development and the potential to compete favourably in the world economy. With Burundi and Rwanda joining the EAC in July 2007, the community consisted of five member countries, including Uganda, Kenya, Tanzania, Burundi, and Rwanda (Oppong, 2019; p. 2). The new East African community aimed at incepting a political federation, a monetary union, a common market, and a customs union for the member states of East Africa. Oppong argues that regarding the organization structure of the EAC, it consists of eight bodies that include; the council of ministers, the summit, the secretarial committee, the coordinating committee, the secretariat, the East African court of justice, and the secretariat (pp. 3-5)

The pillars of the EAC integration include customs union, common market, monetary union, and political federation. The customs union protocol provides that;

1. The EAC Partner States have agreed to establish free trade on goods and services among themselves coupled with a common external tariff.
2. Free movement of persons and labour within the EAC geared at accelerating economic growth and development.
3. Enhanced competitiveness by rationalizing investment incentives and harmonizing trade policies and product standards.

According to WTO Secretariat (2019), customs procedures are conducted by licensed customs clearing agents whereby pre-shipment and destination inspections for customs valuation purposes are not required within the bloc with common external tariff (CET) at 12.9% at 2018 with three tariff bands of 0%, 10%, and 25% applying to most imports. In addition, EAC reports (2018) highlight that in accordance with Customs Management Act 2004 and Customs Management Regulations 2008 provisions, the tax exemption, national duty, and concession schemes are harmonized in the EAC bloc. However, the goods and services must comply with EAC rules of origin and provisions of the protocol.

The EAC common market pillar guides the free movement of people, services, goods, capital, and labour within the bloc as well as the rights of residence and establishment without restrictions. One of the key concerns was the elimination of tariffs and non-tariff barriers to minimize trade distortion. According to Okute (2017), under EAC Customs Union and Common Market protocols, partner countries committed to eliminate with immediate effect existing non-tariff barriers on EAC-intra trade and refrain from introducing new ones. The Monetary Union pillar lays the groundwork for converging currencies into a single bloc currency. The benefits of these pillars include establishing monetary stability in the bloc, which enhances competitiveness in the international market through promoting the Community as a single trading and investment area. These EAC protocols were signed as shown by the table 4.

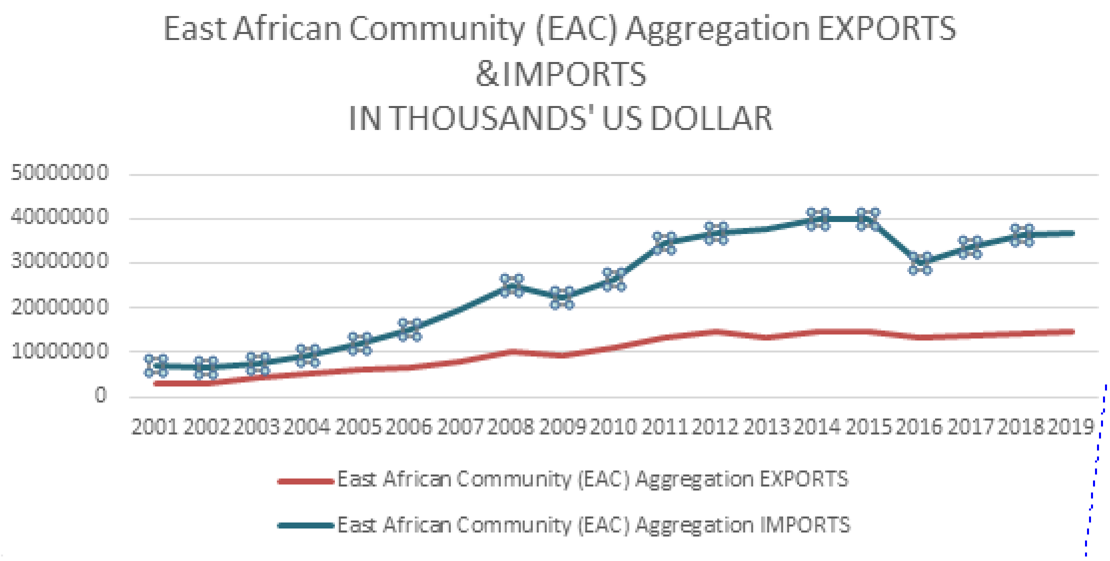
Table 4: EAC Protocols

EAC Customs Union	Signed 2004, came to force in 2005	Enhance trade and promote free movement
EAC Common Market	Signed 2009; came into force on July 2010	To expand the provisions of the Customs Union
EAC Monetary Union	Signed November 2013	Set the groundwork towards converging currencies into a single bloc currency within 10 years

Source: Summarized from *United Nations, 2018*

The East Africa integration has demonstrated great improvement over the years. As shown in the table 5, it is clear that the trajectory has not been consistent. Nevertheless, exports and imports trends have not been stagnant as there is growth pattern, although not high.

Table 5: Exports and imports trends at EAC



Source: EAC reports 2018

This table shows that as the countries got into the conversation which led into the formation of the integration bloc, there was great improvement of imports than exports. This inconsistent trend is attributed to the fact that some countries have the necessary mechanisms and infrastructure while others have limited. For instance, Burundi and South Sudan have realized minimal benefits associated to internal wars, limited institutional developments, and their organization to capitalize on the pillars of Customs Union and Common Market. Logically, trade thrives in enabling and favourable environments.

2.3. EAC Economic Integration

As stated earlier, the EAC is a regional organization consisting of six partner countries, which include Tanzania, Kenya, Uganda, Burundi, Rwanda, and South Sudan, with its headquarters found in Arusha, Tanzania (Van Hoestenberghe, Roelfsema, & Khalidi, 2016; p. 255). The operations and working of the EAC are guided by the treaty that was incepted in 1999 after being ratified by the original member states of the organization (East Africa moves forward with integration, 2014; p. 15). Being one of the regional economic blocks, the EAC has widened and deepened its cooperation in the social, economic, and political sectors.

The treaty for the EAC economic integration has outlined the principles that should be deployed in the operations of the East African Community. A close evaluation of the convention demonstrates that there is an intention for the integration to be governed by the principles articulated in the treaty, which function as law whereby the member countries must comply with (Kellermann, 2019). These governing principles of operation include:

- The member states should adhere to the principles of democracy, gender equality, accountability, equal opportunities, social justice, and the rule of law (Kamanga & Possi, 2017; p. 202).
- Member countries should aim to promote peace and stability.
- The member countries should ensure the utilization of the resources and take the initiatives for protecting the natural environment for the member states (Aydinar-Awar, Onemli, & Quast, 2017).
- The member countries should strengthen the political, economic, and social ties among the EAC members.
- Member or the partner states of the EAC should work to amplify women's roles in technological development, political, communal, and cultural growth (East Africa moves forward with integration, 2014).
- The member states should strive to enhance sustainable development and growth among the member countries.

The mission of the EAC economic integration is to ensure that the member countries of the EAC are highly competitive. Regarding the EAC economic integration objectives, the EAC focuses on strengthening and broadening the collaboration among the member states.

Various benefits are associated with the new East African Community in economic integration. The realization of a massive economic bloc consisting of six countries and a population that exceeds more 130 million and a GDP of $74.5 billion is one of the geopolitical importance of the new EAC (Juma, 2018; pp. 16-18). The negotiation for the union of the East African customs and the progress towards the East African Monetary Union depicts how EAC leadership is determined to incept a credible and robust East African lucrative and political bloc. The EAC has contributed to the efficient movement of the factors of production and the effective allocation of the production factors. The EAC member countries operate as a single market making the business environment more competitive, hence eradicating monopolies. The consumers of the partner states have benefited immensely. According to Nnyanzi, Babyenda, & Bbale (2016), consumers in a single market obtain high-quality products at competitive prices. The consumers are assured of efficient providers who offer high-quality products and a wide range of products; hence, they can choose from the variety (pp. 932-934. There are typical regulatory regimes that specify the guidelines that should be followed by the EAC in its operations. Through working within the stipulated guidelines, the producers work efficiently to ensure high-quality production. Studies have demonstrated that there are various achievements attributed to EAC economic integration (Eberhard-Ruiz & Calabrese, 2017).

EAC economic integration has secured several achievements. The Customs Union Protocol and Community Law under the Customs Management Act made the EAC attractive to other countries such as Rwanda, Burundi, and South Sudan to accede to the treaty (Protas & Romward, 2018; p. 3). This has made the bloc gain global recognition and representatives from various countries and international organizations have submitted their credentials envying to join. In addition, the region has increased both inter- and intra-regional trade as well as intra-EAC Foreign Direct Investments and from outside FDI (Matte, 2019; p. 16). Further, the East African Legislative Authority (EALA) has passed numerous laws to mandate the Council of Ministers establish sectorial councils to oversee policy issues such as implementation, adherence, and monitoring. According to Bakr Olge (2017), a great example to facilitate trade in EAC, the bloc has achieved the establishment of one-stop border posts articulated within the auspices of the community law. The author asserts that the approval of the EAC Customs Valuation Manual to provide guidelines on how to implement and uniformly interpret the bloc's valuation provision within the community is a milestone achievement. Therefore, despite some challenges, EAC has been successful in improving economic growth in the region so far.

The EAC has faced various challenges that have impacted the regional organization's potential to perform its operations most efficiently. Economic amalgamation has the potential to advance the growth and potential of the member countries by unleashing the growth constraints. The lack of development complimentary among the member states is one of the challenges that have hindered the EAC's ability to perform its activities effectively (Nzioka, 2018). Similarly, Kamanga (2017) further points out that the EAC economic integration is faced with the challenge of delayed implementation and non-compliance with the trade schedules. The author proceeds to note that failure to incept effective compensation mechanisms has made it challenging to implement trade liberalization standards (pp. 60-63). In this regard, EAC is criticized as too slow in industrialization thus sustainable economic development is impossible and will remain unattainable (Cicheka, 2019; p. 270). This has been attributed to the significant delays in solving major regional problems. Nevertheless, many believe EAC faces typical challenges but the vision to a stable and politically united East Africa is still effective.

2.4. Existing gap

While there have been various studies on economic integration in Africa, there is little to none studies focusing on the impact of East Africa economic integration on Bilateral trade among the member countries, particularly on Uganda. There have been no studies that have provided a step by step development and comparison of the trade growth and development before and after the economic integration. By using statistical prove of the trade growth among the member countries before and after the formation of this integration, this paper fills this research gap. Alper et al. (2017) argue that lacking statistical data to prove EAC integration progress has seen the reoccurrence of non-trade obstacles and slow project execution. In this regard, this paper contributes to ascertaining the underlying uncertainties related to the entire trade field within and among EAC member countries whether has increased or decreased by providing statistical proof to back-up the arguments.

2.5. Summary

East Africa and the African Continent at large continue to engage at the periphery of the global economy. Many constraints that exist add to border barriers to increase costs of trade, thus pushing the continent away from trade benefits. Nevertheless, regional integrations, despite slow realization of their objects, holds the promise of becoming competitive in the global market arena and reaping the maximum advantages of trade thus commanding a sustainable economic growth. SADC and EAC are the oldest regional economic integration in African soil, hence their roadmap and integration framework offer a good example of Africa's integration history, reflecting the adoption of linear integration model with ambitious targets. In this regard, putting into consideration the critics' arguments of neighbourhood arrangements, EAC provides a favourable avenue to critically appraise the significance of integrations to bilateral trade.

The EAC economic integration treaty outlines the principles to be employed in all operations. This has achieved various benefits to the partner states through trade as outlined in the custom union and common market protocols. However, there lacks published statistical proof on how the EAC has influenced the bilateral trade. This attracts the need to research this topic geared at unearthing the unknowns to add value to the known.

