

East African Community Regional Trade Policy Amidst the COVID-19 Crisis

Evious Kingswell Zgovu

Working Paper - COVID-19_007

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By

Evious Kingswell Zgou

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List of abbreviations and acronyms

AERC	African Economic Research Consortium
AfCFTA	African Continental Free Trade Area
BIAT	Boost Intra-African Trade
BMGF	Bill and Melinda Gates Foundation
CM	Common Market
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Coronavirus Disease 2019
EABC	East African Business Council
EAC	East Africa Community
EACMA	East African Customs Management Act
ECOSOC	Economic and Social Council (UN)
EPA	Economic Partnership Agreement
EU	European Union
EVI	Economic and Environmental Vulnerability Index
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
GSP	Generalized System of Preferences
HAI	Human Assets Index
IMF	International Monetary Fund
ITC	International Trade Centre
LDC	Least Developed Country
LPI	Logistics Performance Index
Mbps	Megabits Per Second
NTB	Non-Tariff Barrier
NTFC	National Trade Facilitation Committee
NTM	Non-Tariff Measure
OECD	Organization for Economic Cooperation and Development
OSBP	One-Stop Border Post
PPE	Personal Protective Equipment
SADC	Southern African Development Community
SEZ	Special Economic Zone
SPS	Sanitary and Phyto-Sanitary

SSA	Sub-Saharan Africa
TF	Trade Facilitation
TFA	Trade Facilitation Agreement
TFTA	Tripartite Free Trade Area
TMEA	TradeMark East Africa
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
WTO	World Trade Organization

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Executive summary

Since the COVID-19 pandemic started fanning out from Wuhan epicentre in China in November 2019, governments around the world have worked tirelessly to find the means to control its spread and the unprecedented negative economic effects. International services trade, which has been a source of considerable global economic prosperity in recent times, was the primary channel for cross-border transmission through persons travelling for leisure and/or business or working in the international transport and logistics sectors. Governments COVID-19 control measures including national social and economic lockdowns, suspension/ban of international passenger travel, and later stringent cross-border health certification requirements, inter alia, virtually kneecapped cross-border trade and value chains at national, regional and global levels.

The quest to find the way forward for the East Africa Community (EAC) regional trade policy amidst the COVID-19 crisis led to the commission of this and other related technical studies by the African Economic Research Consortium (AERC) under a Grant Agreement with the Bill and Melinda Gates Foundation (BMGF) to implement the project “Strengthening East African Community (EAC) Policy and Response to the COVID-19”. This study was conducted offsite between November 2020 and April 2021. Data used in the analysis was obtained from public (statistical offices) and private sector sources in the EAC partner states, international data repositories, including the World Bank, World Trade Organization (WTO), International Trade Centre (ITC), International Monetary Fund (IMF), and others. Key trade trends are analyzed using export and import monthly data (January 2019 to September 2020) augmented by 2015-2019 annual series on some key trade fundamentals for context. The main findings that guide the way forward include the following:

- The EAC recorded dramatic trade and economic declines during March-May 2020 before posting tepid rebounds from June through August-September 2020 but these were dampened by the effects of second and third waves of the virus driven by more easily transmissible new variants first identified in the United Kingdom in September 2020 and South Africa in December 2020. In fact, although the EAC recorded a couple of impressive rebounds month-on-month within 2020 and between 2019 and 2020, overall EAC trade has not had an effective trade recovery that compensates over and above the losses experienced in 2020 vis-à-vis 2019

trade performance. EAC cumulative total trade of US\$ 39.5 billion by September 2020 fell short of the US\$ 40.6 billion recorded by September 2019.

- Both goods and services trade have been adversely affected but services, in particular tourism and hospitality sectors, have been most impacted by disappearance of big-spending international tourists and business travellers. Given the significant importance of tourism in the EAC value chains and export trade basket, the region has sustained significant adverse short-term and medium-term impacts on output, employment and incomes.
- The pain of the COVID-19 crisis has been felt more acutely in the EAC and other economies heavily reliant on the-now disintegrated global value chains. The crisis reawakens the urgency for developing and maintaining strong domestic and regional industrial clusters to meet local, regional and global export market demands. This is not a call for empirically retrogressive inward-looking import-substitution regimes; on the contrary, it calls for growing and supporting industries that can compete in domestic markets (with imports) and regional and global markets.
- The burden of resolving the enormous negative impacts and challenges caused by the COVID-19 crisis in the EAC is made heavier by the prevailing initial (pre-COVID-19-crisis) internal economic structural and institutional weaknesses. The majority of EAC partner states are least developed, with weak healthcare and economic structures and systems with limited application of digital technology in economic activities, thus have limited shock-absorption capacity. Institutionally, despite progress on national trade policy management, customs modernization and trade facilitation and regional integration, there remains many loose ends in respect of regional harmonization and coordination of trade management and facilitation. For instance, loose ends in regional harmonization of COVID-19 testing and certification amplified the negative trade impacts by instigating some of the longest cross-border cargo queues (more than 50 kilometres in some instances), which raised trade costs and undermined the EAC's trade competitiveness.
- The emergence of COVID-19 has re-emphasized the usefulness of digitalization for facilitating economic activities, trade, among other things. The crisis has clearly shown that the future is digital. E-commerce has blossomed in the EAC during the COVID-19 crisis, albeit being dominated by mobile money transfers, concentrated in urban centres, and involving more males than females, and consumer goods than investment spending. Actually, e-commerce would have been greater but for the undeveloped and uncoordinated supporting legal and market institutions, telecommunication infrastructure deficiencies and generally low economic purchasing power of the population.
- The EAC has considerable untapped export potential, which when combined with the reduced export production due to the crisis gives the region a large platform to rapidly expand trade over and above pre-COVID19-crisis levels, subject to the partner states doing the right things at the right time in the right manner.

Way forward

The COVID-19 crisis has highlighted the need for strong national trade productive capacities and enabling policy environment amongst other factors underlying trade growth and development , regional harmonization and coordination, optimizing output and export potential, digital technology and e-commerce, and expanding access to strategic markets. In this regard, the EAC would do well to consider effecting reconstructive and remedial measures including the following:

- Expediting full harmonization and coordination for synergies and scale economies in trade management and facilitation in respect of:
 - Trade clearance procedures and processes, including issuance and approvals of permits and certifications, including for COVID-19 trade standards and assessment of their conformity.
 - Increased digitalization of trade clearance procedures and processes to change the modus operandi to full paperless submission and exchange of documentation, reduced human inspection and approvals, e-payments of charges due. These improvements will substantially reduce the cost of doing trade and would have reduced some of the pressures on trade clearance during the COVID-19 crisis.
 - Fully implementing the WTO Trade Facilitation Agreement-TFA, which also covers paperless customs and trade facilitation and provisions where the EAC lags behind (e.g. on advance ruling (Article 3), Article 7 (on release and clearance of goods including: pre-arrival processing; electronic payment; allowing the release of goods prior to the final determination of customs duties, taxes, fees, and charges; risk management; post clearance audit; trade facilitation (TF) for authorized operators, expedited release of goods entered through air cargo facilities, inter alia) and freedom of transit (Article 11).
 - Non-Trade Barriers (NTBs) and resolution. Despite laws enacted against NTBs, NTBs on intra-EAC trade remain and new ones emerge from time to time, and sometimes inspired by non-trade (e.g., immigration or political) disagreements between partner states. EAC partner states should work harder to resist being distracted by often fleeting political frictions and other non-trade matters and instead keep focused on the bigger prize of mutually beneficial regional economic integration enshrined in the EAC Treaty. In this regard, it is important that EAC partner states address mistrust issues that foment erection of artificial trade clearance procedural hurdles that translate into NTBs. EAC partner states should deepen trust through programmes of open audits of changes in trade facilitation procedures and processes, complemented by regular short-term (3-6 months) senior customs staff exchanges, inter alia, in addition to existing cooperation arrangements between customs administrations.

- EAC should redouble efforts to revive and deepen integration of domestic value chains into regional and international value chains. In this regard, EAC should expedite implementation of its well-illustrated regional trade policy, Special Economic Zone (SEZ) strategy, and EAC COVID-19 Recovery Plan.
- EAC should address hurdles to effective export market access by developing adequate capacity to comprehensively comply with legitimate non-tariff measures (NTMs), including for Sanitary and Phyto-Sanitary (SPS), technical and standards specifications and conformity assessment of the same. COVID-19 control measures introduce an extra layer of NTMs. EAC partner states should redouble efforts to mobilize and invest resources to develop requisite trade and market access compliance capacities in preferential and open global export markets.
- The EAC should seize market access opportunities offered by preferential trade agreements such as the African Continental Free Trade Area (AfCFTA), EAC-EU EPA, the EAC-UK EPA and others and join as a bloc. At the time of writing, some EAC partner states are ready to ratify and start implementing the AfCFTA, the EAC-EU EPA, the EAC-UK EPA and other trade agreements while others are yet to decide to ratify for one reason or another. This means that there is need to intensify preparatory work and ratify AfCFTA and other trade agreements to seize advantageous positions (early bird) and opportunities before preferential margins erode for latecomers as trade partners enter similar preferential trade agreements with third parties.
- The EAC should fully embrace and advance growth and development e-commerce that has also been a lifeline for domestic commerce and international trade for major global economies during the crisis. To this end, the EAC needs to develop e-commerce with supportive regulatory environment and culture, including on data protection, data security, market entry for competition, product pricing, deliberate community-level digital literacy interventions with supporting curriculum, and supporting local content creation for greater citizen participation and consumer welfare growth.
- EAC partner states should identify and develop short-term support to 'quick wins' key sectors with immediate increase in demand when the world reopens. For example, in tourism (worth US\$ 5.3 billion annually), the EAC should introduce attractive holiday packages and early campaigns, improving on what was previously offered before the COVID-19 crisis. In this regard, hoteliers, airlines, their value chains, and with government support should work together to formulate competitive holiday/business travel packages. Global influencers on social media can be hired for branding and visibility and translate that into business. The governments should beef-up supportive infrastructure (even site-specific), security, reduce or eliminate some of the tourist costs – visa fees, departure tax.

What matters for the way forward is not just what to do but also when, how and where. Hesitancy, whether in taking decisive health (e.g. control and vaccination) and economic actions will only deepen the crisis and self-inflict marginalization as the rest of the world moves on to a new normal. In fact, where the EAC and Africa lag in vaccination, the concern would be a delayed economic recovery as the virus continues to circulate unabated and Africa is viewed as unsafe for trade.

1. Introduction

Context

There is a large body of recent empirical literature that shows the devastating impacts of the COVID-19 pandemic on, inter alia, health and human life loss, international trade and economic activity in general affecting all countries around the world. Transmitted through respiratory droplets containing the SARS-CoV-2 virus, the highly contagious and deadly COVID-19 disease that broke out in China in November 2019 rapidly spread around the world by the first quarter of 2020, carried by unsuspecting infected persons involved in services trade in one mode of supply or another in or from China. On 30th January 2020, the World Health Organization (WHO) declared COVID-19 a “Public Health Emergency of International Concern” and subsequently when the number of infected persons reached 100,000 the WHO “reminded all countries and communities that the spread of this virus can be significantly slowed or even reversed through implementation of robust containment and control activities”.¹ Heeding the WHO advice, governments in the East African Community (EAC) and around the world scrambled to control the spread of the virus by suspending international travel and closure of borders to all but essential persons and cargo, instituting stringent social distancing measures including local and national lockdowns, and issuing public health safety advisories such as face-masking, sanitization and handwashing, inter alia.

Measures restricting cross-border flow of goods and services involving physical human presence opened sink-holes beneath international trade, plunging world economies into deep economic crises overnight. Global/regional value chains, the mainstay for sustainable economic growth and development, suddenly became unviable as foreign factors and output markets fractured by measures designed to slow the COVID-19 storm. Consequently, majority of countries particularly developing countries experienced immediate shortages of supplies for production, distribution

As of 3 March, 2020: WHO has shipped nearly half a million sets of personal protective equipment to 47 countries, but the global supply is rapidly depleting. Shortages are leaving doctors, nurses and other frontline workers dangerously ill-equipped to care for COVID-19 patients, due to limited access to supplies such as gloves, medical masks, respirators, goggles, face shields, gowns, and aprons. To meet rising global demand, WHO estimates that industry must increase manufacturing by 40 per cent. WHO (2020).

Every month, frontline health responders around the world need these supplies (and more) to protect themselves and others from #COVID19

- 89 million masks
- 30 million gowns
- 1.59 million goggles
- 76 million gloves
- 2.9 million liters hand sanitizer



#COVID19
#coronavirus



and, importantly, critical healthcare products such as personal protective equipment, palliative medicaments, medical oxygen, ventilators and other vital equipment needed to control the spread and treatment of the pandemic.

Estimates of impacts on world trade and economic performance have consistently shown cliff-edge drops, and although mild rebounds were recorded during June–October 2020 after initial successes in containing the spread of the virus, a second and major winter-driven onslaught in the leading global markets in the northern hemisphere kept trade and economic growth prospects in the doldrums. As of late–November 2020, two promising anti-COVID-19 vaccines were undergoing emergency use authorization in the United States of America. This brought respite and hope for turning the corner over the pandemic and trade and economic resurgence.

Objectives

When the world reopens for business, the EAC needs to be ready to speedily bounce back and effectively re-engage in the global value chains and trade informed by lessons from the exogenous shock. The EAC needs to view this moment as reset time with a real possibility that new export markets (share) could be gained at the expense of sluggish foreign competitors and, conversely, the EAC could lose existing export markets (shares of) to more agile and nimble competitors. The challenge for the EAC, therefore, and which is precisely the primary objective of this paper, is how to position itself as the early bird that catches the worm to recover and sustain robust trade performance post-COVID-19 crisis. The paper also overviews trends in trade performance and trade policy and trade-related measures, including in trade facilitation taken by the EAC to address the challenges caused by the COVID-19 pandemic and changes in market access conditions in terms of non-tariff measures/barriers, if any, in a select key export markets.

The rest of the paper is organized as follows. Section 2 examines the initial conditions and trade fundamentals to help understand and interpret the impacts of the crisis. Section 3 presents methodological issues. Section 4 presents and discusses the findings of the study. Section 5 concludes the analyses and provides policy implications.

2. Macroeconomic background and trade fundamentals

Introduction

This section assesses the underlying economic and trade conditions and performance in the EAC to place the effects of the COVID-19 crisis in context, in the sense that these effects are in some cases amplified but moderated or attenuated in others by the initial/prevaling conditions, otherwise one runs the risk of overstating or understating the effects of the crisis.

Recent developments in economic and trade fundamentals

The EAC², created in 1967, collapsed in 1977 and revived in 2000, is a regional inter-governmental organization comprising six (6) partner states of Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda. The EAC is a market of more than 190 million persons (2019 estimate), with urbanization rates between 13% and 35% (2019) growing at 4% annually. Kenya is the largest economy (gross domestic product at constant 2010 prices estimated at US\$ 65.06 billion in 2019) and a developing country, whereas the rest are least developed countries by United Nations categorization. In the past five years (2015-2019), all but two partner states achieved GDP expansion by between 5.3% (Uganda) and 7.4% (Rwanda); South Sudan and Burundi GDPs contracted by 10.8% and 0.1%, respectively (Table 2.1). All EAC partner states' disposable incomes per capita (except Kenya's US\$ 1,482) are below the least developed country (LDC) graduation threshold value of US\$ 1,042 (per the 2018 review) and growing (except for Burundi and South Sudan with declines) at rates 1.4%-4.4%, within the average population growth rate of 3% annually. As low-income economies, EAC partner states are generally poorly placed to deal with major exogenous shocks such as the COVID-19 pandemic because of inherent weak healthcare systems and inability to run robust social protection safety-nets.

In terms of economic structure (Table 2.2), three economies (Kenya, Rwanda and Tanzania) made incremental transformation away from agro-based to industry and services during 2007-2019, Burundi made minor shifts from industry to

services but the preponderance of agriculture remained very high and constant at 92% of all employment. Meanwhile, Uganda and South Sudan moved in the opposite direction with agriculture adding more employment at the expense of industry and services sectors. All EAC partner states' reliance on agricultural employment is worse than Sub-Saharan Africa (SSA) average over the same period. South Sudan's reliance on fuels and mining make it the only partner state with better industry employment shares than SSA, and only Kenya employs relatively more labour in the services sector than an average SSA country. The target for EAC is to head in the direction of South Africa's and OECD's economic structures dominated by services (69%-72% of employment) and industry (23%-25%). The dominance of rural-based agricultural employment and low disposable incomes suggests that efforts at digitalization and e-commerce covering the majority of EAC populations will take some time.

Good prospects for sustainable trade and economic growth and development are also a function of, among other things, the state and capacities of the enabling policy and business environment (Table 2.3). During 2015-2019, Kenya and Tanzania recorded above average scores (4/6) on macroeconomic management, revenue mobilization, financial and fiscal policy while Rwanda and Uganda had the best business environment, trade and Ease of Doing Business (score 4/6) in the region. Rwanda, Tanzania and Uganda achieved average (3/6) score in property rights and rule-based governance. Kenya, Rwanda and Tanzania also achieved average scores on transparency, accountability and corruption in the public sector. These and other qualities matter for attracting and retaining the much-needed foreign direct investment (FDI), particularly post-COVID-19 where competition for FDI could be intense. Nevertheless, EAC partner states have a lot of work to do to compete favourably with higher achievers such as South Africa and OECD countries, with some of the best performances scoring 6/6 in most aspects.

The EAC pursues export diversification for benefits from high value-added trade mainly associated with manufactures exports. EAC partner states recorded mixed fortunes in export diversification during 2007-2019. For example, Burundi (from 19% to 15.8%), Kenya (36.3%-28.4%) and Uganda's (24.5%-23.0%) shares of manufactures exports in merchandise exports tended to decline similar to the trend in Sub-Saharan Africa (3.3%-2.5%) but rose in Rwanda (8.4%-13.8%) and Tanzania (25.7%-37.7%) like the experience in South Africa and OECD members - Table 2.4. Meanwhile, exports of agricultural raw materials as a percent of merchandise exports rose in Kenya (12.5%-13.6%) but declined in the rest of the region. On the imports side, imports of high value manufactures remained dominant (accounting for more than 60% of merchandise imports in all partner states) and rose in importance in Kenya, Rwanda and Tanzania but declined in Burundi and Uganda.

In a further quest to gauge the strength of the EAC's economic structural foundation and imperviousness to shocks, the paper considers the state of economic and environmental vulnerability of the partner states.³ - Table 2.5. Four of the six partner states made overall improvements in economic and environmental

invulnerability, with Rwanda making the largest improvement (from 38% down to 33%) during 2016-2020 (first quarter) over 2011-2015 period. The largest economies of Kenya and Tanzania became more economically and environmentally vulnerable in overall terms. All partner states except South Sudan (dependent on historically volatile oil exports) improved export stability, and agricultural stability except for Burundi and Tanzania. Export concentration reduced for all partner states but still remains high compared to the best performers on the continent and developed economies.

Remoteness from major global markets coupled with landlockedness for four of the six partner states comprise some of the major sources of economic vulnerability for the EAC. Remoteness compromises EAC traders, placing them several strides behind competitors on the trade starting grid. This means that the EAC has to focus on lowering trade costs in key variables such as production, transport and logistics, trade facilitation, trade taxes and charges, and overall enabling policy and business environment to improve trade competitiveness. The EAC should emulate achievements in this regard made by Mauritius and South Africa, both situated at almost equidistant to major global markets as the EAC but with far better achievements on almost all other measures of economic vulnerability than the EAC. Egypt's proximity to Europe and the rest of the developed world gives her massive trade competitiveness advantages. Obviously, COVID-19 worsened the plight of remotely situated economies by undermining the gains made in the key variables.

Table 2.1: Output and income performance

	GDP (constant 2010 US\$ billions)	GDP growth (annual %)	GNI per capita, Atlas method (current US\$)	GNI per capita growth (annual %)
Country	2015 - 2019	2015 - 2019	2015 - 2019	2015 - 2019
Burundi	2.3	-0.1	274.0	-3.1
Kenya	58.5	5.6	1,482.0	3.0
Rwanda	9.9	7.4	768.0	4.4
South Sudan	-	-10.8	1,090.0	-7.4
Tanzania	49.6	6.2	1,004.0	3.2
Uganda	38.0	5.3	778.0	1.4
EAC	158.3	2.3	899.3	0.3
South Africa	424.9	0.8	5,744.0	-0.7
Least developed countries: UN classification	940.4	4.3	1,028.0	1.8
Sub-Saharan Africa (excluding high income)	1,753.3	2.3	1,558.6	-0.9
OECD members	51,364.9	2.1	37,897.7	1.8

Source: Author using data from World Bank (2020), World Development Indicators.

Table 2.2: Economic structure - Sectoral employment shares

Country	Agriculture, forestry, and fishing			Industry (including construction)			Services		
	2007 - 2010	2011 - 2014	2015 - 2019	2007 - 2010	2011 - 2014	2015 - 2019	2007 - 2010	2011 - 2014	2015 - 2019
Burundi	92.2	92.0	92.0	1.8	1.7	1.5	6.0	6.3	6.4
Kenya	60.8	58.9	55.9	6.3	6.5	7.0	32.9	34.6	37.1
Rwanda	81.3	74.0	64.5	5.0	7.1	8.5	13.7	18.9	27.0
South Sudan	56.4	56.9	57.3	17.1	15.8	14.2	26.5	27.2	28.5
Tanzania	71.1	69.0	66.4	5.7	6.1	6.6	23.2	25.0	27.1
Uganda	67.2	69.3	72.8	7.8	7.5	6.7	25.0	23.3	20.5
Sub-Saharan Africa	58.6	56.0	53.5	10.0	10.5	11.2	31.4	33.5	35.3
South Africa	5.4	4.8	5.3	25.3	23.6	23.3	69.3	71.6	71.3
OECD members	5.5	5.4	5.0	24.2	23.0	22.7	70.3	71.6	72.3

Source: Author using data from World Bank (2020), World Development Indicators

Table 2.3: Quality of institutions

Country	Overall Average ranking	Macroeconomic Management, Revenue mobilization, Financial, Fiscal policy					Business Environment, Trade & Ease of Doing Business					Social inclusion & Institutions for Environmental sustainability					Property rights & Rule-based Governance					Transparency, accountability & Corruption in the public sector				
		2	3	4	5	6	2	3	4	5	6	2	3	4	5	6	2	3	4	5	6	2	3	4	5	6
(1=low to 6=high)																										
Burundi																										
Kenya																										
Rwanda																										
South Sudan																										
Tanzania																										
Uganda																										
Sub-Saharan Africa																										
South Africa																										
OECD members																										

Source: Author using data from World Bank (2020), World Development Indicators

Table 2.4: Trade diversification

Country	Agricultural raw materials exports (% of merchandise exports)			Manufactures exports (% of merchandise exports)			Manufactures imports (% of merchandise imports)		
	2007 - 2010	2011 - 2014	2015 - 2019	2007 - 2010	2011 - 2014	2015 - 2019	2007 - 2010	2011 - 2014	2015 - 2019
Burundi	5.5	3.0	1.0	19.0	17.4	15.8	75.7	53.1	61.7
Kenya	12.5	12.2	13.6	36.3	36.9	28.4	60.8	61.6	62.5
Rwanda	2.6	4.8	3.7	8.4	8.9	13.8	75.6	71.9	76.5
South Sudan	-	-	-	-	-	-	-	-	-
Tanzania	9.0	6.3	4.3	25.7	24.4	37.7	60.6	55.9	62.0
Uganda	7.2	6.3	5.1	24.5	29.2	23.0	65.3	60.5	64.6
Sub-Saharan Africa	3.3	4.0	2.5	23.2	22.3	23.3	67.3	62.5	63.1
South Africa	1.8	1.9	2.3	50.0	47.2	49.3	64.2	62.4	65.6
OECD members	1.5	1.7	1.6	73.6	71.5	74.1	67.8	66.6	73.3

Source: Author using data from World Bank (2020), World Development Indicators

Table 2.5: EAC economic and environmental vulnerability index (EVI)⁴ for 2011-2020

Country	Economic and environmental vulnerability (EVI), overall index		Index of share of agriculture, fisheries and forestry in GDP (AFF)		Remoteness and landlockedness (REM) Index		Export concentration (XCON) Index		Export instability (XINR) Index		Agricultural instability (AIN) Index	
	2011-15	2016-20	2011-15	2016-20	2011-15	2016-20	2011-15	2016-20	2011-15	2016-20	2011-15	2016-20
Burundi	40	39	65	64	76	76	52	47	20	14	29	35
Kenya	33	34	44	53	56	57	12	15	9	4	15	15
Rwanda	38	33	51	51	74	75	39	31	14	11	50	26
South Sudan	48	46	6	5	67	68	77	49	62	75	23	23
Tanzania	33	34	45	48	62	63	18	21	9	6	23	26
Uganda	29	28	45	43	72	73	13	12	14	14	15	13
EAC	37	36	43	44	68	69	35	29	21	21	26	23
South Africa	34	33	3	2	83	83	5	3	7	6	19	14
Mauritius	21	19	6	4	75	74	17	14	12	11	28	28
Egypt	18	16	21	18	11	14	8	6	11	10	10	10

Source: Author using data from World Bank (2020), World Development Indicators

Trade policy, regional integration and trade agreements

Trade represented nearly 40% of GDP over the past decade, underscoring the importance of trade in EAC economies. Slight declines in the share of trade in GDP were recorded for the EAC, Sub-Saharan Africa (61.2%-52.8%) and South Africa (62.4%-59.8%) but increases in OECD countries (56.7%-57.3%) during the second half of the decade across all partner states (Table 2.6). For the EAC, this was due to a combination of internal and external market challenges. Increased trade openness brings advantages of specialization and welfare gains and is also the means for transmission of external shocks into domestic economies, with more trade-open economies being more exposed. What is key though is how resilient an economy is to such shocks. In terms of relative importance of trade types, trade in goods exceeded services trade, and both were in decline during 2015-2019 compared to 2011-2014 except for South Sudan.

Table 2.6: Trade as a share of GDP

Country	Trade (% of GDP)		Trade in Goods (% of GDP)		Trade in services (% of GDP)	
	2011 - 2014	2015 - 2019	2011 - 2014	2015 - 2019	2011 - 2014	2015 - 2019
Burundi	43.8	35.9	30.0	25.8	13.8	10.1
Kenya	55.7	37.8	41.5	27.0	14.1	10.7
Rwanda	41.6	47.3	26.9	25.7	14.7	21.6
South Sudan	70.1	65.6	67.2	56.0	2.9	9.5
Tanzania	51.1	36.1	38.5	24.6	12.6	11.5
Uganda	40.9	37.8	25.1	24.4	15.8	13.4
Sub-Saharan Africa	61.2	52.8	50.3	42.2	10.9	10.6
South Africa	62.4	59.8	53.0	50.6	9.4	9.2
OECD members	56.7	57.3	43.9	43.2	12.8	14.2

Source: Author using data from World Bank (2020), Development Indicators

The EAC regional trade policy is built around the objective of attaining the EAC regional integration pillars comprising of customs union, common market, monetary and political federation. The EAC Customs Union (EAC-CU) was established in 2005 and introduced a common external tariff (CET). The successes ascribed to the EAC-CU include: (a) implementation of the Single Customs Territory since 2014 to fast-track free circulation of goods, which reduced trade clearance times from over 21 to 3 days; (b) establishment of One-Stop-Border Posts (OSBPs), which drastically reduced intra-EAC transit time by 73.0%–83.5% and associated trade costs; (c) introduction of the EAC NTBs Elimination Act in 2017 for removal of non-tariff barriers (NTBs); (d) harmonization of EAC product standards for commonly traded goods (1,500+) and mutual recognition of certification marks; and (e) increased intra-regional trade from US\$ 2.7 billion in 2016 to US\$ 3.2 billion in 2018.

The second regional integration milestone of a EAC Common Market (EAC-CM) was achieved in 2010. The EAC-CM seeks to accelerate economic growth and development

through pursuing “a liberal stance towards the four freedoms of movement for all the factors of production and two rights between themselves”, namely: free movement of goods, free movement of persons, free movement of labour, right of establishment, right of residence, free movement of services and free movement of capital. These freedoms are supported by operational principles of “non-discrimination of nationals of other partner states on grounds of nationality” and sharing information for the smooth implementation of the Protocol. The EAC committed to undertaking liberalization of trade in services in seven priority sectors: business, distribution, education, financial, communication, tourism and travel related services, and transport. Some of the efforts being taken to achieve these freedoms include instituting mutual recognition agreements, harmonization of education systems, and issuance of new international EAC e-passport. The EAC is yet to achieve the fullest freedoms in these sectors due to asymmetric capacities to implement the requisite operational apparatus. The COVID-19 pandemic added undue burden and tested the loose ends in these cooperation endeavours when the region initially stumbled as seen in uncoordinated unilateral border control postures during the first weeks and months of the pandemic, though eventually they regrouped in cooperation to support the freedoms, for continued regional economic growth and integration.

Selected EAC trade agreements

In the quest to support further trade development for sustainable economic growth and development, the EAC is continuously seeking and engaging in trade agreements with key trade partners. Since the Uruguay Round, import tariffs have broadly and gradually been reduced or eliminated on a wide range of products, though there remains high tariffs on products (e.g. agricultural) of particular export interest to developing countries including the EAC. The trade objective of the agreements is to secure more favourable (preferential) and improved market access conditions for its exports over competitors while reciprocating (symmetrically/asymmetrically) access to the domestic market, compatible with the WTO trading rules.

EAC-EU: As part of the ACP states, the EAC participated in trade and development arrangements with the EU under non-reciprocal Lomé Conventions I-IV (first signed in 1975, ceased in 1996 after successful challenge of its non-compatibility with WTO reciprocity rules) and later the Cotonou Agreement (effective 2003, revised in 2005 and 2010). The Cotonou Agreement was replaced by the WTO-compatible Economic Partnership Agreements (EPAs), which ACP states have been negotiating in regional groupings with the EU since 2002. Under the EPAs, the EU grants immediate duty-free and quota-free (DFQF) market access while ACP states are allowed/required to liberalize ‘substantially all trade’ over an extended phase. The EPAs seek to promote ACP-EU trade, and ultimately contribute, through trade and investment, to sustainable development and poverty reduction. EPAs are “tailor-made” to suit

specific regional circumstances, go beyond conventional free-trade agreements by focusing on ACP development and including co-operation and assistance to help ACP countries fully benefit from the agreements (Zgovu, 2017). For eighteen (18) years, the EAC as a unit and a few other regions are yet to conclude negotiations and sign the EPAs. Kenya and Rwanda signed on 1st September 2016. Delay to sign by the remaining partner states is centred on perceived likely negative effects of domestic deindustrialization and the resultant ramifications on value chains due to increased competition with EU-made products, tariff revenue loss, overambitious liberalization threshold of more than 80%, duration of liberalization need not be constrained (preferring 25-35 years), that the ‘stand still’ clause on MFN tariffs may limit applied tariffs below their WTO bound rate ceilings thereby limiting policy space. Further negotiations are ongoing.

EAC-UK: On 31st December 2020, the United Kingdom (UK) formerly left (BREXIT) the EU following a vote in June 2016. The UK, a particularly important trade partner for some of the EAC partner states, is grandfathering all trade agreements including the EPAs it was part of during its EU-membership. On 3rd November 2020, the UK and Kenya announced a ‘continuity’ DFQF EPA trade agreement similar to the EU-EPAs while the rest of the EAC preferred extending the negotiation period to allow more stakeholder consultation and passage of other events (elections) of national importance. Kenya as a developing country would not benefit from the UK’s Generalized System of Preferences (GSP) entailing duty-free and quota-free market access which the rest of the EAC as least developed countries are automatically granted after 31st December 2020. Caught between solidarity with its ‘protected-by-UK-GSP-beneficiary partner states’ and the demand of maintaining a common trade policy position as a member of the EAC-CU, and losing foreign exchange earnings, jobs and investment losses in its national value chains after the deadline and perhaps learning from the 18-year-long drag to conclude an EPA with the EU, Kenya decided to go it alone and signed an EPA with the UK.

It is worth noting that some customs union, for example the EU, do not allow members to conclude separate trade agreements with countries and organizations outside the union. However, under Article 37 (paragraph 4) of the EAC Customs Union protocol, partner states are allowed to conclude a trade agreement with non-member countries such as the UK provided that the terms of such an agreement or amendments are not in conflict with its provisions.

EAC-COMESA-SADC: On the African continent, the EAC has been engaged in Tripartite Free Trade Area (TFTA) agreement negotiations (launched 10-June-2011) with COMESA and SADC regional economic communities (RECs) in furtherance of the African Union (AU) agenda to Boost Intra-African Trade (BIAT) and deep regional market integration. The TFTA creates a market of more than 527 million people in 27 countries (that includes new member South Sudan) worth a combined GDP of US\$ 640 billion. The TFTA solves the problem of trade cost-raising overlapping membership in the regions

where most countries belonged to two or all the TFTA RECs with different trade rules. The TFTA seeks to provide a stepping-stone to integration into the global economy by providing market space to train/enhance trade capacity to compete more effectively on the global market (African Union, 2011). Out of the 27-member states covered in the TFTA, only eight (8) have ratified: Burundi, Kenya, Rwanda, and Uganda in the EAC, Egypt, Botswana, Namibia and South Africa.