CHAPTER THREE: METHODOLOGY

In this chapter, we will discuss our data sources, what indicators we have chosen that forms major variables to answer our research problems and how we will run our analysis, and the viable way of presenting our findings to explain our problem stated in our thesis.

3.1 Data sources and Methodology

Trade statistics data has been sourced from several databases that include world integrated trade statistics (WITS), world development indicators (WDI), World Bank, IMF, EAC databases, Uganda Bureau of Statistics and World Trade Organisation (WTO) among others. This data include GDP exports, imports and tariff rates charged for the products crossing the borders, time to exports and lastly, cost of exports while complying with the required border regulations and documentation needed.

The period of study chosen for our dataset is 1967 to 2019. However, due to no availability of reliable data in these countries in the earlier years, most of the data used is that of 1994 to 2019. This still validates our Research since it gives us enough data to study the period before and after the formation of new EAC in 2000. Since East African Community was formed way back in 1967 and later dissolved in 1977 and the second formation took place in 2000. From our dataset, we will split it into 3 parts: the first part being from 1994 to 2000 where no EAC group was active and from 2001 to 2007 when Rwanda and Burundi had not joined the corporation and lastly, from 2008 onwards where all groups were members of the EAC. Since we are interested with Uganda benefit from EAC, exports, imports, time to export/import, cost to import/export while complying with border regulations or document requirements and tariff rates between

Uganda and the rest of EAC members plus European Union and Asia region were collected to answer the research questions for this article.

We employed descriptive statistics to access the impact of the being a member of EAC. This will be achieved as signing of policies and implementation periods of EAC treaties are documented hence at that period, we could trace the impact if it shifts from better to best case scenario, then we could infer that being a member of EAC has positively benefited Uganda greatly as it is landlocked country

3.2 Theoretical framework

The roadmap on how we could address our research objectives was based on objectively and subjectively measurable variables. Economic integrations build on pillars that try to improve countries international trade while enhancing good business environment amongst its members. Countries that have good relations tend to trade more than countries which have had fights with each other. To boost good political and economic environment, countries have built embassies and consulate in other countries as a way of enhancing good relationship with those countries thereby increasing global market penetration to new countries. The major functions of consulate and embassies are to provide information for the two countries concerning potential ways of expanding international trade, building trust between the two states and public involvement on trade (Yakop and Van Bergeijk, 2011; Moons and van Bergeijk, 2017).

The outcome variable of being a member of an economic integration is improved in trade, exports and imports of a country and economic growth. The major input variable that traces the impact of EAC to trade includes how trade structured, barriers to trade including tariffs and lastly political and economic impact of integration on trade. In trade structure we will trace if EAC economic integration has enhance trade creation or trade diversion within its members and globally. Furthermore, barriers to trade includes cost of doing business, time to export or import and has there any reduced in tariff as this was also the objectives for the formation of common tariff within all member states.

Major models that can be used to investigate impact of economic integration to trade includes computable generalized equilibrium (CGE) model, gravity model and a case study with accompanying descriptive form of statistics. Computable generalized model requires a lot of data and it requires a lot of time to construct. Based on my research, EAC member states will not be adequate and economical to construct CGE model. CGE model is mostly used to measure the elasticities of trade to an implementation of a given trade policy (Derosa and Gilbert, 2006). Since EAC have no data on the change in their operations upon implementation of a given trade policy, and lack of reliable data and our objective of being country specific benefit of being a member of EAC over a number of trade policies applied makes the CGE not an ideal model for our article.

Gravity model is a work-horse of international trade variable analysis since 1962. It was seminally introduced by Jan Tinbergen (1962) and it has been used to explain effect of being a member of regional integration like EAC on trade (Bergeijk and Brakman, 2010). The results of using gravity model gives general overview of being a member benefit but there are some countries that benefit more than others. In our case we are investigating the benefit based on our case country-study of Uganda. Being a member of EAC is beneficial but how is it beneficial to Uganda and to what extend given that it is a landlocked country.

Descriptive statistics is our preferred methodology as we will investigate the effect of Uganda as being a member of EAC and a number of trade policies have been implemented. Tracing the impact of being a member of EAC based on the period they subscribe to become EAC member. We will further analyse what Uganda has gained from becoming the pioneer member of EAC.

The other theories that could have been used to study and analyse our paper include these shown in the table 6. However, our perfect choice was trade creation and trade diversion theories due to the limitations of these theories.

Table 6: Other Theories

Theory	Provision
Mercantilism theory	Country's wealth is the calculation of total exports minus the imports
Absolute advantage theory	Countries should specialize on products they can produce with ease
Comparative advantage theory	For a country to benefit from trade, it should have goods and services that trading partners require

The reasons for the choice of these theories include'

- ✓ Researchers argue that the region's economies utilize regionalization and globalization as the mode of trade (Oparanya, Mdadila, & Rutasitara, 2019; p. 3).
- ✓ The member states continue to pursue individual approaches in a bid to maximize trade benefits, thus lacking trade openness.
- ✓ Most of EAC partner states rely on agricultural products for trade, which makes it challenging to have products they have comparative advantage over the others.
- ✓ Political and economic restrictions making trading on similar framework challenging.

3.3. Summary

This research relied on secondary data since primary data was challenging to source through interviews due to the Covid-19 pandemic. Date for the research was sourced from several databases with key reference to trade statistics related to GDP exports, imports and tariff rates charged for the products crossing the borders, time to exports and lastly, cost of exports. Data used was for the years between 1994 and 2019, although the target was from 1967 to 2019, but proved challenging since the countries lacked reliable data of the early years. The data acquired was classified into one from 1994 to 2000 where no EAC group was active, from 2001 to 2007 when Rwanda and Burundi had not joined the corporation, and from 2008 onwards where all groups were members of the EAC to create stepwise critical appraisal. In the case of Uganda, key concerns were on exports and imports volume, time to export/import, cost to import/export within the bloc to ascertain how the country had benefited from EAC through trade. Finally, a case study accompanied by descriptive form of statistics was the choice of analytical framework due to several variables entailed in researching impacts of trade in an economic bloc.

CHAPTER FOUR: FINDINGS: EAST AFRICAN COMMUNITY IN GENERAL

This chapter provides the findings on the general East African Community trade trends before and after Integration. The section includes three themes; trade structure, barriers to trade, and the impact of the integration on trade.

4.1. Trade structure at EAC

Regional trade integration is the foundation of EAC Partner States' policies, which shape the trade structure. Most of the policies focus on strengthening public institutions and private sector organization to enhance exportation. According to EAC Reports (2018), EAC internal market size has about 146 million consumers. However, the member states are involved with other regional economic integrations, which expand the market size and reshape the trade structure. For instance, Tanzania is a member of SADC while Kenya, Burundi, Rwanda, and Uganda are members of COMESA, which has a consumer population of about 460 million (United Nations, 2018).

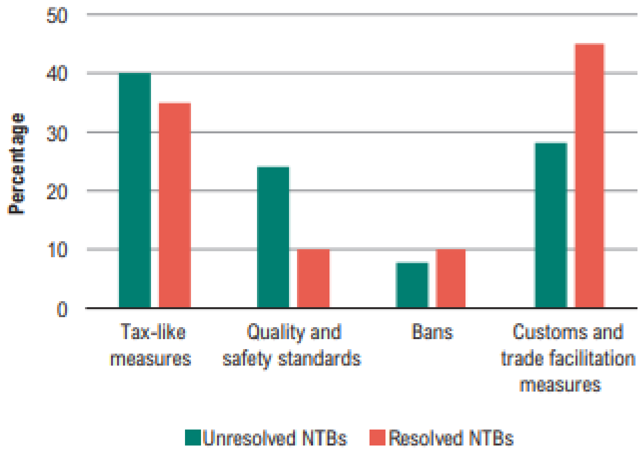
In addition, Rwanda, Uganda, Burundi, and Tanzania are covered by the EU's Everything but arms Initiative, which provides that products from least developed countries have preferential access to the EU market except ammunition and arms. Consequently, all EAC partner states qualify, under the African Growth and Development Act, for duty free access to the US market. However, Burundi's eligibility has been revoked back in 2016 (Okute, 2017). In this regard, EAC countries' products have access to various markets in the developed trade arena.

With the Customs Union and Common Market Protocols in place, EAC member states continue to cooperate in simplifying, harmonizing, and standardizing trade documentation to ease the acquisition of information geared at enhanced facilitation of trade goods. The improved bargaining power gives the bloc to enter into agreements with developed countries such as the USA and China to boost and promote commodity trade, cooperation in investment, and exchange visits by business experts to mention but a few (EAC Secretariat, 2016).

4.2. Trade barriers elimination

Among the key objectives of the protocol for establishment of the East African Community Customs Union was to liberalize trade within the customs area for the benefit of all partners states. According to Okute (2017), the principle instrument of trade liberalization was the elimination of tariffs and non-tariff barriers (NTBs) within member countries to increase the prospects of economic growth efficiency and prosperity for East Africans. However, Calabrese and Eberhard-Ruiz (2016) report that EAC has made decisive advances in non-tariff barrier elimination affecting positively trade, several of them have proved challenging to solve while new ones continue to emerge. This literature signifies that some non-tariff barriers require much lengthier and complex institutional processes to eradicate. A great example is 35% of tax-like measures and 20% standard-related measure eradicated by 2009, but over 40% of non-tariff barrier tax-like measures are unresolved to date (Okute, 2017). Fig. 2 shows both resolved and unresolved NTBs by 2016 within EAC bloc.

Fig.2. EAC resolved and unresolved NTBs by 2016



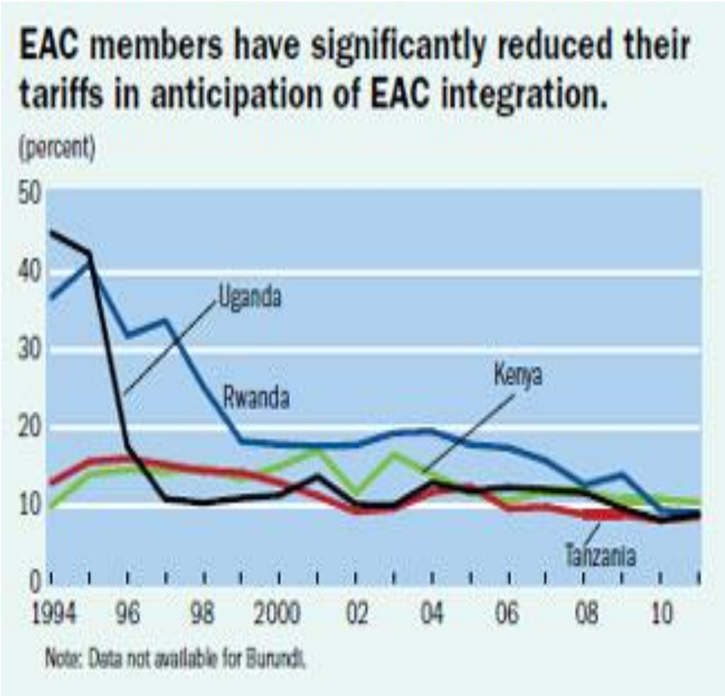
Source: Calabrese and Eberhard-Ruiz 2016; p.2

The degree at which partners countries of EAC have been responsible for establishing or affected by non-tariff barriers varies significantly. According to Calabrese and Eberhard-Ruiz (2016, p.2), the barriers than others have relatively affected Kenya and Uganda, Tanzania has generated more barriers, while Uganda, Burundi, and Rwanda are often more affected by barriers they have generated themselves. Nevertheless, the protocol of East Africa Common Market has harmonized policies through creation of Acts for custom management and regulations. The free common market has created opportunities within which clearances can be done from either source country of products or the destination country. This has regulated time wastage at border posts by creating one-stop border posts and lower customs duties, which have reduced transit time for consignment with harmonized procedures and regulations.