EAC-Africa: The EAC participated in the 18th Ordinary African Union Summit decision reached in January 2012 to create a grand African Continental Free Trade Area (AfCFTA) agreement comprising 55 African member states with a combined population of more than 1.2 billion people and GDP of US\$ 3.5 trillion. The AfCFTA seeks to create a single continental market for goods and services with free movement of business persons and investments as part of the grand scheme of achieving an African Economic Community built on a free trade area, customs unions, single market, central bank, and common currency to produce an economic and monetary union. Intra-African trade will play a central role, and its expansion is predicated on the member states achieving harmonization and coordination of trade liberalization and facilitation and instruments across their Regional Economic Communities (RECs). It is estimated that the AfCFTA will boost intra-African trade by 52.3%. The AfCFTA entered into force on 30th May 2019 after 24 countries ratified. Implementation (trading under the agreement) was rescheduled from 1st July 2020 to 1st January 2021 due to the COVID-19 pandemic. At the time of writing, 31 countries ratified the AfCFTA: Kenya, Rwanda and Uganda in the EAC, and also Ghana, Niger, Chad, Congo Republic, Djibouti, Guinea, Eswatini, Mali, Mauritania, Namibia, South Africa, Ivory Coast (Côte d'Ivoire), Senegal, Togo, Egypt, Ethiopia, The Gambia, Sierra Leone, Saharawi Republic, Zimbabwe, Burkina Faso, São Tomé and Príncipe, Gabon, Equatorial Guinea, Mauritius, Angola, Lesotho and Tunisia.

EAC-USA: The United States and five (5) EAC partner states signed a Trade and Investment Framework Agreement (TIFA) on 16th July-2008. The purpose of the USA-EAC TIFA is to expand and diversify bilateral trade and investment relationships by improving the climate for business between firms from both sides. The TIFA establishes regular, high-level talks on the full spectrum of interparty trade and investment topics, including the African Growth and Opportunity Act (AGOA), the World Trade Organization's Doha Round, trade facilitation issues, and trade capacity building assistance. As of 2015, the EAC bloc looked to engage the USA to upgrade the TIFA into a long-term preferential trade agreement, which would also replace the unilateral AGOA preferential scheme. In February 2020, the USA and Kenya started negotiations to establish a free trade agreement, again without the rest of the regional partner states. This move, like others before, is a symptom of underlying trade and political differences and challenges (Kibii, 2020) that needs urgent resolution as it impinges on trade, regional cooperation and integration.

Effectiveness of market access in trade agreements

One of the key features of trade agreements is Duty-Free and Quota-Free (DFQF) preferential treatment. As noted already, tariffs in industrialized economies are virtually eliminated for most products with exceptions in a few agricultural products. Indeed, it has been shown that despite the DFQF treatment, there is low utilization of preferential schemes by LDCs and developing countries (Milner, Morrissey and Zgovu, 2010). This is partly because of trade-cost-increasing inherent internal structural and policy weaknesses in the LDCs and developing countries, and also that effective market access in the preference-giving economies can be compromised by onerous non-tariff measures (NTMs). Most LDCs and developing countries lack sufficient resources and capacity to meet these NTMs.

NTMs can be defined by what they are not (Deardoff and Stern, 1998) as they comprise many hidden trade-impacting measures. The NTMs widely used in export markets of interest to the EAC include Sanitary and Phytosanitary (SPS) measures; Technical Barriers to Trade (TBT); Rules of Origin; Pre-shipment inspection and other formalities; and licences, quotas, and prohibitions. NTMs take a myriad of forms and involve a wide range of regulatory agencies with varying institutional, technical and resource capacities to formulate, implement and monitor their use. Complying with NTMs can be particularly challenging for small and medium enterprises (SMEs) in developing and least developed countries. Regardless of policy objectives, they impose real yet avoidable costs on trade and undermine trade competitiveness. Table 2.7 reports NTM coverage and frequency ratios on selected products of export interest to the EAC.

The road to high-value adding trade for LDCs and developing countries is pot-holed by weak internal policy and institutional frameworks, narrow because of stringent rules of origin in preferential export markets, has missing key bridges (supply-side constraints, bottlenecks in financing, transport, technologies and information), obstructed by visible road blocks (onerous technical standards and tariff peaks) and unsighted road blocks in opaque non-tariff measures, systemic institutional inefficiencies and procedural obstacles. These challenges substantially increase unit export costs, which in turn hamper export competitiveness to the extent that trade in high value-adding products and export-led growth are not easily achievable for developing countries.

Table 2.7: NTM coverage and frequency ratios, trade (US\$ millions) and percent of NTM-affected imports in selected markets of export interest to EAC

Sector	All sectors	Animal	Food Products	Vegetable	Hides and Skins	Wood	Textiles and Clothing	Footwear	Plastic or Rubber
EU28									
Total Trade	1,889,998.0	27,715.3	50,567.8	69,190.8	17,642.3	31,757.7	121,685.6	25,391.5	60,166.0
NTM Coverage ratio	94	100	100	100	100	85	100	98	95
NTM Frequency ratio	94	100	100	99	99	84	100	91	94
Duty free imports - total	878,706.8	1,707.1	17,110.4	26,940.0	882.3	25,239.0	1,576.9	73.3	4,489.7
<i>Duty free imports/Total imports %</i>	46	6	34	39	5	79	1	0	7
<i>NTM affected duty free imports %</i>	42	6	34	39	5	66	1	0	4
USA									
Total Trade	2,250,153.6	31,890.8	60,205.8	50,799.2	15,127.7	43,938.4	116,274.1	32,453.5	78,071.7
NTM Coverage ratio	77	100	100	100	47	35	95	45	41
NTM Frequency ratio	62	100	100	100	88	33	95	43	46
Duty free imports - total	906,161.6	16,602.9	17,351.0	19,826.3	287.3	33,487.1	3,319.3	2,307.1	6,187.1
<i>Duty free imports/Total imports %</i>	40	52	29	39	2	76	3	7	8
<i>NTM affected duty free imports %</i>	30	52	29	39	2	27	3	2	3
Canada									
Total Trade	423,921.0	5,313.6	18,560.5	12,554.9	2,193.6	11,364.3	13,615.3	2,932.7	21,509.1
NTM Coverage ratio	89	100	97	99	92	95	99	94	97
NTM Frequency ratio	96	98	98	97	99	98	97	91	98
Duty free imports - total	248,278.2	2,584.7	3,555.1	6,769.1	591.0	10,505.0	2,527.6	55.0	11,525.1
<i>Duty free imports/Total imports %</i>	59	49	19	54	27	92	19	2	54
<i>NTM affected duty free imports %</i>	53	48	18	54	19	87	18	2	54

Source: Author, using data from World Bank World Integrated Trade Solutions (WITS)

Virtually all exports (by countries including EAC) of animal, food products, vegetables, hides and skins, textiles and clothing to the EU28 (including the UK) (EU-EPAs, UK-EPAs), USA, Japan and Nigeria (AfCFTA), amongst other countries, are subject to one or more NTMs. Further, the high percentages of NTM coverage ratios indicate that almost all trade (by value) is subject to NTMs⁵.

Meanwhile, duty-free imports of the selected products constitute a very small share of their total imports, meaning the bulk are subject to non-zero import duties. This is particularly the case for textiles and clothing, hides and skin and animal products, which are some of the key export commodities of interest to the EAC. Duty-free and quota-free market access conditions are without question useful for exports from preference-receiving countries. However, for some products, relatively small percentages of imports access those markets to enjoy the duty-free treatment. One of the main reasons for this is the presence of other and more potent market access barriers in the form of burdensome and costly-to-comply-with NTMs, whose tariff-equivalents (ad valorem) can be quite high in some cases.

State of trade facilitation in the EAC

Trade facilitation (TF) is one of the key sources of non-tariff barriers even more during the COVID-19 crisis, hence a challenge for trade growth and deserves a good amount of attention. Each country's sovereign control over its borders dictates that trade (imports and exports) flows and passenger traffic are subject to border control entry and exit laws, regulations, procedures and processes, some of which are specific to the country and others are bilaterally, regionally and multilaterally agreed and implemented among signatory partner countries. The bureaucracy involved coupled with complexity of the border control measures, limited capacity to administer/ implement the measures, and the intended and unintentional anti-trade policy biases have led to calls for greater efficiency in facilitating trade to reduce the costs of doing trade and thereby allow countries to benefit more from trade. These calls culminated in the conclusion of the landmark WTO Trade Facilitation Agreement (TFA) in 2013 that came into force in 2017. In WTO terms, trade facilitation (TF) is the simplification, modernization and harmonization of export and import processes. Under the WTO-TFA, signatories undertake to implement agreed provisions for expediting the movement, release and clearance of goods, including goods in transit; effective cooperation between customs and other agencies involved in trade clearance (e.g., concerning Sanitary and Phyto-Sanitary) on TF and customs border control compliance.

Capturing the effects of the quality of TF on trade costs and trade performance is a challenging exercise due to the difficulty in ascribing cost to a myriad of complex and sometimes opaque/trade protection-driven interrelated border control and trade clearance procedures and processes performed by different trade actors, both public and private. One measure of the state of TF is the Logistics Performance Index (LPI), which is sub-divided into six or more components (Table 2.8) while

estimations of time spent and costs on documentary and border compliance give an impression of the cost implications of the state of TF (Table 2.9). On the state of TF (Table 2.8), the World Bank ranks (column (a)) Burundi in position 158 out of 160 countries for which data was available in 2018; Uganda rank 102, Kenya 68, Tanzania rank 61 (2016 data) and the best ranked was Rwanda (57), yielding an EAC average rank and score of 89 and 2.7 out of 5 (or 2.7/5), respectively. Germany was the best (1) with a score of 4.2/5, and the other developed countries (Singapore, USA, China and the European Union which included Germany, Belgium, the Netherlands and United Kingdom amongst other countries) in the lower part of the table recorded good TF performances. Other African RECs performed poorly with an average rank of 116 and score of 2.5/5. Based on the estimated gap in TF quality to the highest performer (column (c)), it is clear that TF in African countries is way off the best practice benchmark and they need to invest more in and improve TF by a factor of 2 (double) above the prevailing levels to emulate best practice in TF attained by Germany (as of 2018). Columns (d)-(i) show 'granular' LPI performance from which EAC and other African RECs achieved approximately average TF performance levels with the best performance (score 3/5) being on timeliness of shipments, column (i). The weak state of TF in the African RECs, including the EAC, implies fragility in the face of external shocks such as COVID-19 crisis. Data on the impact of the COVID-19 crisis on TF performance is yet to be generated, but it is likely that the external shock was felt more swiftly and effects on TF costs amplified by greater factors in cases of fragile initial TF conditions such as in the EAC and other African RECs, amongst others. The COVID-19 crisis has heightened the urgency to fully implement the WTO-TFA and other international conventions on improving TF, including those championed by the World Customs Organization (WCO).

Talking about costs associated with TF, the latest data show that exporters in a select of the EAC's leading trade partners took an average of 4 hours to complete complying with documentary requirements and 13 hours to complete border requirements (columns (a) and (b) of Table 2.9). Meanwhile, in the EAC, exporters spend 58 hours (16 times longer) and 63 hours (5 times longer), respectively, to complete similar requirements. Even longer times are spent when completing documents and border compliance requirements when traders are importing in the EAC than in some of the EAC's key trade partners (columns (g) and (h)). Such overly long times of compliance do bear significant trade costs that undercut trade competitiveness against rival exporters and importers operating in more efficient TF regimes, with shorter compliance times. In fact, the inefficient TF services-induced relative cost disadvantages inflicted on EAC exporters and importers vis-à-vis competitors in major trade markets are easy to see in columns (d)-(f) and (j)-(l). Documentary and border compliance on a standard 20-foot container costs US\$ 529.30 (US\$ 1,057.32), which is twice (six times) as much when exporting (importing) in the EAC compared to an average of US\$ 267.62 (US\$ 177.71) when exporting (importing) in the selected global markets. Interestingly, documentary and border compliance costs more when exporting (US\$ 267.62) than when

importing (US\$ 177.71) in the selected global markets, which is the very opposite in the EAC where importing compliance costs almost twice as much as exporting compliance. This is partly due to tighter control and oversight over significant trade tax revenues (duties, excise and value added taxes) generated on imports and the relatively larger volumes and variety of imports compared to a narrow band of exports commodities.

Given the heavy import-dependency in domestic value chains and for exports, the EAC needs to boost efficiency in import compliance and TF by fully implementing the WTO-TFA in particular provisions on advance ruling (Article 3), Article 7 (on release and clearance of goods including: pre-arrival processing; electronic payment; allowing the release of goods prior to the final determination of customs duties, taxes, fees, and charges; risk management; post clearance audit; TF for authorized operators, expedited release of goods entered through air cargo facilities) and freedom of transit (Article 11). Most countries including EAC partner states have taken steps to improve TF in these areas during the COVID-19 crisis, which underscores their relative significance in influencing TF efficiency and cutting TF-related costs. Nonetheless, more work is needed to consolidate the gains made and make permanent the COVID-19-induced changes and the other outstanding accomplishments.

Table 2.8: State of trade facilitation in the EAC, other African RECs and trade partners in 2018 measured by logistics performance

Country/Region	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	LPI rank in the world out of 160	Overall LPI score (1=low to 5=high)	% Gap to highest performer (world #1)	Efficiency of Customs clearance process (1=low to 5=high)	Quality of trade and transport-related Infrastructure (1=low to 5=high)	Ease of arranging competitively priced shipments (1=low to 5=high)	Trade Logistics Quality and Competence (1=low to 5=high)	Tracking and Tracing Consignments (1=low to 5=high)	Frequency with which shipments reach consignee within scheduled or expected time (1=low to 5=high)
EAC Partner States									
Burundi	158	2.1	66.8	1.7	2.0	2.2	2.3	2.0	2.2
Kenya	68	2.8	43.3	2.7	2.6	2.6	2.8	3.1	3.2
Rwanda	57	3.0	38.3	2.7	2.8	3.4	2.9	2.8	3.4
Tanzania (2016)	61	3.0	38.3	2.8	2.8	3.0	2.9	3.0	3.4
Uganda	102	2.6	50.8	2.6	2.2	2.8	2.5	2.4	2.9
EAC overall	89	2.7	47.5	2.5	2.5	2.8	2.7	2.6	3.0
Other African RECs									
ECCAS	122	2.4	56.2	2.3	2.2	2.5	2.4	2.4	2.7
ECOWAS	119	2.4	55.1	2.2	2.2	2.5	2.3	2.6	2.8
ESA	118	2.4	55.4	2.3	2.2	2.4	2.4	2.5	2.7
SADC	110	2.6	51.1	2.4	2.3	2.6	2.4	2.6	3.0
North Africa	110	2.5	53.2	2.3	2.4	2.4	2.4	2.5	3.0
Average	116	2.5	54.2	2.3	2.3	2.5	2.4	2.5	2.8
Select global markets									
Germany	1	4.2	0.0	4.1	4.4	3.9	4.3	4.2	4.4
Belgium	3	4.0	5.1	3.7	4.0	4.0	4.1	4.1	4.4
Netherlands	6	4.0	5.7	3.9	4.2	3.7	4.1	4.0	4.3
Singapore	7	4.0	6.4	3.9	4.1	3.6	4.1	4.1	4.3
United Kingdom	9	4.0	6.7	3.8	4.0	3.7	4.0	4.1	4.3
USA	14	3.9	9.9	3.8	4.0	3.5	3.9	4.1	4.1
China	26	3.6	18.6	3.3	3.8	3.5	3.6	3.6	3.8
European Union	29	3.5	21.3	3.3	3.5	3.4	3.5	3.6	3.9
Average	19	3.8	14.1	3.6	3.8	3.5	3.8	3.8	4.0

Source: Author using data from World Bank (2019), World Development Indicators. LPI is Logistics Performance Index

Table 2.9: State of trade facilitation measured by time and cost of doing trade in the EAC, other African RECs and trade partners in 2019

Country/Region	Time (hours) and Cost (US\$) to Export						Time (hours) and Cost (US\$) to Import					
	Documentary Compliance time		Border Compliance time		Total Compliance time		Documentary Compliance cost		Border Compliance cost		Total Compliance cost	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
EAC Partner States												
Burundi	120	59	179	150.00	108.90	258.90	180	154	334	1,025.00	443.60	1,468.60
Kenya	19	16	35	190.50	142.50	333.00	60	194	254	115.00	832.50	947.50
Rwanda	30	83	113	110.00	183.30	293.30	48	74	122	121.10	282.10	403.20
Tanzania	96	96	192	275.00	1,175.00	1,450.00	240	402	642	375.00	1,350.00	1,725.00
Uganda	24	59	83	101.90	209.40	311.30	96	145	241	295.60	446.70	742.30
EAC overall	58	63	120	165.48	363.82	529.30	125	194	319	386.34	670.98	1,057.32
EAC + global mkts	16.2	4.9	7.4	3.9	1.6	2.0	24.4	12.9	15.9	8.7	5.0	5.9
Other African RECs												
ECCAS	97	167	263	212.10	1,074.85	1,286.95	152	230	382	404.88	1,301.48	1,706.35
ECOWAS	69	97	166	131.37	520.81	652.17	93	112	206	300.61	624.44	925.05
ESA	70	73	143	195.32	478.58	673.90	56	96	152	171.44	591.72	763.16
SADC	55	87	142	128.33	744.00	872.33	44	55	99	207.67	618.67	826.33
North Africa	68	44	111	158.28	391.28	549.56	102	133	235	344.12	484.84	828.96
Average	72	93	165	165.08	641.90	806.98	89	125	215	285.74	724.23	1,009.97
Select global markets												
Germany	1	36	37	45.00	345.00	390.00	1	0	1	0.00	0.00	0.00
Singapore	2	10	12	37.00	335.00	372.00	3	33	36	40.00	220.00	260.00
United Kingdom	4	24	28	25.00	280.00	305.00	2	3	5	0.00	0.00	0.00
USA	2	2	3	60.00	175.00	235.00	8	2	9	100.00	175.00	275.00
China	9	21	29	73.60	256.20	329.80	13	36	49	77.30	241.30	318.60
European Union	2	7	9	16.66	79.65	96.30	1	2	2	4.63	30.30	34.93
Average	4	13	16	42.45	225.17	267.62	5	15	20	44.39	133.32	177.71

Source: Author using data from World Bank (2019), Development indicators

Trade potential, actual and untapped export potential in the EAC

The COVID-19 pandemic has not only stifled trade but also undermined the prospects of the EAC realizing its export potential from commodities (and services) in which it has comparative advantages. Table 2.10 reports commodities (top 20) with the highest export potential, actual exports and untapped export potential based on estimations (using historical and forecast interrelationships between market conditions within and between trading countries and the global economy) by the International Trade Centre (ITC).⁶ Based on pre-COVID-19 global and domestic market conditions, the EAC's top 20 commodities⁷ in terms of export potential had an export potential estimated at US\$ 16.583 billion, out of which US\$ 7.415 billion, nearly half (45.5%), remained untapped under the prevailing pre-COVID-19 pandemic conditions.

Key findings

The products with greatest export potential from Eastern Africa to the rest of the World are "Coffee, not roasted, not decaffeinated", "Black tea, packings >3kg" and "Sesamum seeds". Sesamum seeds shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth US\$1.2 billion. ITC (2020).

Based on pre-COVID-19 global and domestic market conditions, the EAC's top 20 commodities⁷ in terms of export potential had an export potential estimated at US\$ 16.583 billion, out of which US\$ 7.415 billion, nearly half (45.5%), remained untapped under the prevailing pre-COVID-19 pandemic conditions.

Table 2.10: Top 20 EAC commodities with greatest export potential to world markets

Top	HS Code	Product Description	Potential supply to the world given current conditions (US\$ mn)	Actual EAC Export Supply to the world (US\$ mn)	Untapped potential by EAC (US\$ mn)	Untapped potential as % of Potential	Value addition
	Top 20	Overall	16,282.6	10,049.4	7,415.0	45.5	Unprocessed
1	12074	Sesamum	2,300.0	1,200.0	1,200.0	52.2	Unprocessed
2	090111	Coffee, not roasted, not decaffeinated	2,800.0	1,800.0	1,100.0	39.3	Unprocessed
3	090240	Black Tea Packings>3kg	2,300.0	1,400.0	944.4	41.1	Semi-processed
4	0905	Vanilla	1,500.0	802.4	679.4	45.3	Unprocessed
5	080131	Cashew nuts in shell	991.8	336.8	655.1	66.1	Unprocessed
6	0603xx	Cut flower & buds, fresh	1,200.0	884.8	458.9	38.2	Final product
7	160414	Prepared or preserved tunas	968.5	580.2	426.8	44.1	Semi-processed
8	750210	Nickel, not alloyed, unwrought	582.5	440.4	244.7	42.0	Unprocessed
9	620342	Mens trousers and shorts of Cotton	373.1	282.6	199.3	53.4	Final product
10	071320	Chick peas, dries and shelled	274.8	118.2	169.1	61.5	Semi-processed
11	080440	Avocado, fresh and dried	253.5	128.9	158.0	62.3	Semi-processed
12	010410	Live Sheep	634.8	566.9	153.1	24.1	Unprocessed
13	170199	Cane or beet sugar	248.2	192.1	147.4	59.4	Semi-processed
14	620520	Mens shirts of cotton	269.5	230.5	140.7	52.2	Final product
15	610910	T shirts n vests of Cotton	261.7	171.2	129.9	49.6	Final product
16	0709xx	Vegetables, fresh or chilled	326.2	298.9	129.5	39.7	Semi-processed
17	0305xb	Fish nes cired	218.8	104.9	128.2	58.6	Unprocessed
18	020450	Goat meat	230.3	107.6	127.9	55.5	Unprocessed
19	0907	Cloves	326.8	213.0	123.2	37.7	Unprocessed
20	520100	Cotton not corded/combed	222.1	190.0	99.4	44.8	Unprocessed

Source: Author using data from ITC Trade Map 2020

The markets for EAC's top-9 commodities with the largest export potential are reported in Appendix Table A1. The selected top 9 commodities have a combined export potential of US\$ 10.796 billion (column a), actual exports of US\$ 6.783 million (column b) and untapped export potential of US\$ 4.355 billion (column c) or nearly

40% (column d) of the export potential per year. The large relative size of untapped export potentials under existing conditions (i.e., target market's demand and tariff conditions and bilateral links between the exporting country and target market, supply capacity, inter alia) represents a trophy (export earnings) within the grasp of the EAC. Clearly, the EAC has work to close the gap by addressing the issues and challenges that underpin the current sub-optimal export production. Specifically, the EAC would need to expand exports by an average of 40% of the selected top-9 commodities to exhaust the untapped export potential for the commodities under study.

Results show that most of the export markets with the highest export potential are in the west (United States of America and Europe) and South Asia, which are

places most affected by COVID-19 pandemic (Appendix Table A2), which also reports the world (full) export potential (column e) and actual exports (column f)) of the selected commodities in the key export markets. Column (h) reports the ratios of EAC actual exports

Key findings

The markets with greatest potential for Eastern Africa's exports of All products are United States of America, China and Netherlands. The United States of America shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth US\$1.4 billion. ITC (2020).

in the market to total world actual exports in the markets, being the EAC's market share. Based on the selected (top 9) commodities with largest export potential, the EAC commands between 7% and 76% market share overall in the commodities' respective top 10 export markets. Some of the EAC highest export market shares are in the markets for vanilla (76%), black tea packings (>3kg) (60%) and sesamum (49%). Excluding EAC's untapped potential (column c) from untapped world export potential in the export markets (not reported here) gives an estimate of the extra unsatisfied demand for the commodities in the export markets concerned (column g). If the EAC were to capture similar market shares (7% to 76%) of this unsatisfied demand (e.g. by fully developing productive export capacity), it would gain an extra US\$ 3.792 billion per year of the world unmet demand, other things being equal. The largest gains (US\$ 799.8 million) would be from "coffee, not roasted, not decaffeinated", followed by black tea packings >3kg valued at US\$ 774.8 million per year.

Three observations are made from the above. First, the pandemic nearly wiped out most of the actual exports and, therefore, raises the value of untapped potential. Second, the longer it takes for these export markets to recover from the pandemic, the bigger and longer the damage will last for the EAC and the rest of the world. Third, even before the pandemic, the EAC was not fully exploiting its export potential in world markets for reasons on both the domestic front possibly due to underdeveloped export capacities in the private sector, institutional and regulatory challenges, trade facilitation and logistics challenges, and foreign markets front possibly due to ineffective market access despite trade agreements, and remoteness to global markets. Post-COVID-19, the EAC has major challenges to overcome, and not only the pandemic-induced challenges on the domestic front and along the value chains, but also in competing with more agile and nimble competitors, other things being equal.

3. Methodology

The paper primarily uses secondary data from the national statistical offices, international economic data repositories (International Trade Centre, WTO, World Bank, IMF, OECD, inter alia). Other data and information are collected from key resource persons in the region, EAC partner states and representatives of the private sector through a questionnaire/question guide. Data analysis entailed descriptive analysis of quantitative data and textual analysis of qualitative information. The key challenge faced in developing the paper is the compact short period of the study that affected data gathering and analysis in the time of limited availability of stakeholders. A related data challenge is the lack of uniform trade data reporting templates. Monthly trade statistics availed by the study from the partner States' online sources (e.g., national statistical offices) come in different formats in respect of categorization, level of detail/aggregation, and updating with latest data and information, all of which pose significant challenges to undertake direct comparative analyses, among other things. The EAC Secretariat should support and maintain up-to-date trade statistics, among other data, to support evidence-based policy analysis and advice.

4. Findings and discussion

Introduction

This section reports descriptive analyses of the impact of the COVID-19 pandemic on EAC's trade performance. Due to data limitations, the analyses focuses on trends in monthly goods exports and imports during the first 9 months of 2020 that bore the blunt of the first and second waves of COVID-19 onslaught on trade, vis-à-vis trends during January-September in 2019, quarterly services exports and imports from the first quarter of 2019 (2019:Q1) to 2020:Q2.⁸ The paper zeros in on tourism, a key services sub-sector for exports, job creation and related value chains. Before analyses, it is worth considering EAC tariff regime relative to other economies for key healthcare supplies during the COVID-19 pandemic.

EAC import tariffs on COVID-19-containing trade

The EAC has maintained a relatively more open trade concerning importation of healthcare medicaments, supplies and equipment to control the spread of COVID-19 compared to an average WTO member, some of West and Southern Africa's leading economies (Nigeria, Ghana, South Africa, Zambia and Zimbabwe), China and India (Table 4.1).

Table 4.1: Latest average applied MFN tariff (%) for medical products

WTO Member	All products	Medicines	Medical supplies	Medical equipment	Personal protective products
Burundi	2.6	0	2.8	0.9	15.3
Kenya	2.6	0	2.8	0.9	15.3
Rwanda	2.4	0	2.8	0.9	13.8
Tanzania	2.6	0	2.8	0.9	15.3
Uganda	2.7	0	2.5	1.1	17.8
EAC simple average	2.58	0	2.74	0.94	15.5
ALL WTO members	4.8	2.1	6.2	3.4	11.5
European Union	1.5	0	3.2	0.2	3.9

continued next page

Table 4.1 Continued

WTO Member	All products	Medicines	Medical supplies	Medical equipment	Personal protective products
United States	0.9	0	2	0.1	2.1
China	4.5	2.1	7.4	2.5	7.2
India	11.6	10	15	9	12
Ghana	5.3	0	6.1	5.6	18.8
Nigeria	5.3	0	6.1	5.6	18.8
South Africa	2.7	0	5.1	0	10.8
Zambia	3.8	0	2.6	4	15.8
Zimbabwe	7.1	3.7	10.7	2.2	18.8

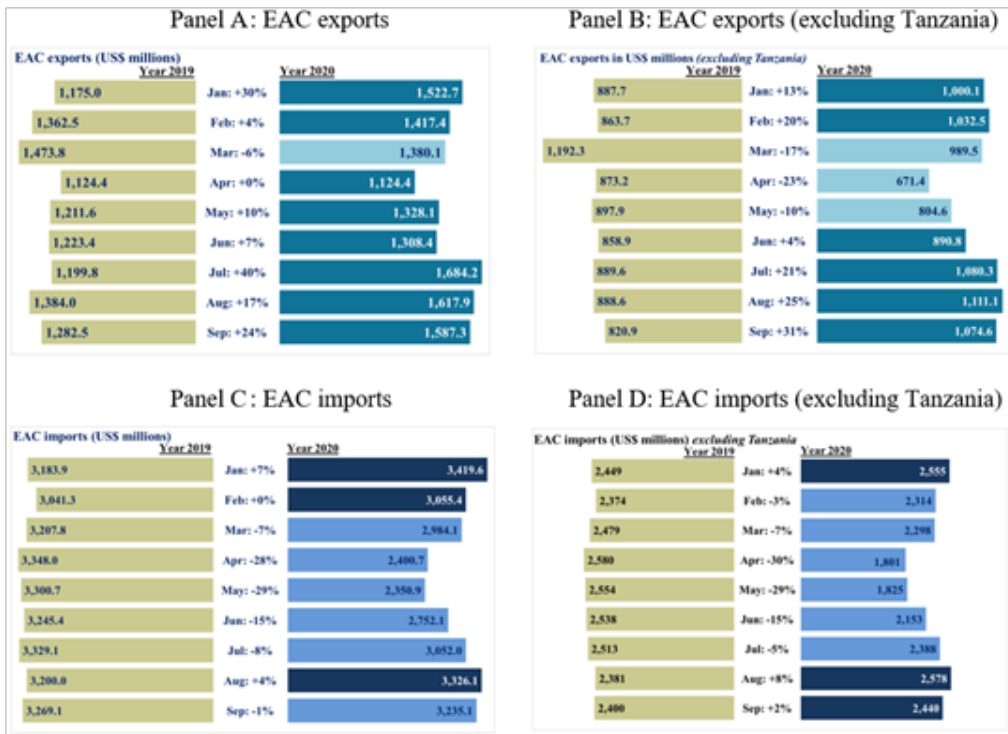
Source: Author using data from the WTO

The EAC leans more towards protection of domestically produced import-competing personal protective equipment (PPE) with a higher average applied MFN tariff of 15.5% than an average WTO member's 11.5%, China and India. Other African countries are more protectionist on PPEs than the EAC.

Impact on growth in trade in goods

Monthly exports data from the first six months of 2019 (in tan, base colour) and 2020 are juxtaposed in trade pyramids below to illustrate the impact of the COVID-19 pandemic on exports. Heavier (lighter) colours on the 2020 (right-hand) side of each pyramid indicate export increases (decreases) over corresponding periods/months. At regional level (Panel A in Figure 4.1), the EAC (excluding South Sudan) exported more in 2020 than in 2019 in all the first nine months but one. The worst year-on-year decline at regional level was in March 2020 by 6% as exports fell from US\$ 1.474 billion in 2019 to US\$ 1.138 billion in 2020. Burundi suffered losses in each month (January-June and September 2020, which was the steepest fall by 87% in May 2020 vis-à-vis May 2019 values). Kenya reported export declines from April 2020 to July 2020 (steepest fall in April by 16%). Rwanda exports only fell in April 2020 by 17%, rebounded in May-September 2020 while Uganda, after cliff-edge falls by 50%, 34% and 17% during March-May 2020, showed strong recovery from June-September. Tanzania's exports recorded an almost pre-COVID-19 crisis decline by 23% in February 2020, otherwise exports grew from March-September 2020. Excluding exports by Tanzania that had lax restrictions for COVID-19 control, Panel B in Figure 4.1 shows that Burundi, Kenya, Rwanda and Uganda together exported less for more months from March to May in 2020 than in corresponding months in 2019 by between -10% (May) and -23% (April).

Figure 4.1: EAC exports and imports before and during COVID-19 crisis



Source: Author using data from EAC national statistical offices / bureau of statistics

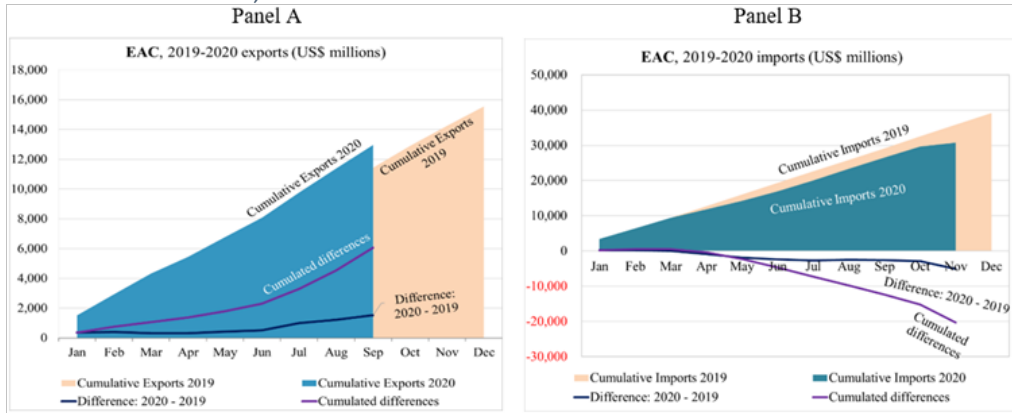
On the side of imports, the experience is different and more dramatic than on the side of exports. Imports fell in 6 of the first 9 months (March-July and September) in 2020 in study where Tanzania data is included (Panel C), and from February-July 2020 where Tanzania data is excluded (Panel D). The good performance of Tanzania imports in February 2020 stemmed from the decline (EAC average fall by 8.5% from January-September) while Tanzania’s relatively weak import performance in September dragged down the region’s overall import performance in September 2020 (EAC average fall by 8.2% from January-September).

Panels A and B in Figure 4.2 depicts contrasting cumulative frequencies of monthly exports and imports during 2019-2020, where cumulative 2020 exports rose above cumulative 2019 exports for all 9 months in study, while 2020 imports exceeded 2019 imports from January-March but fell below the latter from April-September following the onslaught of the COVID-19 crisis. The gap or cumulative difference between the 2019 and 2020 values of exports and imports provides a clear track showing the direction and performance of either variable.

The contrasting strong export performance and weak import performance are partly explained by differing restrictiveness and timing of COVID-19 control measures in the origin countries of EAC’s imports (mostly China, which swiftly applied more restrictive control measures and most countries were quick to restrict travel to/from

COVID-19 epicentre China) and export destination markets (mostly Europe, where control measures lagged behind China and other South Asian countries).