4.2.1. Cost of doing business

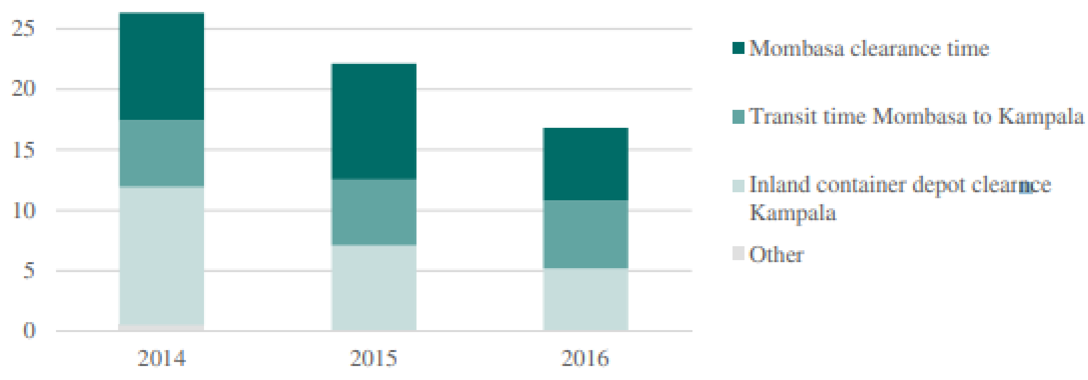
Trade within and among EAC bloc has greatly increased. The cost of doing business reduced drastically on the formation of this regional economic integration attributed to increased regional competitiveness. According to the African Development Bank (2014), the tariffs for the EAC members have significantly reduced over the past 2 decades. As shown in the figure 3, over the past 15 years, there has been a reduced decrease of tariff from 26.1% in the 1994 to an average of 9.2% in 2011.

Fig. 3. EAC member states' tariff trend, Source: African Development Bank



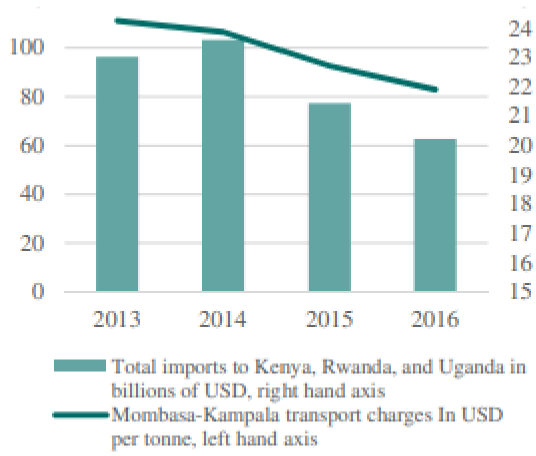
The EAC continues to take steps to facilitate ease of firms starting up and operating businesses in the bloc, especially the local players because integration alone is not enough to spur growth. In this regard, the high-growth performance witnessed at EAC bloc in recent years is because of these steps under use. For instance, UN (2018) argue that in a bid to make trade cheaper, simpler, and faster, partner states have agreed to implement trade facilitation reforms such as reduction of non-tariff barriers that include incompatible and burdensome product regulations coupled with simplifying import and export processes of commodities by reducing bureaucracy and fostering online clearances. In addition, East African Development Bank (2019) state that one-stop border posts have reduced transit time for consignment with harmonized procedures and regulations, and lower customs duties have reduced business costs while increasing competitiveness in EAC bloc. Logically, online clearances have realized reduced time to import and export through diminishing procedures at border points and ports whereby the cue before the custom union took even weeks. Figures 4 and 5 shows how transit duration, and imports and transport charges respectively have declined from Mombasa to Kampala along the Northern Corridor due to the measures mentioned above.

Fig.4. Transit duration reduction from Mombasa to Kampala



Source: EAC Reports 2018

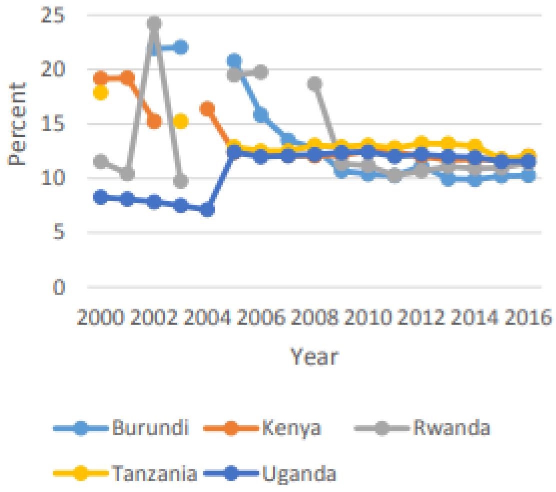
Fig.5. Transport Charges' trends



Source: WTO Secretariat 2019

Similarly, Vitale, Morrison, and Sharma (2013) reports that adoption of CET, which was applied at 11.6% eased the channels of doing trade compared to individual pre-custom union rate of 16.8% for Kenya and 13.5% for Tanzania thus the integration witnessing increased exports. This declaration reduced the costs of doing business since whatever channel used to import or export goods employed harmonized tariffs. Based on this understanding, the CET that was implemented at different periods and rates among EAC members is slowly converging to a truce as shown by the statistics in figure 6.

Fig.6. EAC Common Export Tariff trends



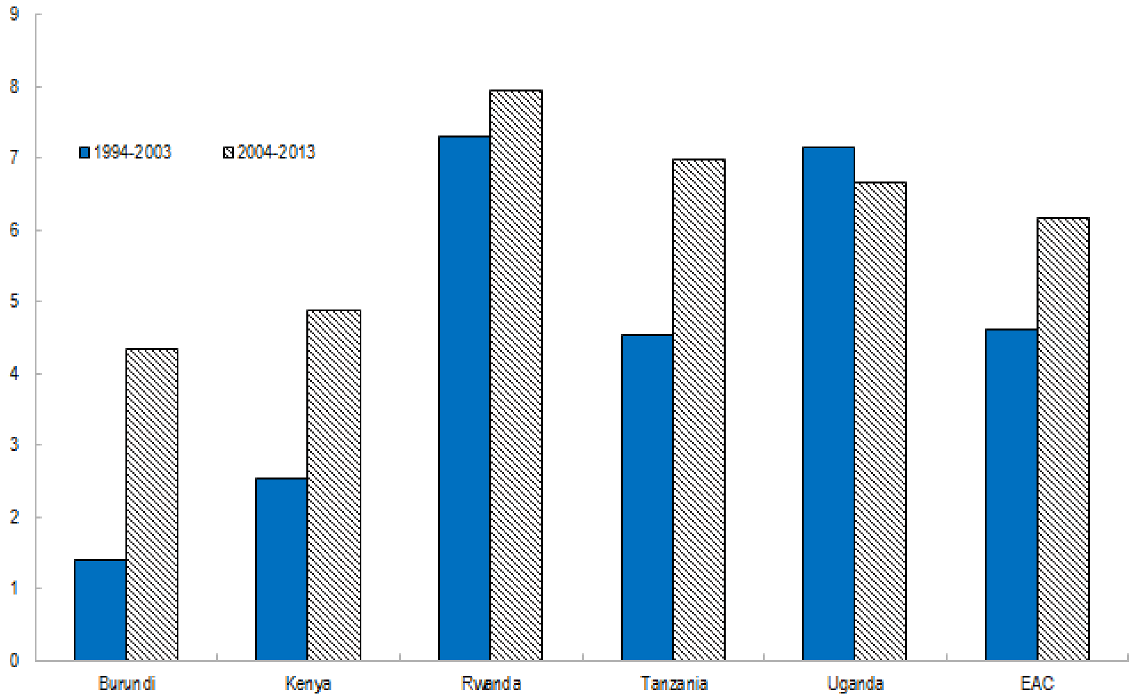
Source: International Growth Centre (IGC) policy paper 2017, p.9

4.3. Impact of trade

The EAC economic integration has resulted to positive impact on trade among and within its partner states. EAC bloc growth is driven by industrial, infrastructure, and agricultural developments on the supply side while increased consumption drives economic growth on demand side. The export sector is dominated by coffee, tea, and horticulture coupled with significant amounts of extractive resources such as oil, gas, and high-value minerals and renewable energy. The East African Development Bank (2018) East Africa economic outlook asserts that with the formation of EAC, the economy of the member countries has improved immensely recording an average of 6.5%, which is one of the greatest in Saharan Africa as shown in figure 7.

Economists and other data experts believe trading trends before EAC were challenging for member states, mainly landlocked, such as Uganda. The lack of a standard external tariff that saw the full force of complicated internal taxes was a primary challenge for trading. Shepherd, De Melo, and Sen (2017) stated that apart from tariffs, technical regulations, police brutality at roadblocks, custom regulations, and procedures formed a major part of trading barriers within the region of East Africa. Fortunately, most of these trading barriers were harmonized after EAC integration, coupled with a bold push for a standard external tariff for imports from member states. In 2009, the member states signed a protocol of establishing the East African Community Market that came into effect in 2010 after a prior realization of the Customs Union Treaty (Gastorn & Masinde, 2017; p. 286). In this regard, the unconfined circulation of services, capital, goods, and labour in member states has expanded the trading trends among member states.

Fig.7. EAC member states' economic growth



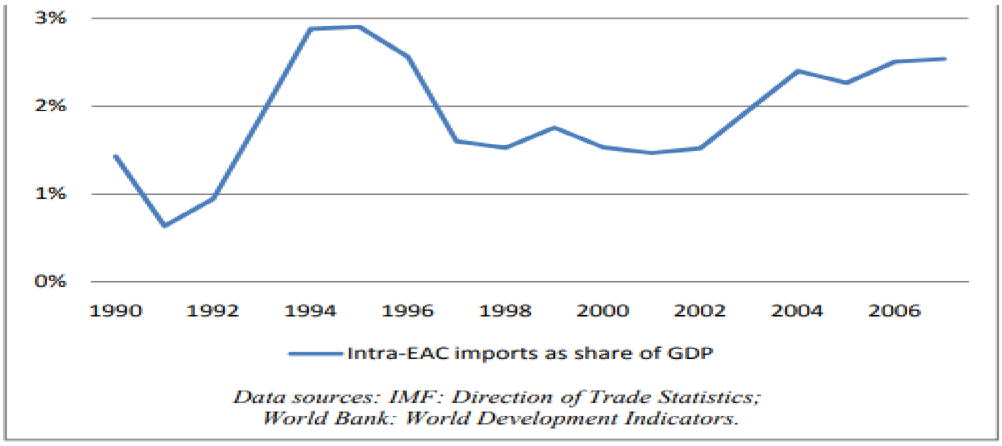
Source: East African Development Bank 2018.

From the graph, it is also important to note that for Rwanda, the series begins in 1998 which excludes the genocides related factors in 1994 and subsequent effect in the 1995 to around 1997. For Burundi, the growth graph starts in 1997 to exclude the first previous years of civil war. On the formation of EAC, the member countries economy is shown to increase significantly.

The merchandize trade continues to grow as reported by UN (2018), it registered an increase of 11.7% to USD 52,4 billion in 2018 from US$ 46.9 billion in 2017 associated with increase in the import bill, and EAC exports amounted to USD 14 billion with 22.4% attributed to intra-EAC exports (EAC, 2019). At the same time, exports to EU continue to increase with reported elevation of 6.5% in 2018 totalling USD 2.5 billion constituting approximately 17.5% of total EAC exports (EAC, 2018). On the other hand, EAC (2019) reports that imports grew by 19.2% in 2018 with EU accounting for about 11.3%. These statistics reveal that EAC economic integration has helped the partner states command a fair share of trade exports and imports.