Figure 4.2: EAC cumulative exports and imports during the COVID-19 crisis (US\$ millions)



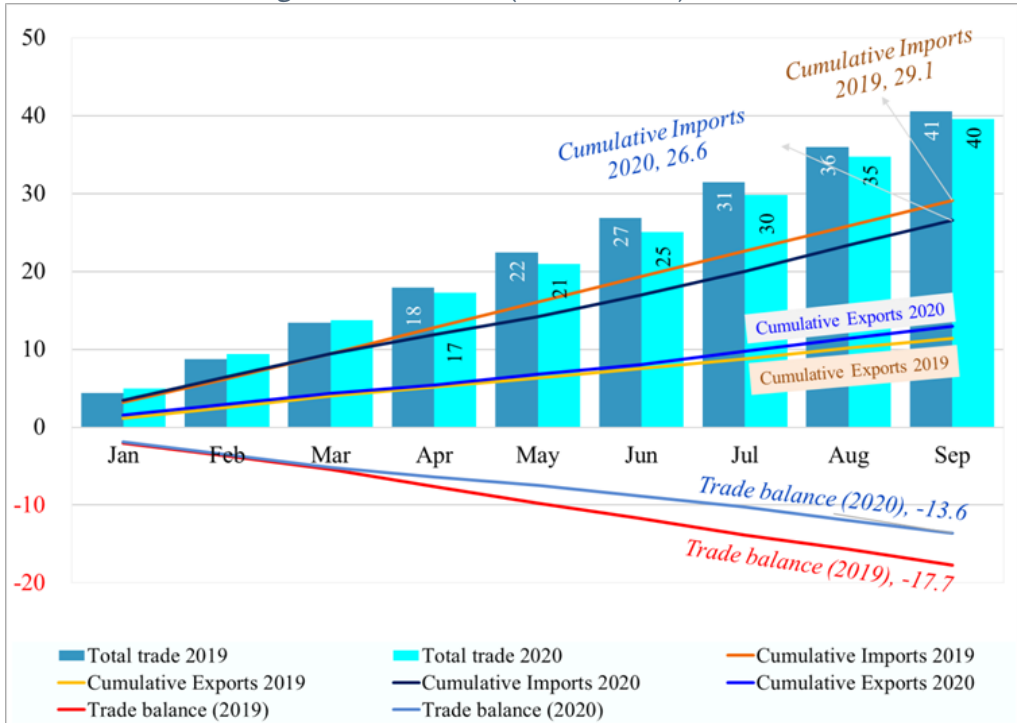
Source: Author using data from EAC national statistical offices / bureau of statistics

Cumulative frequency analysis in Panels A-J in Appendix Figure A1 presents telling varying and contrasting impacts of the COVID-19 crisis on imports and exports on individual partner states. Whereas Burundi, Kenya, Tanzania and Uganda imported cumulatively less (in value terms) in the first 9 months of 2020 than over the same period in 2019 due to the COVID-19 crisis, Rwanda imported more in cumulative terms. The decline in Rwanda imports in April 2020 (-11%) and May 2020 (-13%) did not change the course of the cumulative imports. The poor import performances of the other four states are clearly reflected by the downward-sloping and negative cumulative differences between the 2020 and 2019 cumulative imports. On the exports side, challenges performance is discernible for Burundi and Uganda where cumulative 2020 export values were well below the corresponding values in 2019, and the cumulative differences stayed negative and worsened. Cumulative 2020 export values for Kenya, Rwanda and Tanzania exceeded their corresponding values in 2019; their combined mass crowd out the declines in Burundi and Uganda to produce the upward-sloping and positive EAC-level cumulative differences seen in Panel A in Figure 4.2.

A summative statement of the EAC overall trade performance during the COVID-19 crisis is suitably captured in Figure 4.3, where the bar charts of 2020 total trade barely exceeded 2019 total trade between January-March and thereafter slumped below for the rest of the 6 months (April-September) in study. Also, the line charts show that cumulative 2020 imports did not recover to their 2019 levels between April and September 2020, while cumulative 2020 exports exceeded 2019 exports between January and September 2020. The gap between cumulative imports widened by greater margins than that for exports, which implies that EAC imports contracted at a faster rate than the rate at which exports expanded. The EAC sustained trade deficits (negative trade balance) in both 2019 and 2020 as imports exceeded exports,

but greater imports contraction than export expansion ended up reducing the trade deficit. Reducing trade deficit is one of the EAC’s key macroeconomic policy objectives; however, this reduction is not cause for much relief because it comes on the back of significant disruptions to domestic economic activity and value chains that are heavily dependent on imports.

Figure 4.3: EAC cumulative exports, imports, total trade and trade balance before and during COVID-19 crisis (US\$ millions)



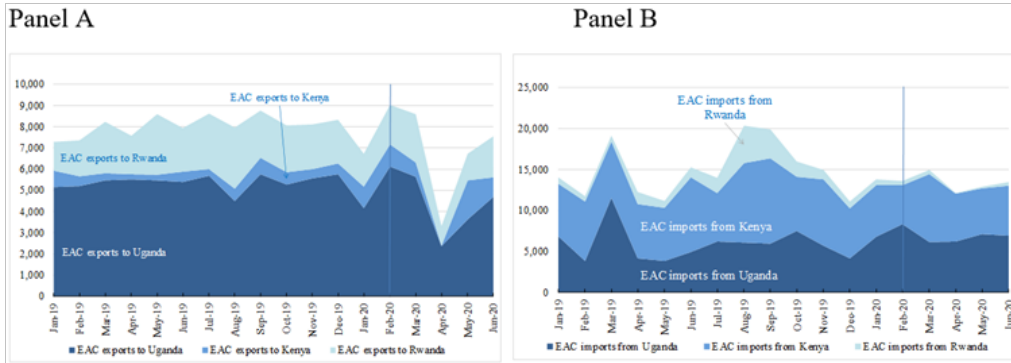
Source: Author using data from EAC national statistical offices / bureau of statistics

Impact on direction of EAC trade in goods

In addition to reducing the volume and value of trade, the COVID-19 crisis has had nuanced substitution effects on exports destinations and origin of imports at regional and international levels.⁹ At EAC level, in Figure 4.4 (panel A), intra-EAC exports to three partner states (Kenya, Rwanda and Uganda) for which there was complete data at the time of writing) fell drastically during March-April 2020 but while exports to Kenya and Rwanda were nearly wiped out, exports to Uganda only fell almost halfway. EAC exports to Kenya rebounded strongly in May, accounting for 27% (Uganda 54%, Rwanda 19%), up from 2% in April. Meanwhile, on the imports side, whereas EAC imports from Uganda and Rwanda appear to have fallen, those from Kenya rose around March before marginally receding in April. Thus, when EAC exports to Kenya fell around March-April (panel A), EAC imports from Kenya (i.e., Kenya exports to

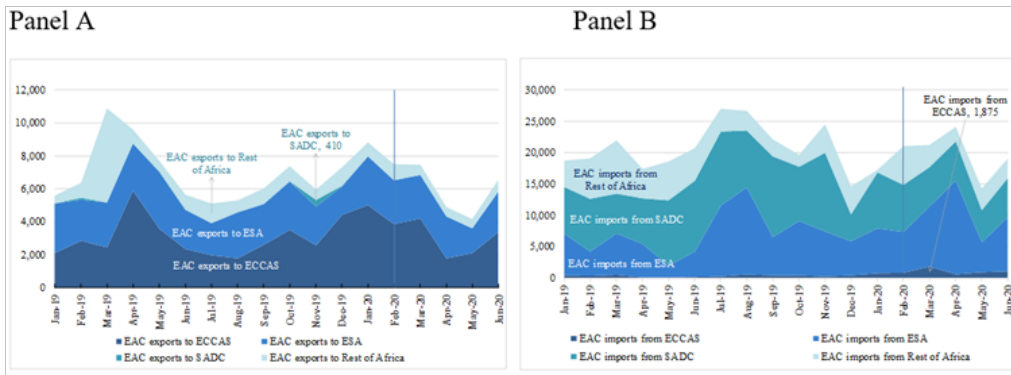
EAC) rose (panel B). EAC imports from Uganda stayed relatively stable on a month-on-month basis. The data also shows regional trade surplus enjoyed by Kenya and Rwanda (receiving smaller EAC exports than imports from the two).

Figure 4.4: Intra-EAC exports and imports before and during the COVID-19 crisis



Source: Author using data from EAC national statistical offices / bureau of statistics Trends in EAC trade with other African regional economic communities (RECs) during the COVID-19 crisis are shown in Figure 4.5. From trade balance perspective, the EAC exports (panel A) more to than it imports (panel B) from the Eastern and Southern Africa (ESA) and Economic Community of Central African States (ECCAS) (mainly Democratic Republic of Congo) regions (trade surplus) but runs a trade deficit with Southern African Development Community (SADC) (mainly South Africa). Exports fell markedly during April-May 2020 while imports rose in April (led by imports from ESA) before falling back to normal level in May 2020.

Figure 4.5: EAC trade with other African RECs before and during the COVID-19 crisis

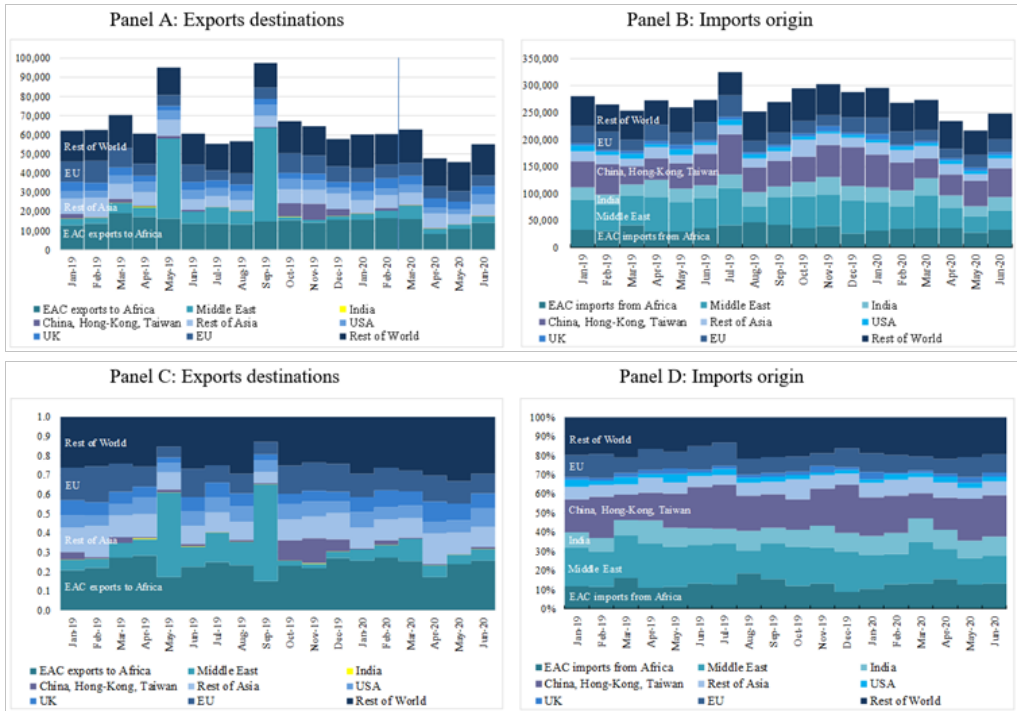


Source: Author using data from EAC national statistical offices / bureau of statistics

EAC trade with countries and regions outside Africa during the crisis is shown in Figure 4.6 (panels A-D). The EAC has clear and generally stable ‘streams’ of imports from China (including Hong Kong and Taiwan), the Middle eastern countries, India, the rest of Asia, the EU, USA, UK and the rest of Africa. On the side of exports, exports to the destinations are unstable, showing wild variations month-on-month, which denotes exports instability associated with commodity exports.¹⁰ The exceptions here (in terms of wild variations) are export shares to the EU, UK and USA with whom the EAC has had trade agreements and preferential trade schemes. This underscores the

fact that such arrangements are good for export earnings’ stability, other things being equal. The rich and perennial stream of imports from China, India and the Middle East conspicuously trump the measly EAC exports to the same countries, resulting in wide trade imbalances. The EAC is yet to enter robust trade agreements with these countries. In terms of COVID-19 experiences, decline in exports and imports was more on some countries than others. For example, shares of EAC exports to the Middle East, the rest of Asia, EU and USA increased at the expense of other destinations. On the import side, shares of imports from Africa, the Middle East, India and the EU rose at the expense of imports from China and other sources. The variations are in line with timing and severity of COVID-19 control measures and restrictions put in place by various countries and regions.

Figure 4.6: EAC exports markets and sources of imports before and during the COVID-19 crisis



Source: Author using data from EAC national statistical offices / bureau of statistics

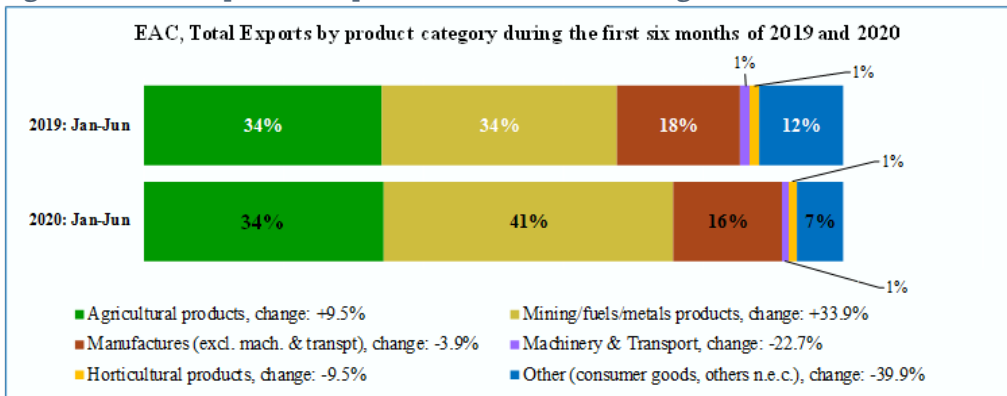
Impact on composition of trade in goods

Within the context of depressed overall export volumes and values, the EAC increased exports of its low value added agricultural and mining sector (fuels, metals) products during the pandemic period by 9.5% and 33.9%, respectively, while external demand for its horticultural (-9.5%), (light) manufactures (-3.9%), machinery and transport equipment (-22.7%) and consumer goods (-39.9%) dried up under the heat of COVID-19 control restrictions (Figure 4.7). These developments affected the commodities’

relative importance in the EAC’s export basket, prominently raising the shares for mining/fuels/metals from 34% to 41% in a sector with limited backward linkages in the region, implying only a small segment of the population directly benefited from the apparent export increases. The agricultural sector maintained its share of 34% of exports during the two comparative periods.

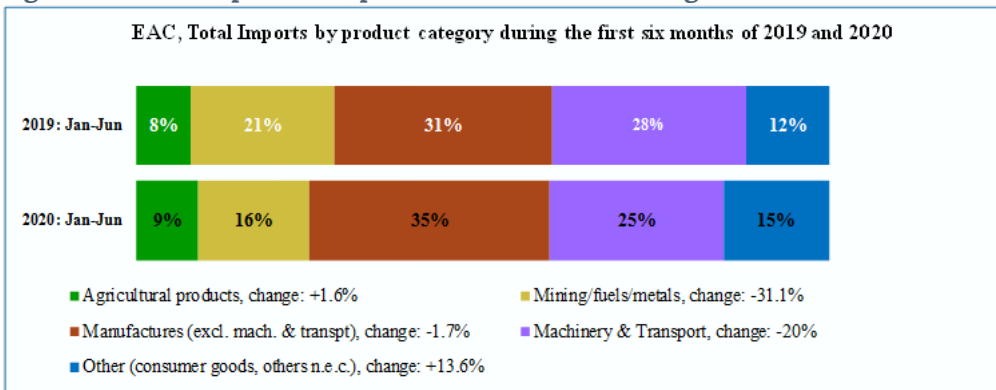
On the side of imports (Figure 4.8), the overall decreases in EAC imports were felt most on mining/fuels/metals products (-31.1%), machinery and transport equipment (-20%) and manufactures (-1.7%). Imports of food products barely rose by 1.6% while “other” (consumer goods, not-elsewhere-classified) increased by 13.6%.¹¹ Imports of most healthcare products are covered in manufactures and “other”, both of which show increased relative importance as their shares rose from 31%-35% and 12%-15%, respectively.