The EAC has undertaken various measures towards increasing and boosting the intra EAC trade. The EAC has removed internal tariffs along borders of the member states. It has also initiated one-stop border posts for clearing goods that minimizes transport costs and durations. In addition, embracing online clearance for imports and exports is a positive measure towards enhanced intra-EAC trade. Figure 8 from the United Nations (2018) depicts the total intra-EAC trade of Burundi, Kenya, Rwanda, Tanzania and Uganda from the year (2000-2006), which shows increased GDP-trade share. From the figure, intra-EAC trade was declining

Fig.8. The total intra-EAC trade of Burundi, Kenya, Rwanda, Tanzania and Uganda from the year (1990-2006)



Source: IGC policy paper 2017

Nevertheless, this research revealed that intra-EAC exports and imports registered growth from 2013. The EAC report (2017) states the exports grew by 8.1% from USD 2.7 b in 2016 to US$2.9 b in 2017 with Tanzania and Uganda were the great beneficiaries with export growth of 37.3% and 18.4% respectively to the other partner states in 2017. Kenya exports declined while Rwanda registered modest export growth. These variations were associated with declining intra-EAC export volumes of manufactured products; given that Kenya is the most industrialized. Most findings associated the intra-EAC trade growth with favourable weather conditions resulting to increased agricultural commodities production, elimination of import restrictions and NTBs for sensitive products such as edible oil and dairy products, and increased trade of intermediate commodities such as cold rolled steel sheets. The exportation business reflected to increased importation trends across the bloc as illustrated in figure 9.

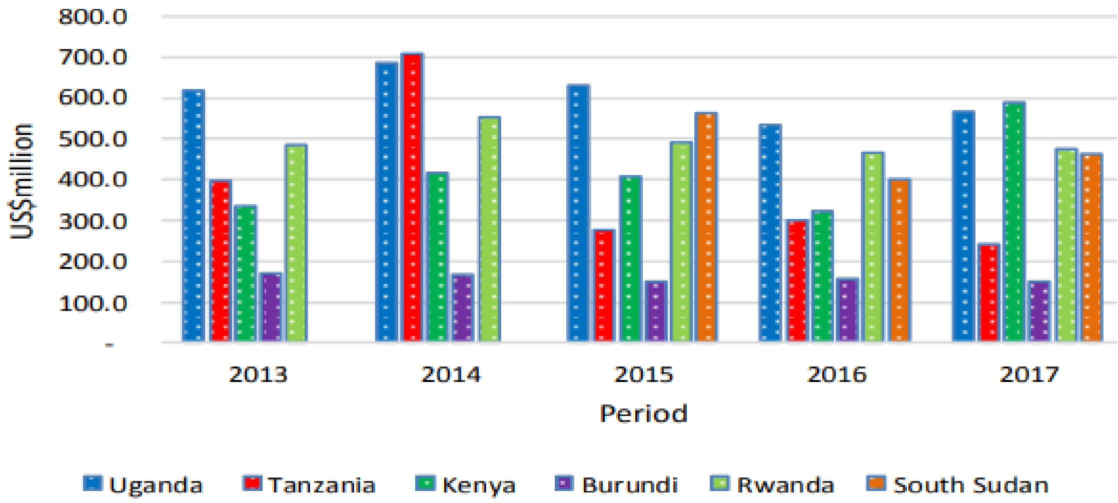
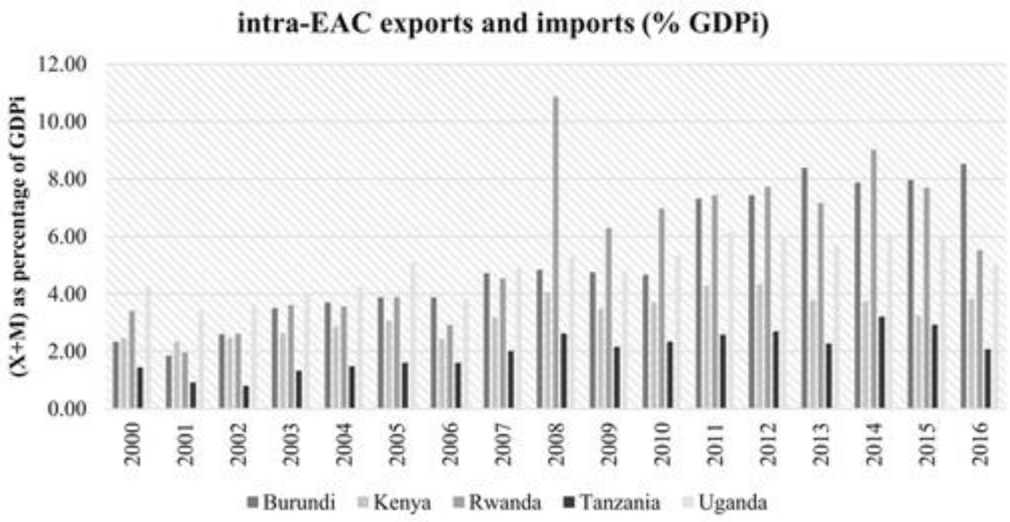


Fig.9: Total intra-EAC imports, 2013-2017 (US$ million

Source: EAC reports 2017; p.26

In addition, figure 10 shows the growth from 2000 just before EAC was formed in 2001. It shows despite each member state recording tremendous growth, it is unevenly distributed. For instance, Burundi has registered the least growth in each period attributed to internal crisis that affected the institutional organization to embrace the EAC economic integration benefits associated to trade. Nevertheless, the country continues to show improvement as time goes by. Kenya and Uganda register the highest GDP-Trade share of EAC trade in economic growth across all the periods in the figure.

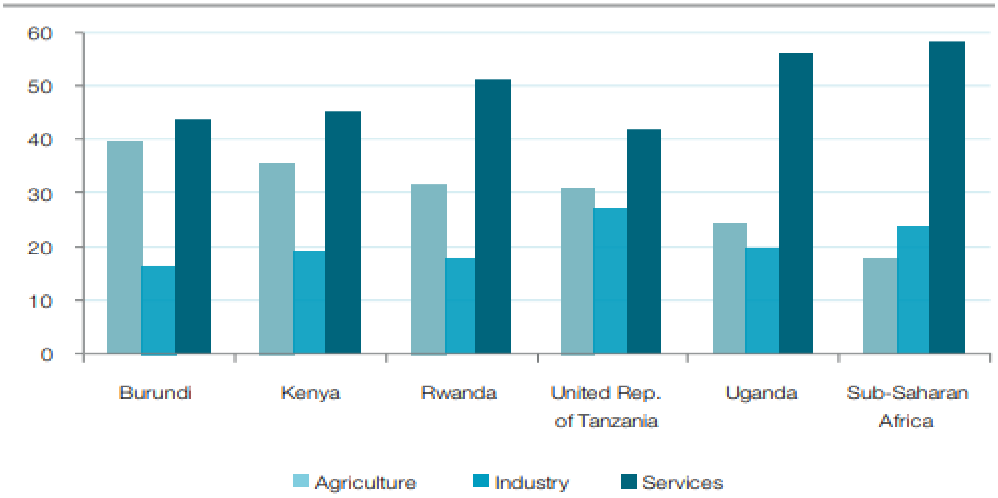
Fig.10. Intra-EAC trade from 2000 to 2016



Source: WTO 2019

The GDP-Trade share has increased tremendously among the EAC member states due to the economic integration. Despite limited intra-EAC trade, the bloc is still considered the most successful among all the regional economic communities in the African continent. All EAC partner states have registered an overall trade growth performance translating into sustained growth per capita GDP except for Burundi due to its socioeconomic and political crisis. For instance, UN (2018) reports that in 2016, Kenya had GDP per capita of US$ 1455, Tanzania US$ 879, Rwanda had US$ 703, Uganda US$ 615, while Burundi had US$ 286. Fig.11 shows sectorial composition of economic activities that enhance trade in EAC partners states by 2016 compared to sub-Saharan Africa (per cent shares).

Fig.11. Sectorial composition of EAC economic activities for trade



Source: United Nations 2018; p. 6

The evaluation of the trading activities among the EAC countries shows that the member countries continue to increase their trading activities. Table 5 attests to this literature by displaying trade flows in the EAC partner states. In addition, Hemmingway (2018) argues that EAC has realized export expansion with the share of EAC exports of goods and services rising from 13% in 2000 to 18% in 2015 while the share of imports on goods and services grew faster in its contribution to the GDP, increasing from 21% in 2000 to 28% in 2015.

Table 5: Trade flow pattern at EAC

	Merchandise exports		Merchandise imports		Services exports		Services imports	
	2002–2004	2010–2012	2002–2004	2010–2012	2005	2010–2012	2005	2010–2012
Burundi	6.0	5.4	23.4	30.3	3.1	4.3	12.0	9.0
Kenya	14.5	12.6	21.8	32.6	8.8	9.6	5.4	5.1
Rwanda	4.0	6.9	14.7	29.4	4.6	6.2	11.1	9.0
United Republic of Tanzania	7.5	13.5	13.8	29.0	6.9	6.7	6.5	6.1
Uganda	6.7	9.2	16.8	24.6	4.7	7.8	5.5	10.1
EAC	9.9	11.7	17.7	29.6	7.0	8.0	6.2	6.7
Developing economies: Asia	35.5	34.9	32.6	32.2	6.4	5.8	7.5	6.7
Sub-Saharan Africa	21.9	27.4	20.0	23.0	3.9	3.6	6.8	8.1

Source: United Nations, 2018; p.9

The EAC agenda in promoting the import and export industry is based on three major factors of trade in the region to reduce the cost and barriers to trade. Reduction in rates of traffic imposed on goods and services, reduction in trade barriers that are not related to tariffs such as border checks and long custom duty checks and clearances as well as improving contact of trade among the countries in the EAC block. See table 6.

	Merchandise exports		Merchandise imports		Services exports		Services imports	
	2002–2004	2010–2012	2002–2004	2010–2012	2005	2010–2012	2005	2010–2012
Burundi	6.0	5.4	23.4	30.3	3.1	4.3	12.0	9.0
Kenya	14.5	12.6	21.8	32.6	8.8	9.6	5.4	5.1
Rwanda	4.0	6.9	14.7	29.4	4.6	6.2	11.1	9.0
United Republic of Tanzania	7.5	13.5	13.8	29.0	6.9	6.7	6.5	6.1
Uganda	6.7	9.2	16.8	24.6	4.7	7.8	5.5	10.1
EAC	9.9	11.7	17.7	29.6	7.0	8.0	6.2	6.7
Developing economies: Asia	35.5	34.9	32.6	32.2	6.4	5.8	7.5	6.7
Sub-Saharan Africa	21.9	27.4	20.0	23.0	3.9	3.6	6.8	8.1

Sources: UNCTADStat Database (accessed in May 2017).
Note: EAC: East African Community

Source: EAC 2018

Table 6: Trade flows in EAC and contribution to GDP of member states

The liberalization of goods and tariffs, coupled with harmonizing trading barriers, has broadened the concept of doing business between EAC member states and the world at large. The present EAC has reached beyond the earlier attempt by aiming for a closer integration across diversified fields such as establishing a customs union, a monetary union, and eventually a political federation geared at mutual benefits among its member states. These member countries' preferential trade agreements have secured trade facilitation mechanisms related to physical infrastructures such as roads, ports, and telecommunication networks, opening the community to the rest of the world (Oketch, 2018). In this regard, trading within and outside the community has increased with the community exporting to the rest of the world agricultural products. At the same time, they import other necessities due to the opening of trade facilitation mechanisms.