Figure 4.7: EAC exports composition before and during the COVID-19 crisis



Source: Author

Figure 4.8: EAC imports composition before and during the COVID-19 crisis

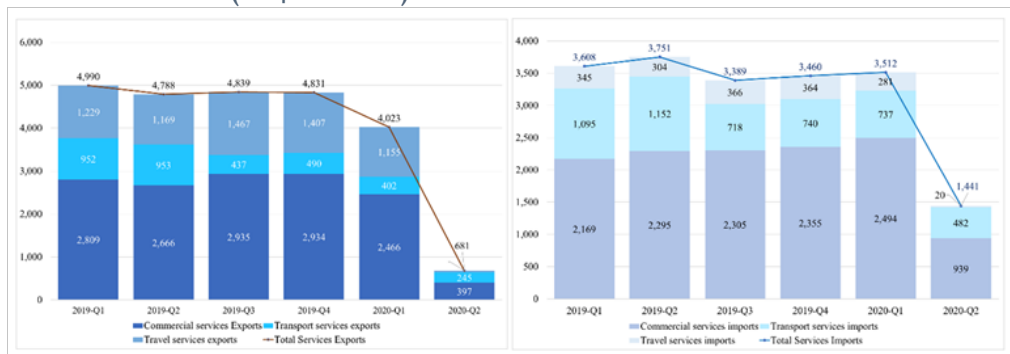


Source: Author

Impact on services trade

Services trade is an important component of EAC economic activity, accounting for 9.5%-21.6% of GDP. Available data shows a cliff-edge drop in EACs services trade as both exports and imports fell drastically from their ‘normal’ trend levels in the last quarter of 2019 (Q4) to the abyss in 2020:Q2 (Figure 4.9). Exports felt the impact earlier in 2020:Q1 (17% quarterly decline) when at the time imports rose by 2%. Both exports and imports fell massively by 83% (from US\$ 4.023 billion to US\$ 681 million) and 59% (from US\$ 3.512 billion), respectively, leading to overall services trade decline by 72% during 2020:Q2 and a services trade account deficit (US\$ 760 million) for the first time in one-and-a-half years under review. The major trade partners such as China and India joined by the West instituted in-bound entry restrictions earlier than out-bound passenger controls, and border closures in the EAC were effected in 2020:Q2. Resilience of commercial services trade owes to e-commerce, which was able to continue with reduced face-to-face interaction aided by digitalization, while travel services trade virtually collapsed by 2020:Q2.

Figure 4.9: EAC services exports and imports before and during the COVID-19 crisis (US\$ millions)



Source: Author

Tourism dominates travel services trade in the EAC and is a particularly important sector in the EAC economy (8.8% of EAC GDP) and foreign exchange earner. Tourism spending in the EAC increased from an average of US\$ 4.787 billion per year during 2010-2014 to US\$ 5.276 billion per year during 2015-2018 (Figure 4.10). Tourism spending accounted for respectable shares of total exports ranging between 15% and 28% during 2015-2018 in Tanzania (US\$ 2.201 billion annually), Kenya US\$ 1.544 billion, Uganda US\$ 1.042 billion and Rwanda US\$ 0.487 billion in descending order of importance in export baskets. Tourism is underdeveloped in Burundi, accounting for only 1.2% of exports during 2015-2018. Tourism earnings as a share of exports and absolute value tended to decline in Kenya but the steady growth in Tanzania and Rwanda, combined with mild swings in Uganda, led to overall increases at regional level.

Looking at the magnitudes of tourism spending and collapse in travel services trade in the EAC, it is easy to appreciate the devastating blow that the pandemic inflicted on the region’s tourism sector as travel services virtually collapsed, wiping out billions

of US dollars in foreign exchange earnings. The damage in this instance reverberated through the entire value chain, including national and regional airlines, suppliers of foods and beverages. Worse, COVID-19 compounded the sector’s already challenged structure and profile due to a number of factors identified by the EAC 6th Development Strategy 2021/22–2025/26 as including “a narrow range of tourism products; inadequate and inefficient infrastructure; insecurity; negative advisories from some source markets that are issued from time to time; stiff competition from relatively less costly travel destinations; inadequate financial and human resource; absence of harmonized policies and strategies; inadequate joint tourism promotion in international and regional markets; lack of common approach to implementation of international and regional treaties or agreements; inadequate research and development; and an under-developed framework for e-tourism and online transactions.”

Figure 4.10: Impact of the COVID-19 crisis on tourism spending in the EAC



Source: Author using data from www.macrotrends.net

Given its high relative importance, tourism should be prioritized for special support and preparedness to catch the early waves (when skies reopen) of COVID-19 fatigued and travel-starved tourists seeking gateway holidays and business travel. Tourist destinations in South Asia and the Pacific (e.g., Maldives, Thailand and Fiji) and other parts of Africa (e.g. Mauritius, Seychelles) at similar or further distance to the EAC from major global economies will pose significant competition, most of whom are set to offer massively low-budget promotional holiday packages to maximize sales (over short-term profit).

The hospitality industry and airlines, aided by government support in improving strategic infrastructure and security and fiscal incentives should come together to invent new competitive holiday packages if they are to win a bigger share of the soon-to-be-unleashed tourism from both international and regional sources and millennials. The EAC should leverage on digital technology for marketing and e-tourism, short-term recruitment and hosting of leading influencers on social and other media in target major tourism source markets. Equally important, partner states should expedite approval and implementation of strategic interventions for tourism contained in the 6th Development Strategy including “Development and Implementation of EAC Tourism Marketing Strategy and Tourism Recovery Plan”.

Impact on trade facilitation

The COVID-19 pandemic has tested the EAC and other regions in varying ways and extents that exposed the scale of unfinished business and fragility of cooperation in trade facilitation despite the progress made by the region in this regard. Trade facilitation in the EAC is guided by the EAC-CU and EAC-CM protocols and operationalized through legal and regulatory instruments, including the East African Customs Management Act (EACCMA) 2004, which is aligned to the Revised Kyoto Convention (RKC) of the World Customs Organization (WCO) and the Trade Facilitation Agreement (TFA) of the WTO, the EAC Elimination of Non-Tariff Barriers Act 2017, EAC One-Stop-Border Post Act, among others. The region champions automation in trade facilitation through implementation of national Electronic Single Window systems, Revenue Authority Digital Data Exchange (RADDEx) system for exchange of information between partner states Customs Management Systems to reduce the times and transaction costs of cargo clearance by providing a secure mechanism of confirmation of transit, export and import cargo details electronically. The EAC encourages cooperation among partner states customs administrations and involvement of stakeholders from trade-supporting/regulatory ministries, departments and agencies and the private sector in National Trade Facilitation Committees (NTFC)—a requirement under the WTO TFA—for effective cooperation on trade facilitation and customs compliance issues.

Due to varying extents of resource and capacity challenges faced by partner states to implement best practice trade facilitation measures (as seen in sub-section 2.5 on the discussion of logistics performance as a proxy of the state of trade facilitation),

the EAC is yet to reach full harmonization. Incomplete harmonization is one of the sources of continuing trade facilitation frictions and as a result is compromising trade competitiveness and realization of full trade and economic growth potential. Consultations with the EAC partner states on their experiences with trading and trade facilitation during the COVID-19 crisis reveal that despite respectable progress made by the region particularly compared to the other African RECs, there still room to improve (Table 4.2). For example, improvements are needed on harmonizing documentation and border compliance issues on requirements, product standards, testing and quarantine for frequent truckers, taxes and duties on trade and extra payments to staff (including bribes), collaboration and coordination among border agencies, limited facilities (for normal times and social distancing), low technology connectivity.

It was not surprising, therefore, that when the number of COVID-19 cases in the EAC started increasing, the first instincts of each partner state was to secure borders by introducing additional entry conditions that included testing inbound passenger and cargo truckers for COVID-19. Furthermore, the manner in which additional/emergency cross border entry conditions were introduced and enforced is also revealing. For example, neither were the NTFCs sufficiently involved in the ad hoc emergency committees (UNCTAD, 2020), nor did partner states consult and coordinate with each other as stakeholders in the crafting of the additional entry conditions, despite there being regional mechanisms for doing so.

Eventually, the partner states worked together and introduced the “*EAC Administrative Guidelines to Facilitate Movement of Goods and Services during the COVID-19 Pandemic*”, which seeks to promote multisectoral and coordinated approach, harmonize COVID-19 controls to ensure common interpretation and application, providing access at all designated points for entry and exit of goods, and treating cross border movement of trucks and cargo as essential services.

Table 4.2: EAC partner states selected trade and trade facilitation experiences during the COVID-19 crisis

Trade actor	Challenges related to trade policy measures	Challenges related to Customs and trade facilitation	Other trade challenges
Exporters (exporting within EAC)	<ul style="list-style-type: none"> • Unharmonized requirements 	<ul style="list-style-type: none"> • Few personnel to provide the services • Insufficient information on requirements 	<ul style="list-style-type: none"> • Reduced working hours • Limited finance
Exporters (exporting to outside EAC)	<ul style="list-style-type: none"> • Interfacing multiple facilitating agencies 	<ul style="list-style-type: none"> • Regulations (SPS measures) and high costs • Some staff working remotely 	<ul style="list-style-type: none"> • Multiple documentations
Importers (importing from within EAC)	<ul style="list-style-type: none"> • Unharmonized requirements and standards 	<ul style="list-style-type: none"> • Long lines at the borders • Restrictions on use of private bonded warehouses 	<ul style="list-style-type: none"> • Delays at the border

continued next page

Table 4.2 Continued

Trade actor	Challenges related to trade policy measures	Challenges related to Customs and trade facilitation	Other trade challenges
Importers (importing from outside EAC)	<ul style="list-style-type: none"> Limited international transportation High taxes 	<ul style="list-style-type: none"> Long time/delays for trade clearance High taxes and duties 	<ul style="list-style-type: none"> Delivery-related delays High transport costs
Cross-border truckers	<ul style="list-style-type: none"> Testing and quarantines not harmonized Road tolls and axle limits not harmonized 	<ul style="list-style-type: none"> Trade clearance delays 	<ul style="list-style-type: none"> Delays at the border Poor infrastructure, roadblocks Ungazetted fees
Informal Cross-Border Traders (ICBTs)	<ul style="list-style-type: none"> Restricted movements Police harassment, insecurity 	<ul style="list-style-type: none"> Lack of sensitization on Simplified Trade Regime 	
Customs and other border agencies	<ul style="list-style-type: none"> Facilities not good for social distancing Low technology connectivity 		
Clearing agents	<ul style="list-style-type: none"> Extra payments to staff and new requirements Work permit requirements for clearing agents 		Reduced staff at the borders
Other trade actors	<ul style="list-style-type: none"> Limited collaboration and coordination among agencies in trade facilitation 		

Source: Author, using findings from consultations with EAC partner States

In the intervening period (before the ‘Administrative-Guidelines’ were issued and effected), individual country additional entry measures choked cross border flow of passengers and trade cargo, resulting in traffic congestions, which in some cases stretched as long as 65 kilometres and crossing the border took as long as 7 days and longer, for example month-long delays reported by The Wall Street Journal’s (Bariyo, 2020). Each partner state border agencies insisted on carrying out their own COVID-19 tests on truck drivers (considered key vectors of transmission) whose results would take 4-7 days, and drivers required to quarantine for 14 days. For example, the East African online reported that Rwanda



Slow COVID-19 testing result in long queues such as this on Bungoma-Malaba Highway, and costly delays. Reported by *The East African*, 23 September 2020, under the heading "High costs, delays as Rwanda truckers stopped over COVID-19"

Normally, it takes Abdiyare Muhamed, a 27-year-old truck driver from Kenya, about a week to make the 1,000-mile trip from the Indian Ocean port of Mombasa to the South Sudanese capital, Juba. Now, with African authorities concerned about a surge in Covid-19 cases among truckers, the same journey takes more than a month. Along East Africa’s borders, medical workers in hazmat suits take throat swabs from truck drivers in makeshift clinics to test whether they have the virus that causes the disease, creating traffic gridlocks stretching for miles. *Wall Street Journal*, 12 June 2020.

and Tanzania did not recognize each other's COVID-19 tests, insisting on doing their own tests that would take days before results are known (Gahigi, 2020). As if the burdensome and costly undue delayed border crossing times were not enough, further costs on trade were piled on by high demurrage and related costs (Gahigi, 2020) and bribes demanded by/paid to a few unscrupulous public agency officials to issue fake negative COVID-19 test results or test exemptions. For example, the Uganda Long Distance and Heavy Truck Drivers Association reported that their drivers and associates paid bribes of up to US\$ 40-US\$ 60 for fake negative COVID-19 certificates (multiple certificates for multiple border crossing) or to cross the border without a COVID-19 test, which undermined pandemic control (Clotthey, 2020).

The extra cross-border health safety measures, staff reductions in lockdowns to minimize COVID-19 spread and uncoordinated COVID-19 test and clearance requirements drastically constricted the fledgling EAC trade facilitation systems and thwarted the gains made in implementation of the Single Customs Territory, One-Stop Border Posts, pre-arrival processing, cargo tracking, and the Simplified Trade Regime.

In the wake of these COVID-19-induced border crossing challenges, the EAC received donor financial support to introduce its Regional Electronic Cargo and Driver Tracking System (RECDTS) in all six partner States and also logistically-important neighbouring Democratic Republic of Congo - DRC (EABC, 2020; FEAFFA, 2020). RECDTS is a mobile-phone application for issuing EAC COVID-19 digital certificates mutually recognized by all partner States. RECDTS eliminates the need for multiple testing in different partner states and fake certificates, thereby ensuring smooth flow of cargo and other traffic at East Africa border crossing points (EABC, 2020). Also, with financial support from TMEA and UNCTAD expertise, the EAC Secretariat provided further capacity building (nine-week e-learning course on trade logistics) to more than 130 NTFC members from all EAC partner States, except South Sudan (UNCTAD, 2020).

Furthermore, the EAC received support from TMEA to implement a "Safe Trade Initiative" whose key objectives included "making the ports, borders and critical supply chains safe for trade, ensuring food security and access to critically required medicines, and supporting measures that prevent jobs losses and support exports." This initiative delivered support for application of consistent protocols across the region on key touchpoints, provision of personal protective equipment, increasing number of COVID-19 tests administered at border crossing points, providing quarantine facilities, supporting stakeholder engagements through established structures, supporting sensitization activities for border communities and supporting advocacy initiatives.

In above, COVID-19 kraaled partner States into working together to develop and implement solutions to common problems, including problems stemming from NTBs disguised as non-tariff measures to protect public health and safety. It is also worth noting that some partner States introduce NTBs against one or more other partner States traded goods in retaliation over non-trade disputes (e.g., immigration or political disagreements). EAC partner States need to abide by regional and multilateral trade laws they signed up to, including the EAC Elimination of Non-Tariff Barriers Act

2017 (see Articles 5 (1), which explicitly prohibits partner States from engaging in trade practices, customs procedures or imposing any other measures that constitute non-tariff barriers or any other discriminatory practices), and the WTO TFA and other international conventions on improving TF, including those championed by the World Customs Organization (WCO), which promotes frictionless and gainful trade between countries.

EAC partner States need to work harder to stay focused on the bigger prize of mutually beneficial regional economic integration enshrined in the EAC Treaty and resist being distracted by fleeting frictions and non-trade matters. In this connection, it is also important that EAC partner States address mistrust issues that are potent trigger for erecting artificial procedural barriers that quickly turn into NTBs. There are ways that trust between partner States can be enhanced, including through open audits of changes in trade facilitation procedures and processes by other partner States, regular short-term (3-6 months) senior staff exchanges in trade facilitation.

Impact on E-Commerce

Restrictions on human physical contacts to control the spread of COVID-19 has led to a worldwide phenomenal growth in the application of digital platforms for payment and (some) consumption of goods and services using digital technology devices, including smartphones, laptops, desktops, inter alia. The EAC has captured a portion of this increased e-commerce, helped in part by the recent increase in mobile network and connectivity penetration, notwithstanding the challenging terrain concerning inadequate e-commerce legal frameworks, limited coverage of telecommunication infrastructure, high-cost products and services, and the cost of buying smartphones in the context of low disposable income per capita (Zgovu, 2020). Comprehensive datasets on the scope of e-commerce in the region are still developing, hence it is not possible to paint a complete picture of its dimensions and scale. Overviews of the environment for and levels of e-commerce in EAC partner states follow.

Burundi has relatively low digital technology capacity and activity in terms of mobile connections, internet usage, financial inclusion and mobile connectivity (Zgovu, 2020). E-commerce plays a limited economic role, projected to be worth US\$ 5.0 million or 0.14% of GDP in 2020. The average user spends US\$ 8.19 annually¹². It is estimated e-commerce will grow by 20% in 2020, in large part driven by the COVID-19 crisis-induced surge in demand for online-supported transactions. The popular products traded are fashion products (US\$ 2.0 million), followed by electronics and media products.

Rwanda boasts a relatively good level of e-commerce preparedness, with above average state of mobile network infrastructure (index 63/100), 73% of the population with mobile connection, second fastest internet speeds in the EAC (17.3 mbps) and highest quarterly growth in advertising reach (on Facebook, 14%) in EAC in 2019 (Zgovu, 2020). E-commerce is forecast to grow by 21% to reach US\$ 62 million in 2020 on the back of increased consumption of online digital services accelerated by

the challenges of physical trading in pandemic times. The average user spends US\$ 25.13¹³, more than thrice the spend in Burundi. Commonly purchased products include fashion, electronics and media, the latter being particularly useful for information sharing during the pandemic. The challenges include falling number of mobile connections (by 1.6% in 2019), generally lower scores on other metrics including financial inclusion and mobile connectivity (excluding mobile network infrastructure), and poverty (56.5% of residents living on less than US\$ 1.90 a day).