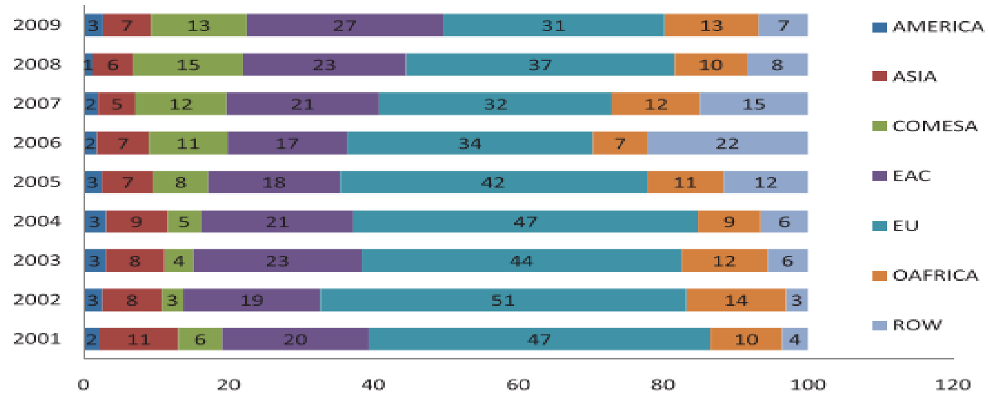
4.4. Conclusion

The EAC economic integration has been of great significance to member states concerning bilateral trade. Arguably, the economy of the member countries has improved immensely recording an average of 6.5% attributed to the creation of the EAC bloc. Consequently, most of the trading barriers were harmonized after EAC integration, coupled with a bold push for a standard external tariff for imports from member states, which has influenced positively bilateral and intra-EAC trade. This has resulted to unconfined circulation of capital, services, labour, and goods across the member states directly reflecting in expanded trading trends among the bloc's partners. For instance, the merchandize trade registered an increase of 11.7% to USD 52,4 billion in 2018 from US$ 46.9 billion in 2017 attributed to increase in the import bill, and EAC exports amounted to USD 14 billion with 22.4% attributed to intra-EAC exports. In addition, the GDP-trade share displays promising upward trends as shown in figure 10, which shows that the integration has been of great importance to member states' trade. Despite trade barriers that re-emerge such as customs and non-tariff barriers, the research concludes that EAC integration has a positive influence on trade among and within its member nations.

CHAPTER FIVE: FINDINGS; UGANDA CASE STUDY

Uganda has been in the Old EAC and still is in the New Economic bloc. Being a landlocked country, this country has benefited greatly due to the integration. Since the implementation of the EAC integration in 2001, this country has generally registered increased value of total exports and imports within all the trading partners within the EAC bloc. According to United Nation (2018) research, the republic of Uganda has shown an increase of more than 7% of imports coming from its regional partners in the East African Community from 20% in 2001 to about 27% in 2009. Shinyekwa and Othieno (2013) state that although other key players in the region such as COMESA and EU have a significant impact on the export industry within Uganda, the margin of exports sent to EAC members increased by over 20% for the period 2001 to 2009 while a growth rate of more than 26% of the total exports of Uganda were designated to EAC and neighbouring regional blocks from 2001 to 2009 (United Nations, 2018). The overall value of imports from the EAC block to Uganda doubled between 2001 and 2009 from an estimated value of USD288 million in 2001 to about USD 547 million recorded in 2009 (Shinyekwa & Othieno, 2013). Uganda has seen an increase in the absolute value of its imports from EAC especially countries like Kenya which is its immediate neighbour in the EAC block. According to Fig. 12, the immediate absolute value of Goods imported to Uganda from EAC increased tremendously from 2001 to 2009.

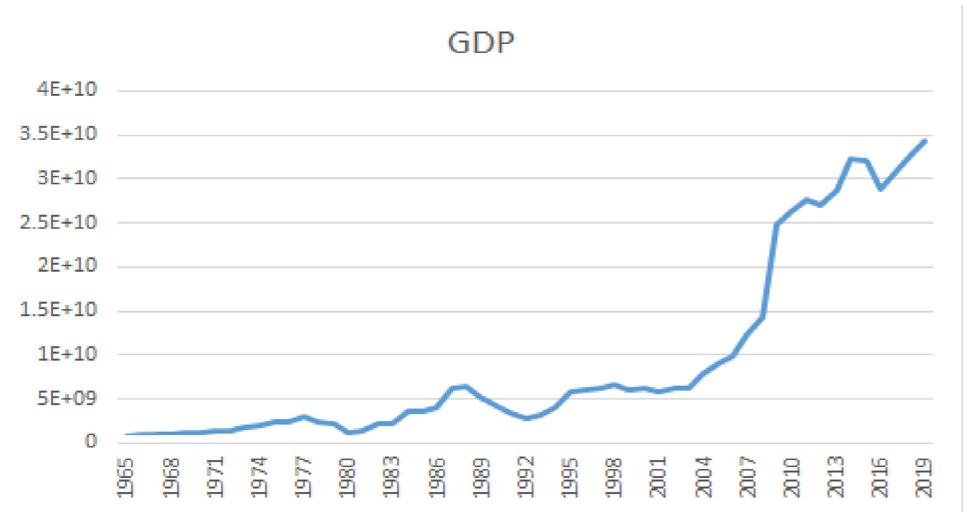
Fig. 12. The proportion of Exports from Uganda to Regional blocks for the period 2001 to 2009.



Source: United Nations 2018

Export and import flow from the EU region dropped significantly since 2001 from 47% to about 30% in 2009, explaining the growth of the export and import relationship within the EAC block since 2001 to 2009 with a relative increase of about 20% in the margin of exports and imports to EAC block (Shinyekwa & Othieno, 2013).. This confirms that the economy of Uganda has developed significantly since the integration of Uganda to the EAC in 2001. A clear indication is highlighted in Fig.13 whereby the GDP has grown tremendously due to the New EAC integration in 2001.

Fig.13. Uganda's GDP elevated growth from 2001.



Source: EAC Report 2019

In the recent years, trading activities continue to broaden in the country, thus registering minimal trade balances. Unfortunately, the country, in recent years, seems to concentrate significantly on imports over exports as illustrated by figure 14. Nevertheless, overall trading activities continue to rise each passing year with the EAC trading partners.

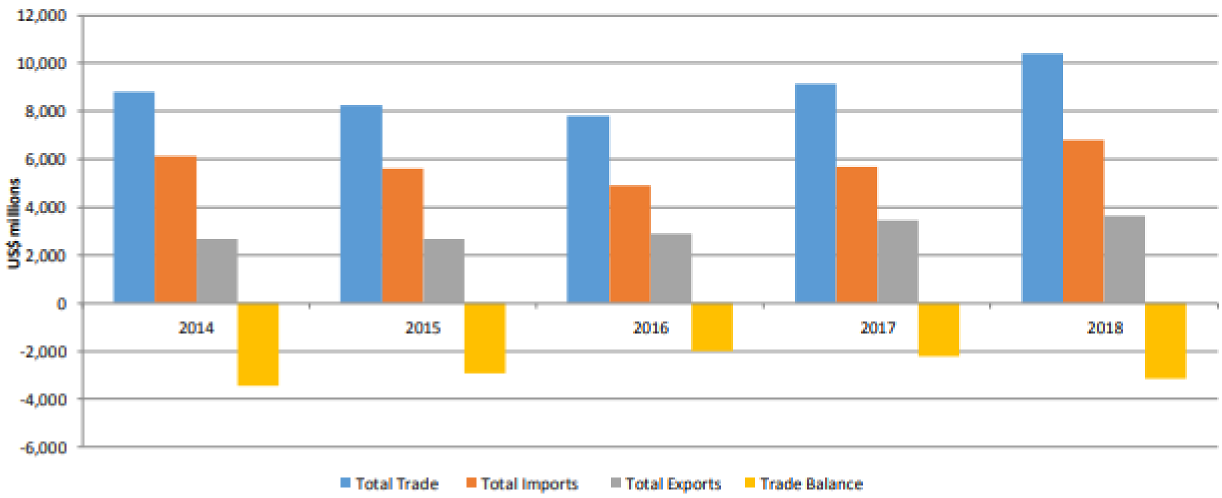


Fig.14. Uganda's overall trading activities

Source: Uganda Bureau of statistics 2019

However, other trading blocs like EU still play a significant role in Uganda's exports and imports attributed to the opening up of its trading channels due to the integration. Figure 15 shows the Uganda's export trends, within the bloc, before and after EAC integration. Precisely, the WTO Secretariat (2019) report that the Uganda's exports worldwide increased by 6.1% in 2018, with 40.4% of total exports designated to EAC trading partners, attributing to continued embrace of export-oriented policies in the country.

Fig.15. Uganda export trend to EAC trade partners

Source: *WTO Secretariat 2019*

The figure shows that after the collapse of the Old EAC bloc, Uganda's exports within the bloc were staggering. However, after the inception of the New EAC, signs of improvement were registered, hitting the elevating trend towards the signing of the EAC Common market protocol. Kenya and Rwanda have been the major markets of the Uganda's exports. Rwanda became 2nd largest market for Uganda's exports only after being a member of East African Community after year 2007 (Ramsay, 2019). Tanzania despite being the largest member of EAC, its market for Uganda's exports is not proportion to its population. Two reasons can be attributed to this, one; the distance effects reduce the competitiveness of Uganda products at the southern side of Tanzania because trade costs will increase with distance. Secondly, Tanzania is a member of both EAC and SADC hence their market can be shared as they allow access from both regional blocs. According to EAC Reports (2019), Uganda exports more to EAC bloc than any other trading blocs due to the increased significance of the region for its industrial development. Most of the goods exported are finished manufactured products reflecting the EAC's influence on the country's growing industrial base. In addition, value added agricultural products such as sugar, maize, and beans attributed to the growth of agro-processing sector add to the goods exported. Similarly, participation of the bloc with other regional integrations provided an avenue for Uganda to maximize its full potential on trade, mainly exports, benefits and opportunities presented by the bloc's increased bargaining power.

On the other hand, the country continues to register increased imports from EAC members and international trading partners. As illustrated in fig 16, Uganda relies greatly on imports and being a landlocked country, the EAC bloc integration provided an avenue for the country to maximize on the trade potentials.

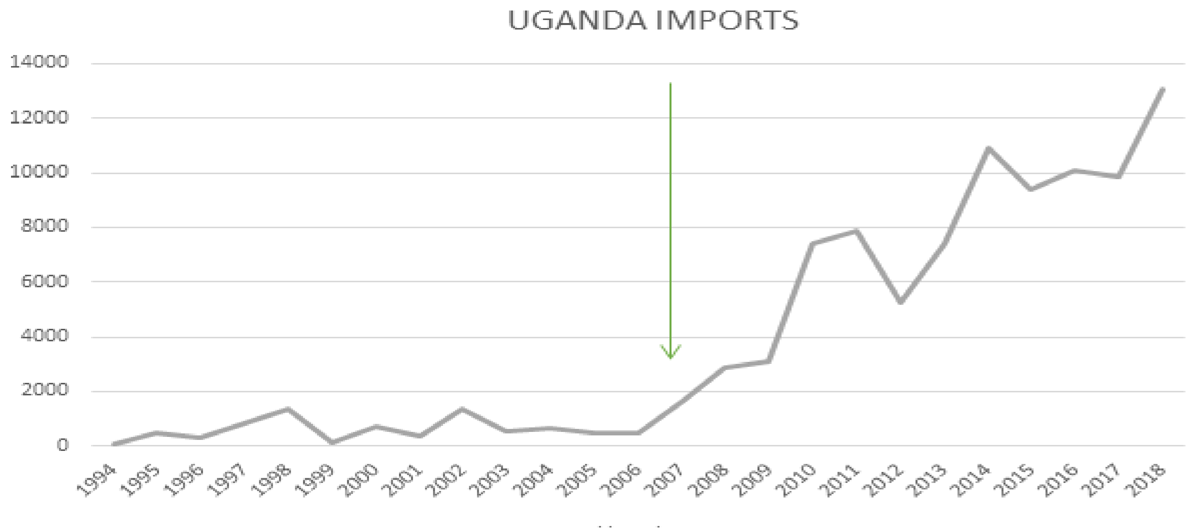


Fig.16. Uganda import trends from EAC members

Source: *United Nations 2018*

According to EAC Statistics (2019), Uganda's imports from EAC region increased by 41% in 2018 within which Kenya was the primary source followed by Tanzania. Unfortunately, Uganda has conducted limited trade with the other bloc members in term of import business in the past three years as illustrated by figure 17.