South Sudan has mobile connections, internet usage, highest average mobile connectivity index (58) in the EAC and disposable income (the second highest GNI per capita of US\$ 1,090 per annum during 2015-2019). No data is available on e-commerce growth forecast; however, the above show foundations of promising potential for e-commerce, and the COVID-19 crisis is likely to have intensified e-commerce. The country faces challenges in underdeveloped institutional frameworks, and logistics.

E-commerce in Tanzania is forecast to be worth US\$ 160 million in 2020 and with grow from 18.2% annually over 2020-2024 to reach US\$ 312 million by 2024.¹⁴ During a 10-month period 2016-2017, residents effected mobile money transfers valued at US\$ 21.73 billion. Average spend per user is lower than in Rwanda, estimated at US\$ 22.80. This level of e-commerce is built on the largest population and third highest disposable income (US\$ 1,004 during 2015-2019) by EAC standards, highest literacy rates (73% for females), highest urban population (34%) and the second highest proportion of residents using the internet. The challenges faced include low capacity mobile network infrastructure (only ahead of Burundi), affordability of devices and services, availability of relevant content and services, and financial inclusion (only better than one partner state) (Zgovu, 2020).

Uganda's e-commerce is projected to grow by 20.5% to US\$ 173.0 million on account of positive trends in key determinants, including high literacy rates, growing 3G-5G broadband connections (49% of connections), growth in social media consumption (27%), mobile money account ownership (51% of persons aged 15+ years) and equally important, COVID-19-induced growth in use of online platform services. The popular e-commerce purchases in 2019 and 2020 are fashion (US\$ 58.0 million) and electronics and media (combined value US\$ 50.8 million).¹⁵ Average revenue per user is estimated at US\$ 22.73 within the range of values seen in Rwanda (US\$ 25.13) and Tanzania (US\$ 22.80) well below the values in South Africa (US\$ 232) and Netherlands (US\$ 1,986) on one of the top endpoints in this respect (Zgovu, 2020).

Kenya has the largest consumer of e-commerce goods by volume and value in the EAC, estimated at decent levels of US\$ 640 million - but far less than South Africa (US\$ 3.31 billion) and world leader Netherlands (US\$ 14.53 billion). The bulk of Kenya's payments involve use of cash (44%) on delivery, followed by 'other' means (33%) being principally mobile money accounts and lastly credit cards (23%). More advanced e-commerce Netherlands uses bank transfer (65% of payments) most, and credit cards (41%) in South Africa. Kenya's digitally-enabled consumer payments (for all products and services) were US\$ 2.3 billion, representing a notable 2.4% of GDP in 2019. Digital advertising is an important element of e-commerce in Kenya, estimated

at US\$ 244.0 million, the bulk of which is from social media advertising (US\$ 115.0 million) in 2019. The factors behind Kenya's e-commerce growth include a relatively high GNI per capita (US\$ 1,482), growing at 3% annually, high mobile connections and internet usage rates, fastest internet speeds in EAC, financial inclusion and mobile connectivity, online consumer purchases and digital advertising. The COVID-19 pandemic spurred further adoption of digital technologies and e-commerce; the 2020 e-commerce value forecast is US\$ 1.093 billion in 2020 and US\$ 2.243 billion by 2024. The products involved include home electronic appliances and media (US\$ 431 million), fashion and apparel, groceries, food, furniture, mobile phones, flowers, beauty products, pharmaceuticals, vehicles and real estate.

E-commerce has played an important role in trade continuity, to a small extent relative to normal trade levels, during the COVID-19 pandemic. Digital technology has also been useful in trade facilitation and e-commerce, including reporting of NTBs at the borders and tracking and tracing cargo and truck drivers, inter alia, as alluded to already. There are opportunities for increased role and effectiveness and contribution to user welfare, but there are challenges standing in the way. All EAC partner states face challenges associated with underdeveloped legal and regulatory institutional frameworks that constrain market entry and competition. Other challenges include data protection and security for consumer protection and confidence, inadequate telecommunication infrastructure.

5. Conclusion and policy implications

Summary of findings and conclusions

The paper has investigated EAC regional trade policy experience during the COVID-19 crisis with a view to contributing to charting an evidence-based way forward to reinvigorate regional and extra-regional trade post-COVID-19 crisis for sustainable economic growth and development of the region. As part of this process, the paper examined the prevailing economic and trade fundamentals to contextualize the effects of the crisis and response measures taken by partner States. This is cognizant of the fact that, in some cases, the crisis accentuated pre-existing structural and systemic stresses, leading to amplified effects while in other cases the effects of the crisis were moderated by improvements in the EAC trade-ecosystems, for example regional trade integration and improved trade facilitation capacities in the EAC Customs Union.

Some of the key findings are that EAC trade was growing steadily pre-COVID-19, partly on account of growing international demand for commodity exports and preferential access to markets with trade agreements. However, some of the fundamentals were already weak; for example sub-optimal policy and regulatory harmonization, coordination, implementation and review and monitoring mechanisms. Furthermore, unresolved supply-side constraints including productive infrastructure and capacity for trade compliance, low domestic/regional supply capacity to meet domestic/regional demand (heavy reliance on imports), leading to untapped export potentials despite good progress in trade facilitation, and investment climate. Consequently, the COVID-19 crisis preyed on fragile trade fundamentals and hit the weakest and vulnerable the hardest. In response to the crisis, EAC partner States introduced national and later regional emergence health control measures, including COVID-19 testing at the borders, recognition of each other's pass test certificates, enhanced tracking of trucks with truck-drivers viewed as potent vectors of the virus spread, and expedited clearance of medical and supporting personal protective equipment.

The COVID-19 crisis has ebbed and flowed in three noticeable global waves with the emergence of the first (Chinese) and new variants of the virus in the third (UK strain) and fourth (South African strain) quarters of 2020. The EAC recorded dramatic trade and economic declines during March-May 2020 before posting tepid rebounds from June through August-September 2020 but these were dampened by the effects of second and third waves of the virus. In fact, like for many other regions, the EAC trade has not had an effective trade recovery that compensates over and above the losses experienced in 2020 vis-à-vis 2019 trade performance.

Both goods and services trade have been adversely affected but services, in particular tourism and hospitality sectors, have been most impacted due to worldwide restrictions and for some time bans on international passenger travels. Given the significant importance of tourism in the EAC value chains and export trade basket, the adverse short-term and medium-term output, employment and income effects have unquestionably been immense for the region.

Restrictions on movements provided further impetus for domestic e-commerce to blossom, but these are largely dominated by mobile money transfers, concentrated in urban centres, and involve more males than females and consumer goods than investment spending. E-commerce would have played a greater role in these times were it not for undeveloped and uncoordinated supportive legal and market institutions, telecommunication infrastructure and generally low economic purchasing power of the population. The crisis has clearly shown that the future is digital and the EAC needs to start working more seriously than before to invest in setting up the necessary institutions, infrastructure and digital technology uptake among its populations.

The pain of the COVID-19 crisis has been felt more acutely in economies heavily reliant on disintegrated global value chains. The crisis reawakens the urgency for developing and maintaining strong domestic and regional industrial clusters to meet local, regional and global export market demands. This is not a call for empirically retrogressive inward-looking import-substitution regimes but for growing industries that can compete with imports in domestic markets and other exports in regional and global markets. After all, it has been shown that the EAC has considerable untapped export potential to be exploited. In this connection, improving trade facilitation further and taking full advantage of preferential trade agreements offer useful export market access avenues, subject to the EAC having the capacity to comply with access conditions that have largely shifted from tariffs to non-tariff measures. Mobilizing for trade development assistance in trade agreements and other arrangements is an important aspect here.

Way forward

The COVID-19 crisis brought to the forefront the importance of maintaining strong trade fundamentals and base, regional harmonization and coordination, reserve domestic/regional capacity, digital technology and e-commerce, the need to grow and expand access to strategic markets (e.g. AfCFTA opportunity). The findings of the paper suggest that the EAC needs to consider addressing/implementing the following as a way forward:

- Expedite full harmonization and coordination for synergies and scale economies in trade management and facilitation:
 - Trade clearance procedures and processes, including issuance and approvals of permits and certifications, including for COVID-19 trade standards and assessment of their conformity;
 - Increased digitalization of trade clearance procedures and processes, to do away with currently commonplace submission and exchange of hard copy documents and human inspection and approvals. Progress made by some partner States (e.g. operating electronic single window systems) is acknowledged but more digitalization is needed to change the modus operandi to complete paperless document submission, exchange, and receipt of approvals and e-payments of charges due to reduce the cost of doing trade. COVID-19 control measures, including social distancing, reduced border agency staff, minimized contact with surfaces potentially exposed to the coronavirus coupled with limited paperless trade contributed to long cargo traffic queues at the borders, costing trade in extended border crossing times and resources.
 - Fully implementing the WTO-TFA, which also covers paperless customs and trade facilitation, and also provisions where the EAC lags behind or not fully developed, for example on advance ruling (Article 3), Article 7 (on release and clearance of goods including: pre-arrival processing; electronic payment; allowing the release of goods prior to the final determination of customs duties, taxes, fees, and charges; risk management; post clearance audit; TF for authorized operators, expedited release of goods entered through air cargo facilities and freedom of transit (Article 11).
 - EAC partner States should work harder to resist being distracted by fleeting political frictions and other non-trade matters and instead keep focused on the bigger prize of mutually beneficial regional economic integration enshrined in the EAC Treaty. Trade should be preserved as a sacred boon, not a weapon to even or settle differences. In this regard, it is important that EAC partner States address mistrust issues that foment erection of artificial trade

clearance procedural hurdles that translate into NTBs. EAC partner States should deepen trust by instituting programmes of open audits of changes in trade facilitation procedures and processes, complemented by regular short-term (3-6 months) senior Customs staff exchanges, in addition to existing cooperation arrangements between customs administrations.

- Revive and deepen linkages and integration of domestic value chains into regional and international value chains. In this regard, EAC should expedite implementation of its well-illustrated regional trade policy, special economic zone (SEZ) strategy, and the EAC COVID-19 Recovery Plan.
- One of the major hurdles to effective export market access faced by developing countries is lack of adequate capacity to comprehensively comply with legitimate non-tariff measures (NTMs), including for Sanitary and Phyto-Sanitary (SPS), technical and standards specifications and conformity assessment of the same. Thus, EAC partner States should redouble efforts to mobilize and invest resources to develop requisite trade and market access compliance capacities in preferential and open global export markets.
- EAC should fully embrace and advance growth and development of e-commerce that has also been a lifeline for domestic commerce and international trade for major global economies during the crisis. The initial conditions for e-commerce growth in the region are weak, but the EAC cannot afford to allow the digital-divide to widen further and open another angle of marginalization in an increasingly digitalized world economy. To this end, the EAC needs to develop e-commerce with supportive regulatory environment and culture, including on data protection, data security, market entry for competition, product pricing, deliberate community-level digital literacy interventions with supporting curriculum, supporting local content creation for greater citizen participation and consumer welfare growth. The EAC should leverage on data analytics using growing social media data to help e-commerce operators deepen and widen scope and reach of e-commerce.
- The EAC desires to ratify the AfCFTA and other trade agreements as a bloc region. At the time of writing, some EAC partner States are ready to ratify and start implementing the AfCFTA, the EAC-EU EPA, the EAC-UK EPA and other trade agreements while others are yet to decide to ratify for one reason or another. This means there is need to intensify preparatory work and ratify AfCFTA and other trade agreements to seize advantageous positions (early bird) and opportunities before preferential margins erode for late comers as trade partners enter similar preferential trade agreements with third parties.
- EAC partner States should identify and programme short-term support to 'quick wins' key sectors where there will be immediate increase in demand when the world reopens. For example, in tourism, the EAC should introduce attractive holiday packages and early campaigns, improving on what was previously offered

before the COVID-19 crisis to be competitive tourist destinations. Competitors in Thailand, Maldives, Seychelles, and South Africa have gone into overdrive advertising with substantially discounted holiday packages in source markets in readiness for reopening. In this regard, EAC hoteliers, airlines, their value chains, with government support, should work together to formulate competitive holiday/business travel packages. Global influencers on social media should also be brought on board to assist with promoting visibility and good image and translate that into business. The governments should beef-up supportive infrastructure (even site-specific), security, reduce or eliminate some of the tourist costs – visa fees, departure tax. The EAC Secretariat should set up and maintain updated database of measures of competitiveness of EAC partner states and competitors in tourism and other products.

- One of the problems that developing countries face in global export markets is limited visibility, and consumer unawareness, which gets more complicated in today's highly globalized value chains. To address this, EAC partner states need to invest more in raising their products' profile and visibility in the relevant value chains through effective information and visibility campaigns on business/investment, trade, tourism opportunities in the region, including through leveraging EAC-trade partner business associations, engaging major global and regional product distributors, introducing visible links on webpages of all government institutions, the EAC Secretariat, leading national and regional organizations, social media platforms, and other globally patronized media. Export promotion agencies need more capacitation to do more effective horizon-scanning for market intelligence to expand and win trade opportunities where traditional suppliers are weak/slow to respond to demand.
- Maintain updated EAC trade statistics to support the widely acknowledged evidence-based policy making and implementation in the region. Partner states should harmonize templates for reporting trade data (e.g. monthly trade flows) to allow easy direct comparison of performance across the region.

Notes

1. See <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/events-as-they-happen> Accessed 20 November 2020.
2. Established under Article 75 of the Treaty for the Establishment of the East African Community.
3. EVI is one of the criteria used by the United Nation (UN)'s Economic and Social Council (ECOSOC) when assessing countries for graduation from the Least Developed Countries (LDC) status. The other criteria are gross national income (GNI), calculated from national accounts data converted into USD US\$ using the World Bank Atlas method to control for short-term exchange rate fluctuations), and Human Assets Index (HAI), which measures the level of human capital, captured by health and education sub-indices.
4. The overall EVI also includes measures on Share share of population living in low elevated coastal zones (LECZ), Population population living in drylands (DRY) and Victims victims of disasters (VIC) that are not shown in the table.
5. NTM frequency ratio measures the number of product lines subject to NTMs expressed as a proportion of all products, while NTM coverage ratio is defined as the share of trade in a given product range subject to NTMs. Both ratios have limitations in that they do not tell us about the restrictiveness or impact of the various NTMs listed on trade; the NTM frequency ratio does not take into consideration the variety of NTMs per product (equal weights are assumed), inter alia.
6. The Export Potential Map identifies products/commodities, markets and suppliers with (untapped) export potential as well asand opportunities for export diversification for 226 countries and territories and 4,363 products. Based on the ITC export potential and diversification assessment methodology, it evaluates export performance, the target market's demand and tariff conditions as well asand bilateral links between the exporting country and target market to provide a unique ranking of untapped opportunities. The estimated export potential dollar value serves as a benchmark for comparison with actual export performance and should not be interpreted as a ceiling value. In reality, , the actual trade value may be below or above the potential value.

7. A large number (top 20) of commodities is used here in attempt to capture and show export commodities from all six EAC Partner partner States. Otherwise, due to space limitations, fewer (top 9) commodities are considered in the analyses and discussion that follows.
8. Also, data on trade values data is used due to incomplete trade volume and unit value datasets. Thus, exchange rate fluctuations might be an important factor in some of the observed value movements, but no wild exchange rate fluctuations have been reported in the EAC during the period of analysis.
9. Analysis of direction of trade is limited to June 2020 because of lack of complete trade data disaggregated by exports destinations and import origins beyond June 2020.
10. Exports of gold to the Middle East in May and September 2019 by Burundi account for the region's outlier surges in panel A.
11. Uganda imports data not available at the time of the study.
12. See <https://www.statista.com/outlook/243/183/ecommerce/burundi>.
13. See <https://www.statista.com/outlook/243/305/ecommerce/rwanda>.
14. <https://www.statista.com/outlook/243/344/ecommerce/tanzania>.
15. <https://www.gsma.com/sotir/wp-content/uploads/2020/03/GSMA-State-of-the-Industry-Report-on-Mobile-Money-2019-Full-Report.pdf>.