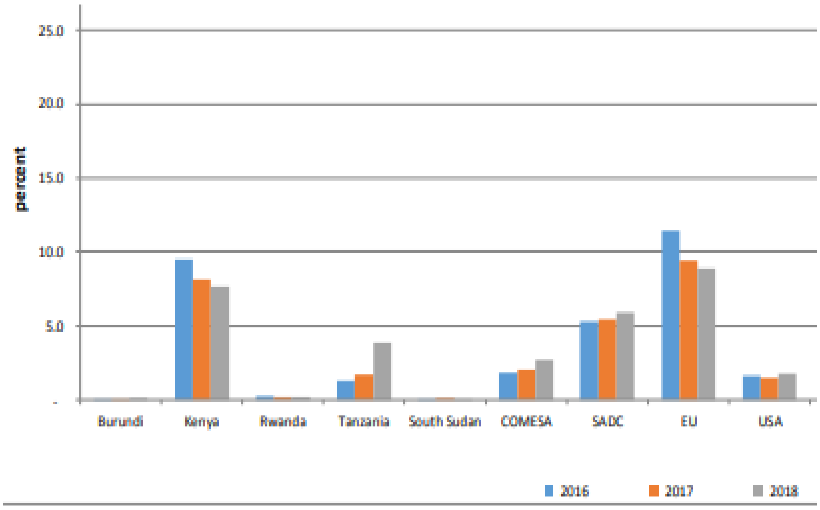


Fig.17. Kenya as the major exporter to Uganda at EAC

Source: *EAC Statistics 2019*

Therefore, Uganda's exports and imports continue to increase each year attributed to the economic integration of East Africa. The bloc has provided both market for imports and consumers for exports. It has also opened the country to international markets within which EU has offered an alternative market. EAC economic integration has benefited significantly the country of Uganda.

5.1. Importance of Intra-trade

Uganda, being a landlocked nation, has witnessed increased benefits due to EAC economic integration through intra-trade. The region offers market for Uganda's products and services, which minimizes the costs of doing business due to favourable proximity. In addition, the regional bloc supports the member states in building industrial capacities as provided in the treaty, thus reflected in the expanded growth of industries in Uganda. Fig.18 demonstrates the rise of intra-trade among the EAC member countries. As can be shown, Uganda has experienced a rapid increase since 2001. This increase has played a significant role in the general increase of the economic growth of the country as a whole.

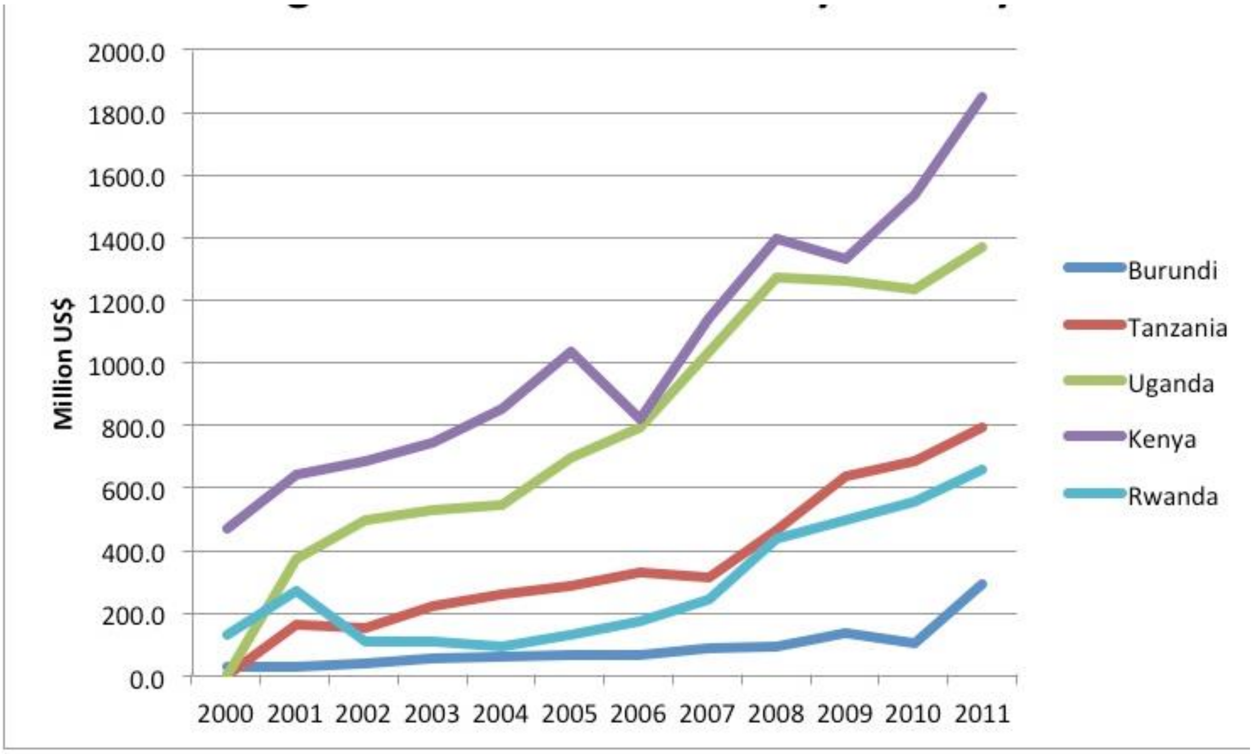


Fig.18. EAC intra-trade trends

Source: EAC website

Uganda Trade diversion, and Trade creation on trade effects of EAC

Table 7 demonstrates trade creation and trade diversion effects of EAC. As shown, with the reduction of tariff barriers, and reduced cost of doing business among the countries, Uganda becomes one of the beneficiaries with a total of $12,416,000 and 3.4% trade effects (Kihumba, 2018).

	Trade creation		Trade diversion		Total trade effects	
Country	$ '000	%[a]	$ '000	%[b]	$ '000	%[a]
In Kenya	121	0.6	345	0.01	466	2.5
In Tanzania	1,090	0.9	2,894	0.2	3,985	3.2
In Uganda	5,809	1.6	6,607	0.7	12,416	3.4
Total	7,020	1.5	9,846	0.5	16,867	3.3

[a] Of preferred imports.

Table 7: Trade Creation, Trade Diversion and Total Trade Effects of the EAC

Source: Kihumba 2018 document

The integration of Uganda to EAC has seen key developments in ways to pave channels for pinpointing notable breaches in arrangements to saturate medium and long-term expansion plans. In its unique history, Uganda is a landlocked nation that was set to benefit hugely by realizing the EAC integration, which has exploited comparative advantages in specific industries, thus registering extensive growth in exports to the region at extraordinary rationale. Therefore, Uganda goes into history as a critical player in EAC integration, although the country was seeking opening up given its geographical location.

Uganda is a huge beneficiary of being part of the East African community. Uganda depicts a unique relationship with the EAC since it is among the first countries that formed the East African Community. According to Matte (2019), Uganda's market has expanded due to the move of being part of the EAC economic integration through enhanced transport and communication network, making the country register decreased unemployment and poverty rates. Uganda is a small economy, but its membership to EAC has allowed it to increase its combined GDP with the member countries and elevated direct foreign investment. The inward foreign direct investment of Uganda was higher after its integration to the East African Community.

The EAC development programming has provided the Ugandan government with opportunities to pinpoint areas of shared affiliation with partner countries and utilize the partner states' infrastructure to grow its economy. This narrative has forced the country to maintain a friendly political and economic relationship with the rest of the EAC member countries. History has it that railway lines across Kenya, Uganda, and Tanzania has opened up the country to development.

According to the EAC trading and investment report of 2018, EAC is the major source of import products for Uganda with the report showing that the imports of products from EAC to Uganda increased by about 41% for the period 2017 to 2018. The estimated value of imports from the EAC block to Uganda rose from USD 565.5 million recorded in 2017 to about USD 763.3 million in 2018 and the domestic exports from Uganda were majorly designated to EAC members with an increase comprising of about 41% of the overall domestic exports from Uganda in the period 2017 to 2018 (EAC, 2019). Intra-regional exports from Uganda were designated to EAC than to any other regional block. According to the report, Kenya is the leading importer of Ugandan products in the region totalling to about USD 580 million in value of exports while exports to Tanzania Grew by 33 per cent while Burundi's imports from Uganda grew by 16%. The estimated value of re-exports to EAC countries increased from USD 949 million in 2017 to about 1061million in 2018 as explained in table 8.

	2014	2015	2016	2017	2018
Exports	923	1,037	951	1,126	1,254
Imports	686	631	533	566	796
Trade Balance	236	406	418	561	458
Uganda' total imports	6,074	5,528	4,829	5,596	6,729
EAC imports as a % of total Imports	11.3	11.4	11.0	10.1	11.8
Total Trade	1,609	1,668	1,484	1,692	2,051

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2019

Table 8: Intra-exports to EAC from Uganda for the period 2014 – 2018

The value of intra-regional imports from Uganda from EAC increased by 41% from 2017- 2018 with the estimated value of imports from USD 566 million in 2017 to USD 796 million in 2018 (Ramsay, 2019). The overall total trade between Uganda and members of the EAC bloc increased by 21% from 1699 million in 2017 to 2051 million in 2018 (Kihumba, 2018). Research also reported an increase in informal trade with member states increased significantly for the fiscal year 2017 to 2018. According to the Ugandan bureau, trade between Uganda and members of the EAC community is growing significantly through the years across the member states. Table 9 shows the overall trading relationship in terms of export and import trade between Uganda and members of EAC.

		2014	2015	2016	2017	2018	Percentage Change 2014	2015	2016	2017	2018
Burundi	Imports	4.1	3.4	1.3	1.1	5.4	809.0	(17.9)	(61.8)	(18.0)	408.1
	Exports	43.5	46.3	45.1	43.0	40.7	(10.8)	6.5	(2.5)	(4.7)	(5.4)
	Total trade	47.6	49.7	46.4	44.0	46.0	(3.3)	4.4	(6.6)	(5.1)	4.5
	Trade Balance	39.3	42.9	43.8	41.9	35.3	(18.5)	9.1	2.1	(4.3)	(15.8)
Rwanda	Imports	10.9	9.4	10.1	9.8	13.1	47.1	(13.9)	7.6	(2.5)	33.0
	Exports	245.3	237.6	193.3	181.6	211.6	13.4	(3.2)	(18.7)	(6.0)	16.5
	Total trade	256.2	246.9	203.3	191.5	224.7	14.5	(3.6)	(17.7)	(5.8)	17.4
	Trade Balance	234.5	228.2	183.2	171.8	198.5	12.2	(2.7)	(19.7)	(6.2)	15.6
Kenya	Imports	593.9	554.5	459.0	457.2	515.9	5.5	(6.6)	(17.2)	(0.4)	12.8
	Exports	297.4	427.0	404.1	552.0	580.2	(5.4)	43.6	(5.4)	36.6	5.1
	Total trade	891.3	981.5	863.1	1,009.2	1,096.0	1.6	10.1	(12.1)	16.9	8.6
	Trade Balance	(296.5)	(127.5)	(54.9)	94.8	64.3	19.4	(57.0)	(57.0)	(272.6)	(32.2)
South Sudan	Imports	1.5	0.8	2.5	5.6	3.2	457.6	(43.7)	204.5	120.3	(42.8)
	Exports	280.3	265.0	239.6	299.9	355.8	59.8	(5.4)	(9.6)	25.2	18.6
	Total trade	281.8	265.9	242.1	305.5	359.0	60.4	(5.6)	(8.9)	26.2	17.5
	Trade Balance	278.8	264.2	237.0	294.3	352.5	59.2	(5.2)	(10.3)	24.2	19.8
Tanzania	Imports	75.7	62.9	59.7	91.8	258.8	64.9	(16.9)	(5.1)	53.8	181.9
	Exports	56.0	60.8	68.9	49.8	66.3	16.8	8.5	13.3	(27.7)	33.1
	Total trade	131.7	123.7	128.6	141.6	325.0	40.3	(6.1)	4.0	10.1	129.6
	Trade Balance	(19.7)	(2.1)	9.2	(42.0)	(192.5)	(1,069.6)	(89.2)	(531.4)	(557.4)	358.3
Intra-EAC**	**Imports**	**686.1**	**631.0**	**532.6**	**565.5**	**796.3**	**11.2**	**(8.0)**	**(15.6)**	6.2	40.8
	Exports	**922.5**	**1,036.7**	**950.9**	**1,126.3**	**1,254.5**	**14.9**	**12.4**	**(8.3)**	18.4	11.4
	Total trade	**1,608.6**	**1,667.7**	**1,483.5**	**1,691.8**	**2,050.7**	**13.3**	**3.7**	**(11.0)**	14.0	21.2
	Trade Balance	**236.4**	**405.6**	**418.3**	**560.8**	**458.2**	**27.1**	**71.6**	**3.1**	34.1	(18.3)

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics

Table 9: Intra-regional trade between Uganda and members of the EAC community for the period 2014 to 2018

Source: EAC 2019

Increased exports and imports have realized massive trade stabilization in Uganda as highlighted in Fig.19. In addition, the expansion of industries and manufacturing sector has enabled the country to amass adequate goods for trade within the bloc and outside.

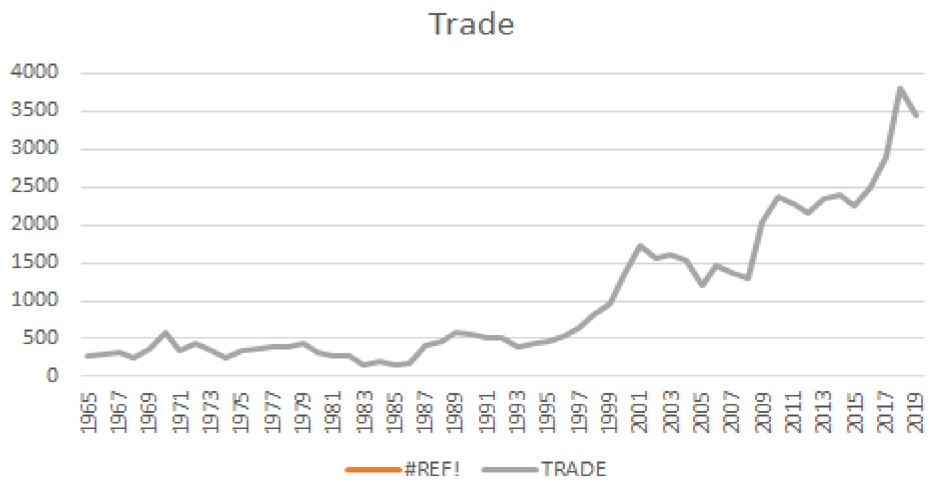


Fig.19. Trade growth in Uganda from 2001

Source: EAC report 2018

EAC has promoted industrialization in Uganda. The creation of a stable market is an important factor in an increased level of industrialization. Increased diversity of the market that is created by increased dynamic cooperation between members of the EAC community has boosted the capacity of industries within the region. According to statistics, Uganda has developed its industries through the use of regional export markets that are in demand for its products with the export industry growing by a margin of over 15% in Uganda from 21% in 2007 to 36% in 2016 (the Secretariat, 2019). The rate of industrial development of the Ugandan industries is attributed to the increased export market within the EAC region. In 2015, Uganda reported sales of more than 50% of its locally manufactured goods within the EAC region with Kenya and Tanzania being major partners (Goobi, 2019).

EAC integration increased regional competitiveness in the global economy. EAC lobbies for funds for its members through the East African development bank to fund industrial projects in Uganda and its member states. A list of industrial institutions and projects in Uganda are funded and supported by the EADB. Examples of projects that are funded by the EADB under the EAC bloc include Kakira Sugar Company, Igara tea, and Eagle Air. The EAC has helped to promote the establishment of industries by helping to establish policies that encourage the development of local industries (EAC, 2018). The 2015 policy aimed at reducing the capacity of the member states to rely on imported second-hand clothes is among the initiatives taken to improve local industries in Uganda.

According to the African development bank (2014), the manufacturing sector has increased by more than 100% from 2000 to 2013. The rate of industrial development in Uganda is illustrated by the growth in its contribution to the GDP of Uganda. The overall contribution of the industries to the GDP of Uganda has simultaneously increased from 48% in 2000 to about 51% in 2011 and the percentage of manufactured products that are exported from Uganda since 2000 has seen a steep increase whereby manufactured good in Uganda contributed 39.1 % of exports in 2001 (African Development Bank, 2014). This research shows that the percentage of manufactured products increased to about 64.9 in 2012 (See table 10). The results indicate the rapid growth of industries in Uganda since its integration with the EAC in 2001.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total manufactured exports, (million USD)	176	206	266	307	380	453	686	1,093	1,042	1,066	1,397	1,531
Manufactured exports in total merchandise exports (%)	39.1	44.1	50.1	47.0	46.7	47.1	51.3	63.4	66.5	65.8	64.7	64.9
Manufactured exports as % of Industrial GDP	13.4	13.7	17.4	17.5	16.8	18.7	21.7	27.6	25.6	24.3	32.7	n.a.

Source: ITC TradeMap (for export data); World Bank/World Development Indicators (for data on GDP) (August 2013).

Table 10: Manufactured exports in Uganda 2001-2012.

Source*: African Development Bank, 2014*

The average contribution to the GDP from industrialization increased steadily from about 2% in 1980 to about 30% in 2008 (Shinyekwe & Othieno, 2013). Figure 20. Shows an illustration of the contribution of industries to the economy of Uganda from 1980 to 2008.

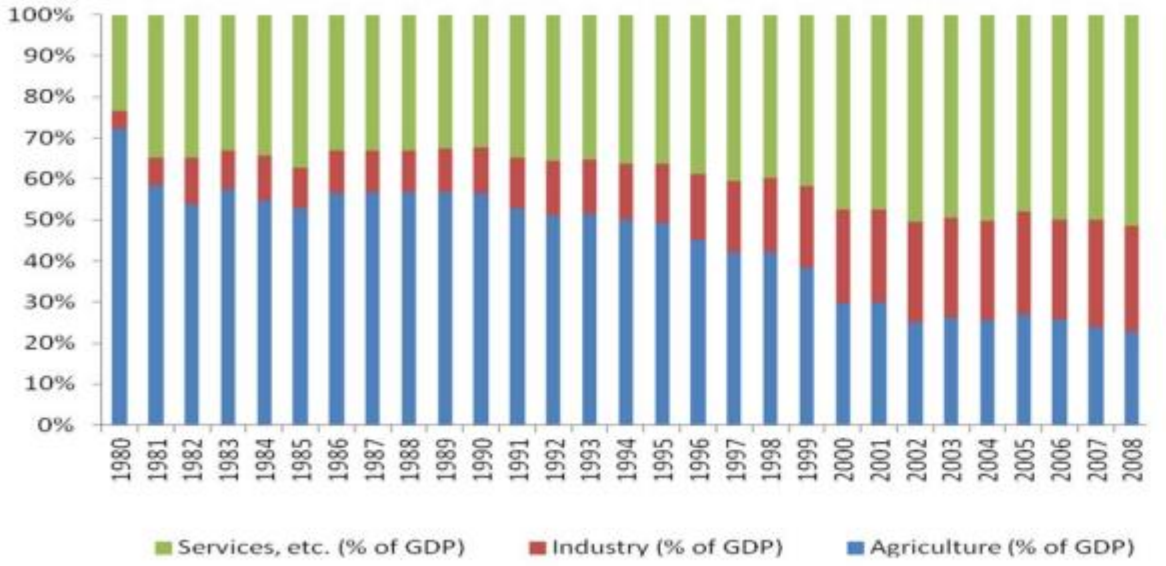


Fig.20. Increase in the contribution of industry on Uganda's GDP since 1980 -2008.

Source: EAC Statistics

The overall contribution of the industries in the economy of Uganda has increased from 2001 to 2011 despite some fluctuation within industries contribution to GDP within which the mining industry contribution to the GDP increased from 7.8% in 2001 to about 15.8% in 2011(Goobi, 2019). The contribution of electricity to the GDP of Uganda showed an impactful increase on the economy from 0.7% in 2001 to 13.1% of the GDP of Uganda in 2011 and that of the formal industries in the country increased from 3.2% in 2001 to about 7.2% in 2011 (Shinyekwe & Othieno, 2013). The overall increase in the contribution of industries on the GDP of Uganda marked 4.2% from 3.3% in 2001 to 7.5% in 2011 (Goobi, 2019). The contribution of other industries in the GDP of Uganda is illustrated in table 11 as follows.

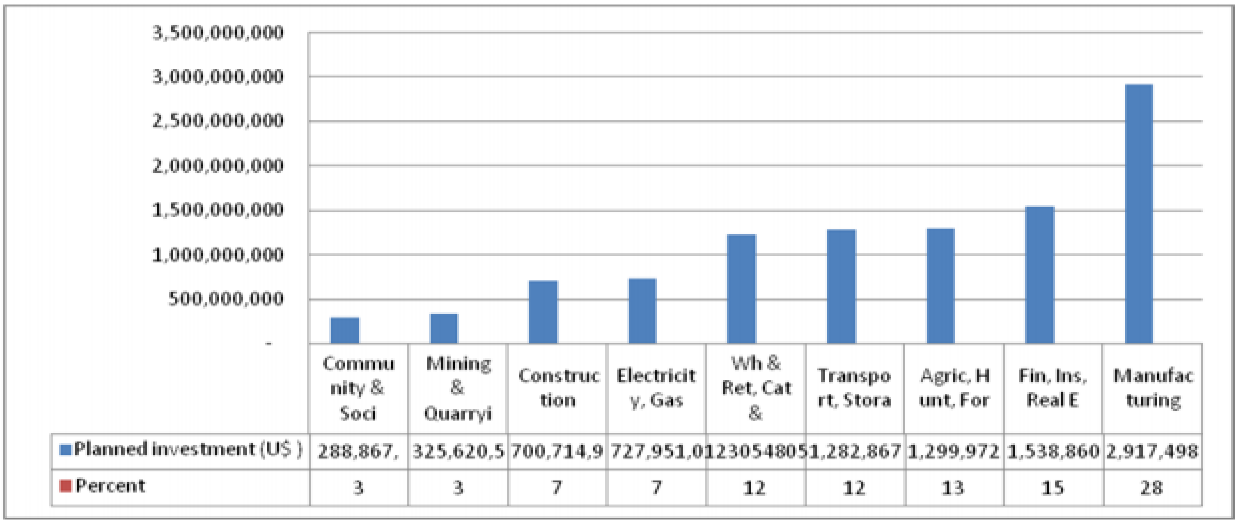
	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11
Mining and quarrying	7.8	12.2	12.8	1.7	27.2	6.1	19.4	3.0	4.3	13.8	15.8
Manufacturing	3.7	6.7	4.4	6.3	9.5	7.3	5.6	7.3	10.0	7.3	6.5
Formal	3.2	7.7	4.6	8.3	11.8	7.8	4.9	9.2	12.0	7.9	7.2
Informal	4.8	4.5	4.0	1.7	3.6	6.0	7.7	2.1	4.4	5.7	4.3
Electricity supply	0.7	-1.7	3.7	7.7	2.1	-6.5	-4.0	5.4	10.6	14.5	13.1
Water supply	3.3	3.0	3.9	4.2	3.9	2.4	3.5	3.8	5.7	3.0	4.1
Construction	3.2	10.1	14.6	10.0	14.9	23.2	13.2	10.5	3.7	7.0	7.7
Total industry	3.3	7.4	9.5	8.0	11.6	14.7	9.6	8.8	5.8	7.2	7.5

Source: Database of the Department of Macroeconomics, Ministry of Finance planning and Economic Development.

Table 11: Contribution of industries to the GDP of Uganda by % from 2001 to 2010

Source: East African Development Bank 2019

The overall cumulative flow of investments in the economy of Uganda increased gradually from the period 1991 to 2009. The manufacturing industry led to an investment of about 28% increase in 2009 since 1991 while investment in mining and quarrying remained among the lowest at 3% (African Development Bank, 2014). According to the interview with the assistant minister of finance in Uganda, the increasing level of investment was attributed to an increase in foreign direct investment following the regional integration of Uganda into EAC in 2001. The following is a graphical representation of the growth in investment in different industries in Uganda in the period 1991 to 2009. See figure 21.



Source: Uganda Investment Authority Database (2010).

Fig.21. Investment in different industries in the period 1991 to 2009

Source: African Development Bank 2014

The overall growth in the value-added to the GDP of Uganda from industries increased steadily from 2009 to 2016 from 6883 billion shillings in 2009 to 10272 billion shillings in 2016, an increase of more than 3500 billion shillings within which the manufacturing industry was the leading contributor in the industries with about 4282 billion shillings while electricity was the least contributor at 502 billion shillings (Matte, 2019). Table 12 illustrates the distribution of the growth of the contribution of the various industries on the GDP of Uganda in billions of shillings for the period between 2009 and 2016.

Sector	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Industry	**6,883**	**7,424**	**8,263**	**8,515**	**8,698**	**9,250**	**9,973**	**10,272**
Mining & quarrying	428	464	600	566	631	666	797	808
Manufacturing	3,331	3,481	3,753	3,854	3,759	3,840	4,264	4,282
Electricity	302	349	383	412	453	461	487	502
Water	726	769	816	866	920	979	1,038	1,101
Construction	2,095	2,360	2,711	2,817	2,936	3,303	3,386	3,578

Source: UBOS (2015)

Table 12: Value-added to GDP contribution from industries for the period 2008 – 2016.

Source: EAC 2018

5.2. Summary

An increase in the value of imports and exports from the EAC was recorded in Uganda since the establishment of the regional integration in 2001. Although other key players in the region such as COMESA and EU have a significant impact on the export industry within Uganda, the margin of exports sent to EAC members increased by over

20% for the period 2001 to 2009. Uganda has seen an increase in the absolute value of its imports from EAC especially countries like Kenya which is its immediate neighbour in the EAC block. Export and import flow from the EU region dropped significantly since 2001 from 47% to about 30% in 2009, this can explain the growth of the export and import relationship within the EAC block since 2001 to 2009 with a relative increase of about 20% in the margin of exports and imports to EAC block. The value of intra-regional imports from Uganda from EAC increased by 41% from 2017- 2018 with the estimated value of imports from USD 566 million in 2017 to USD 796 million in 2018.

Intra-regional trade between Uganda and member states of the East African Community has increased the GDP contribution from trade in Uganda. The import of merchandise from the EAC bloc increased its contribution to the GDP of Uganda from 16.8% in the period 2002-2004 to about 24.6% in the period 2010-2012, an increase of about 8% in the contribution to GDP of Uganda. The overall contribution of the industries in the economy of Uganda has increased from 2001 to 2011 despite some fluctuation within industries contribution to GDP. The contribution of electricity to the GDP of Uganda showed an impactful increase on the economy from 0.7% in 2001 to 13.1% of the GDP of Uganda in 2011. According to the interview with the assistant minister of finance in Uganda, the increasing level of investment was attributed to an increase in foreign direct investment following the regional integration of Uganda into EAC in 2001.

The EAC integration has been of create significance to Uganda. The country being landlocked, the member states of EAC has helped the country reach out the outside world. In addition, trade and mutual partnership has seen the country realize its full potential through reducing unemployment, enhancing trade, and stabilizing its economy.

The research has revealed that after the integration, the country's GDP grew massively and trade was enhanced.

CHAPTER SIX: CONCLUSIONS

This research aimed at providing a detailed analysis of whether the EAC economic integration has had a positive or negative influence on bilateral trade among and within its partner countries. The research revealed that the integration has achieved positive influence on bilateral trade attributed to increased consumption, reduction of trade barriers, and declining cost of doing business as reflected in the 6.5% economic growth registry. Kenya and Tanzania witnessed a resurgent of the manufacturing sector while there was a remarkable high global price for minerals in recent years, thus supporting the economic growth. Nevertheless, the partner states displayed varied trade approaches thus the variance in economic growth. However, EAC integration positively influences trade among and within the member countries.

Further, trade among and within the EAC bloc has increased due to improved infrastructure investment. As shown by the findings, total intra-EAC trade in exports continues to grow registering an increase of 8.1% while imports registered a growth of 14.1% in 2017. In addition, the EAC merchandise trade has increased tremendously due to enhanced competitiveness. The rising global demand for goods from developing countries has resulted to broadened agricultural production in the bloc and the EAC bargaining power supported the increase. Nevertheless, while the total trade in the EAC continues to grow, the trend is inconsistent due to re-emergence of non-tariff barriers and member states embracing different trade approaches. Notably, the analysis reveals increased trade within and among the EAC bloc.

Moreover, the EAC economic integration has increased regional competitiveness. Logically, all the members rely heavily on agricultural commodities for trade. This understanding has pressured the partner states to produce competitive and high quality goods to sustain the trade benefits. In this regard, infrastructure and direct investment have gained great attention and promotion across the bloc to enhance competition. The bloc has provided an avenue of producing goods and services in bulk, which ensures that the trade flow is sustainable, thus increased regional competition. Notwithstanding, the integration has realized improved bargaining power in the regional market, which guarantees improved trade environment. Therefore, the research concludes that EAC economic integration has fostered increased regional growth.

Finally, the research has shown increased GDP-trade share across the bloc. Rwanda's real GDP drivers include industry and service sectors while Kenya and Tanzania bank on service and agricultural sectors. These are registered on the supply side while consumption is the main economic growth driver across the bloc. Unfortunately, Burundi and South Sudan have achieved minimal GDP-trade share from the integration due to state fragility that adversely affects security for doing business and economic progress. All the member states are pushing to add value to raw materials instead of exporting raw materials and importing them back as finished products. These changes have strengthened the ability for these countries to send exports in the global market in timely and competitive manner. Precisely, the bloc has enhanced the power to command a fair share of exports to countries outside the EAC, thus achieving increased GDP-trade share attributed to the integration.

Uganda has registered great benefits from the EAC integration. Being a landlocked country and centrally positioned in the bloc, trading within the bloc is an easy and cheap approach to reap the fruits of trade. Both exports and imports in the bloc have increased with Kenya standing out as the best trading partner in the bloc. Nevertheless, the other member states have shown cordial trade relationship with Uganda except for those experiencing political fragility. Burundi and South Sudan have shown mixed reactions concerning trade with Uganda. Therefore, the bloc has provided both the market for its imports and consumers for exports resulting to enhanced production and trade mechanisms for Uganda to keep the demand addressed.

6.1. Recommendations

This research has revealed that EAC is among the fastest growing economic integrations in Africa. Nevertheless, the trend has not been smooth thus the need to make the following recommendations.

Lack of information is a non-tariff barrier impeding trade across EAC region. It increases the cost of doing business and wastage of time.According to the EAC Secretariat (2016), traders struggle to find information regarding the goods and services allowed for trade in each partner state in regards to taxes and tariffs expected in each partner state, the import and export laws, standards and authorization certifications required, and the trade processes and controls among others. In addition, information is lacking on where to source help or launch complains concerning cross border inconsistences. These details are important for successful trade within the EAC. In this regard, this study recommends that member states should formulate, harmonise customs policies and guidelines. Establish common border points and online clearing of cargo and trucking. There is need to sensitise traders and make use of modern technology to ease trade and data keeping.

Further, corruption continues to be rampant in the region, which hampers' trade prowess. Ambetsa, Mdadila, and Rutasitara (2019) argue that the region's lack of information has secured loopholes for corruption and short-changing of traders in pursuit to move goods from one member state to another. These trends pose the risk of traders incurring huge financial losses and in most cases force them out of business. Logically, such happenings leads to demoralization of genuine traders as more and more become affected or share their experiences with fellow traders. This study recommends that

EAC bloc monitoring and policy implementation mechanisms require hastened review to address these issues that are affecting adversely the bilateral trade.

The implementation of common external tariff has emerged as a challenge to fostering bilateral trade. According to Buigut (2016), customs valuation procedures continue to vary across the bloc resulting into different computed values for taxation (p. 422). The difference has been associated with member states participating in different blocs from EAC, which challenges the process of implementing two or more CET (Matte, 2019). This challenges the traders as they purpose to cross the borders in search of favourable market environment. In this regard, there is need to harmonize the CET for member states and the list of products exempted from the CET, with key consideration to provisions of other regional trade blocs the partner states are involved in.

Finally, the EAC has undergone great efforts to eliminate trade tariffs and non-tariff barriers. However, these barriers keep on re-occurring as well as new formats emerging. This affects the consistence of reducing the cost of doing business in the bloc, which directly reflects in reduced intra-EAC trade. In this regard, this study recommends that there is need for hastened empowerment and facilitation of national and regional structures mandated with monitoring and curbing NTBs in the bloc. This attracts the need for genuine cooperation between the public and private sectors to foster trade by eliminating NTBs and curbing emergence of new ones.

In the case of Uganda, the country is currently greatly involved in importation over exportation. According to Ramsay (2019), despite importation providing the country's market with goods, helping to diversify out of commodities, and supporting smaller-scale traders doing informal businesses, moving to export-led growth has huge positives since the country has a key vehicle in regional integration services. This literature attracts the need to for the country to balance its import and export trade structure, which guarantees economic diversification. Therefore, this study recommends that Uganda secures mechanisms to enhance exportation given that EAC can offer ready market and enhanced bargaining power in the global market.

Finally, the study revealed that Uganda’s exports are mostly raw materials, which are challenging to regulate and contain without added value. In this regard, the country’s has many individual traders who work informally, unofficially, and their selling businesses across borders are massive with little infrastructure and support networks. In this regard, this study recommends that the country develops mechanisms to do value addition to their exports in order to fetch higher value. This can be achieved by giving technical, logistical and financial support to the informal sector. Also setting up zones at border crossing points as well as strong storage facilities to ease trader’s interaction at border posts over crossing to the interiors.

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