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Appendix

Table A1: EAC export market analysis – Potential exports, actual exports and untapped export potential by commodity and main markets

	Potential supply to the market given current conditions (US\$ mn)	Actual EAC Export Supply to the market (US\$ mn)	Untapped potential by EAC (US\$ mn)	Export expansion needed to exhaust potential (%)	Potential (demand) in the market (US\$ mn)	Actual world exports to the market (US\$ mn)	Market's Untapped potential excluding Untapped Potential by EAC (US\$ mn)	Current EAC's share in the market (%)	Expanding exports by EAC's mkt share on outstanding Untapped
	a	b	c	$d = c/a$	e	f	g	$h = b/f$	$i = (1+h\%) * g$
Overall (selected goods)	10,795.9	6,782.5	4,355.4	60	58,719.3	37,196.0	32,840.6	18	3,791.5
090111: Coffee, not roasted, not decaffeinated									
1 USA	348.2	234.3	115.1	67	7,300.0	4,300.0	4,184.9	5	162.6
2 Netherlands	120.0	14.4	105.6	12	914.1	554.7	449.1	3	9.2
3 Japan	201.0	137.5	68.4	66	1,900.0	1,200.0	1,131.6	11	76.8
4 Belgium	162.6	103.9	59.6	63	1,600.0	1,000.0	940.4	10	66.7
5 France	96.7	47.2	50.3	48	951.9	575.8	525.5	8	40.1
6 Germany	322.5	280.6	43.2	87	4,400.0	2,700.0	2,656.8	10	193.0
7 Italy	207.9	166.3	41.9	80	2,300.0	1,400.0	1,358.1	12	107.5
8 Saudi Arabia	158.9	122.2	36.7	77	272.9	159.2	122.5	77	63.4
9 United Kingdom	70.8	42.0	31.5	56	833.4	499.4	467.9	8	28.7
10 South Korea	88.1	76.7	17.4	80	706.1	424.8	407.4	18	51.8
Sub-total	1,776.7	1,225.1	569.7	32	21,178.4	12,813.9	12,244.2	10	799.8
090240: Black Tea Packings>3kg									
1 Pakistan	641.6	502.5	139.1	78	1,100.0	551.8	412.7	91	335.8
2 USA	113.4	10.9	102.5	10	317.0	186.6	84.1	6	6.4
3 Russia	152.3	59.4	93.0	39	623.1	374.6	281.6	16	29.5
4 Egypt	287.8	213.6	74.9	74	493.8	240.1	165.2	89	159.7
5 Kazakhstan	91.1	41.0	50.1	45	139.0	75.1	25.0	55	18.1
6 United Kingdom	201.6	160.1	48.6	76	461.2	277.7	229.1	58	100.7
7 UAE	117.5	90.1	27.4	77	282.6	174.4	147.0	52	42.5
8 Afghanistan	69.9	50.8	19.0	73	123.5	66.1	47.1	77	36.1
9 Sudan	55.1	44.7	18.8	66	70.7	44.8	26.0	100	15.5
10 Yemen	57.0	48.0	9.0	84	88.9	48.8	39.8	98	30.7
Sub-total	1,787.3	1,221.1	582.4	33	3,699.8	2,040.0	1,457.6	60	774.8
12074: Sesamum									
1 China	1,100.0	570.0	503.3	54	2,100.0	1,000.0	496.7	57	340.1
2 Japan	117.7	39.1	80.1	32	336.0	247.4	167.3	16	11.5
3 India	150.0	82.1	76.8	49	216.7	109.3	32.5	75	34.9
4 Egypt	147.8	81.8	65.9	55	178.0	95.5	29.6	86	14.8
5 Saudi Arabia	100.8	69.5	65.3	35	130.8	80.5	15.2	86	17.8
6 Turkey	113.0	61.4	52.5	54	446.8	231.5	179.0	27	50.8
7 Israel	115.4	73.3	42.0	64	152.8	95.6	53.6	77	12.7
8 South Korea	36.6	5.3	31.3	14	250.0	131.4	100.1	4	5.6
9 USA	33.2	2.2	31.0	7	100.5	68.6	37.6	3	0.8
10 Jordan	40.0	35.2	19.8	51	67.5	39.8	20.0	88	20.8
Sub-total	1,954.5	1,019.9	968.0	50	3,979.1	2,099.6	1,131.6	49	509.9
0905: Vanilla									
1 USA	580.2	344.2	239.0	59	774.7	458.2	219.2	75	79.0
2 France	326.8	184.7	142.1	57	364.2	220.5	78.4	84	15.6
3 Germany	174.0	103.1	71.6	59	216.5	132.3	60.7	78	19.2
4 Canada	61.9	36.1	26.4	57	82.4	47.8	21.4	76	8.7
5 Mauritius	57.4	33.1	24.4	57	61.2	35.0	10.6	95	1.9
6 Netherlands	47.3	25.5	21.8	54	57.5	34.8	13.0	73	4.5
7 India	25.1	6.6	20.8	17	32.2	17.0	-3.8	39	0.9
8 Switzerland	31.1	10.9	20.2	35	37.8	22.7	2.5	48	3.5
9 Japan	37.6	18.8	19.0	49	43.7	27.7	8.7	68	2.4
10 United Kingdom	15.8	4.0	12.5	21	21.6	13.0	0.5	31	0.5
Sub-total	1,357.2	767.0	597.8	44	1,691.8	1,009.0	411.2	76	136.2

	Potential supply to the market given current conditions (US\$ mn)	Actual EAC Export Supply to the market (US\$ mn)	Untapped potential by EAC (US\$ mn)	Export expansion needed to exhaust potential (%)	Potential (demand) in the market (US\$ mn)	Actual world exports to the market (US\$ mn)	Market's Untapped potential excluding Untapped Potential by EAC (US\$ mn)	Current EAC's share in the market (%)	Expanding exports by EAC's mkt share on outstanding Untapped
	a	b	c	d = c/a	e	f	g	h = b/f	i = (1-h%)*g
080131: Cashew nuts in shell									
1 Viet Nam	581.3	196.7	384.6	34	4,500.0	1,700.0	1,315.4	12	279.5
2 India	401.2	139.1	262.1	35	2,800.0	1,200.0	937.9	12	155.1
3 China	6.4	0.1	6.4	0	26.7	11.0	4.6	1	0.2
4 Saudi Arabia	0.4	0.1	0.4	13	2.2	10.6	10.2	1	0.0
5 Belgium	0.2	0.0	0.2	0	3.2	2.7	2.5	0	0.0
6 Singapore	0.2	0.0	0.2	15	4.9	6.9	6.7	0	0.0
7 Sri Lanka	0.6	0.5	0.2	74	4.8	2.5	2.3	18	0.5
8 South Africa	0.2	0.1	0.2	32	1.4	930.4	930.2	0	0.0
9 Canada	0.1	0.0	0.1	29	1.2	1.3	1.2	3	0.0
10 UAE	0.1	0.1	0.0	94	0.7	0.7	0.7	18	0.1
Sub-total	990.8	336.7	654.2	66	7,345.1	3,866.1	3,211.9	9	435.4
0603xx: Cut flower & buds, fresh									
1 USA	169.4	7.5	161.9	4	2,000.0	1,600.0	1,438.1	0	1.2
2 Netherlands	504.8	447.7	61.1	88	932.7	741.0	679.9	60	159.4
3 Russia	65.3	31.5	33.8	48	664.1	418.7	384.9	8	19.1
4 Norway	72.0	40.1	32.5	55	87.8	69.9	37.4	57	1.9
5 Japan	39.8	13.9	26.1	34	363.6	315.0	288.9	4	7.2
6 Belarus	26.5	11.3	15.2	43	88.0	79.9	64.7	14	2.1
7 Switzerland	24.7	18.8	8.5	66	197.7	164.0	155.5	11	4.7
8 Saudi Arabia	43.0	34.8	8.2	81	89.5	54.1	45.9	64	21.1
9 UAE	26.7	18.7	8.0	70	78.6	49.1	41.1	38	9.4
10 United Kingdom	22.7	92.1	0.1	100	928.4	840.9	840.8	11	24.0
Sub-total	994.9	716.4	355.4	36	5,430.4	4,332.6	3,977.2	17	250.1
160414: Prepared or preserved tunas									
1 France	245.4	147.4	106.9	56	686.6	463.0	356.1	32	73.5
2 Italy	165.6	88.5	77.1	53	864.8	639.9	562.8	14	53.4
3 Spain	103.7	57.8	46.5	55	856.4	597.6	551.1	10	31.9
4 USA	58.4	26.6	31.7	46	1,600.0	1,000.0	968.3	3	15.7
5 Germany	29.4	6.4	23.1	21	525.6	374.3	351.2	2	4.4
6 Japan	14.4	0.0	14.4	0	441.8	329.1	314.7	0	0.0
7 South Africa	14.1	0.1	14.0	1	58.9	40.4	26.4	0	0.0
8 Netherlands	55.2	44.4	10.9	80	381.0	269.4	258.5	16	31.2
9 United Kingdom	133.2	147.9	2.8	98	617.1	481.4	478.6	31	94.6
10 Finland	14.7	12.7	2.5	83	57.1	40.3	37.8	32	7.2
Sub-total	834.1	531.8	329.9	40	6,089.3	4,235.4	3,905.5	13	312.1
010410: Live Sheep									
1 Qatar	30.6	3.5	27.1	11	127.2	84.3	57.2	4	3.1
2 Saudi Arabia	476.5	518.4	25.8	95	871.5	563.6	537.8	92	323.8
3 UAE	22.8	1.1	21.7	5	40.5	27.1	5.4	4	0.4
4 Jordan	21.0	0.0	21.0	0	101.9	63.0	42.0	0	0.0
5 Kuwait	14.1	0.6	13.4	5	150.6	120.3	106.9	1	0.3
6 Turkey	10.9	0.0	10.9	0	42.0	25.2	14.3	0	0.0
7 Italy	5.6	0.0	5.6	0	80.0	69.9	64.3	0	0.0
8 Lebanon	5.3	0.0	5.3	0	20.9	18.9	13.6	0	0.0
9 Bahrain	5.5	3.6	3.1	44	10.4	9.3	6.2	39	0.7
10 Oman	24.1	39.6	0.8	97	60.6	78.0	77.2	51	13.0
Sub-total	616.4	566.8	134.7	22	1,505.6	1,059.6	924.9	53	341.4
750210: Nickel, not alloyed, Unwrought									
1 India	57.0	2.5	54.4	5	568.0	374.6	320.2	1	1.6
2 Taipei Chinese	61.3	36.2	25.1	59	452.4	285.1	260.0	13	30.3
3 Netherlands	41.1	16.2	24.9	39	1,000.0	1,100.0	1,075.1	1	2.4
4 Singapore	26.6	3.2	23.5	12	225.9	135.9	112.4	2	2.7
5 China	88.0	71.2	16.8	81	2,800.0	1,700.0	1,683.2	4	45.4
6 Belgium	18.6	7.2	11.3	39	246.9	217.7	206.4	3	5.2
7 Spain	21.6	14.2	7.3	66	246.2	193.7	186.4	7	5.9
8 Japan	71.9	132.2	0.0	100	456.0	354.1	354.1	37	74.1
9 Korea	71.3	90.6	0.0	100	404.4	278.7	278.7	33	53.2
10 USA	26.6	24.2	0.0	100	1,400.0	1,100.0	1,100.0	2	10.8
Sub-total	484.0	397.7	163.3	34	7,799.8	5,739.8	5,576.5	7	231.7

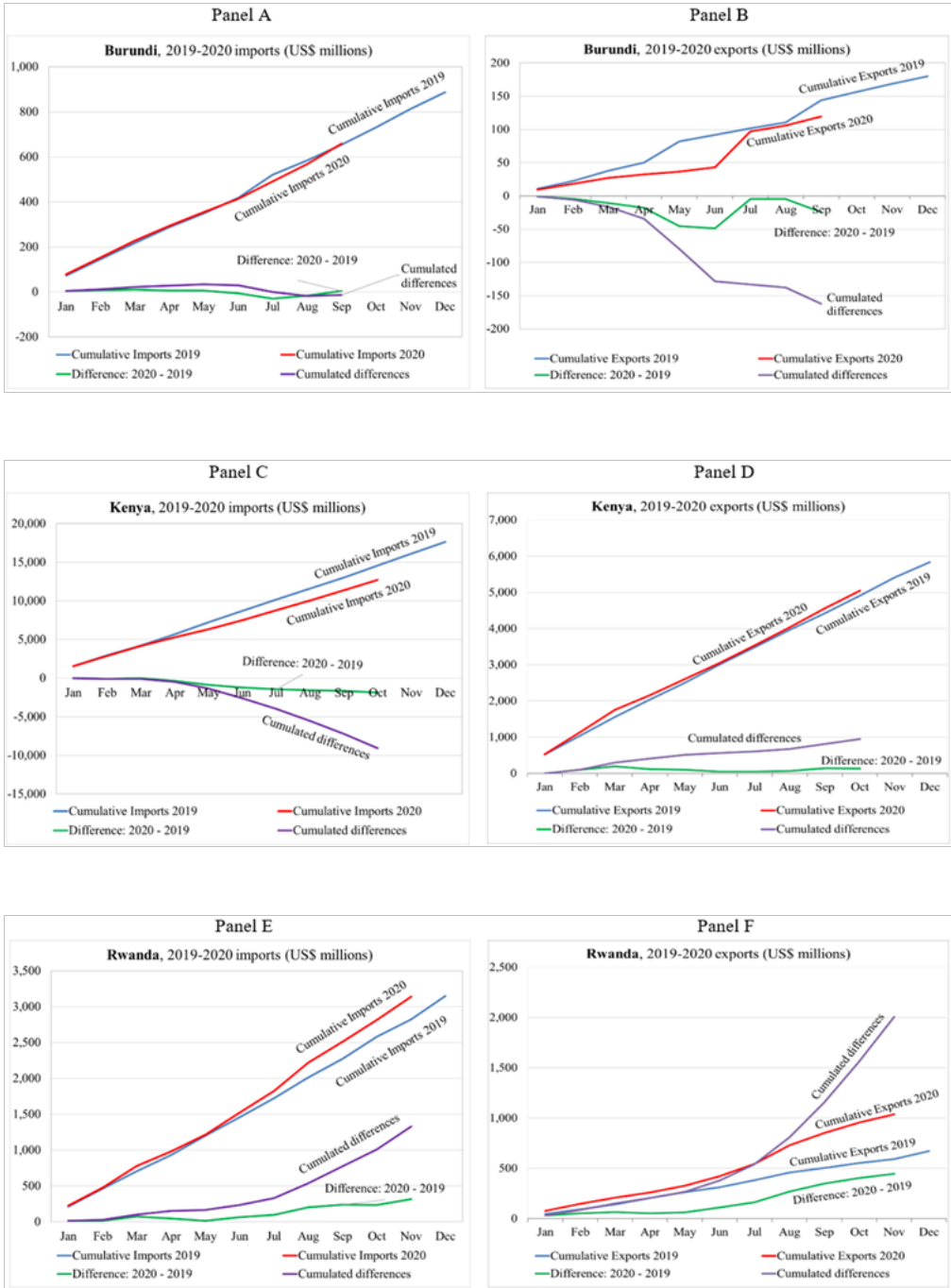
Source: Author using data from ITC Trade Map

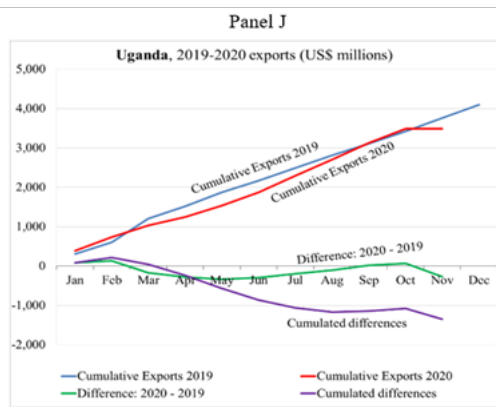
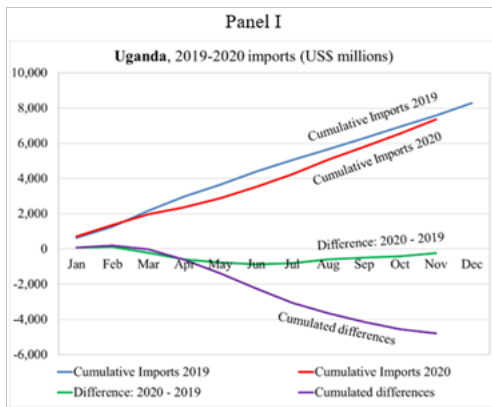
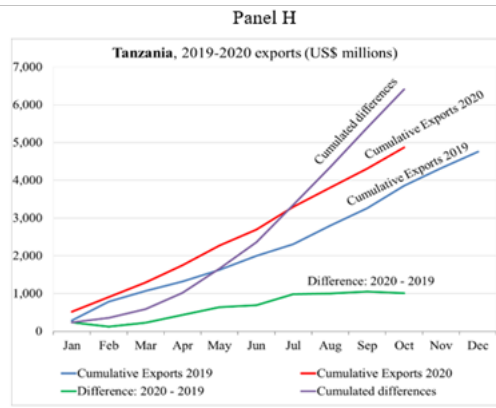
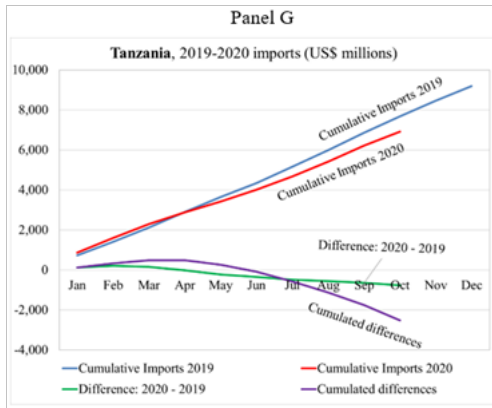
Table A2: EAC potential, actual and untapped export potential in all world regional markets

Rank by EAC Potential	Market	Trade Agreement involving EAC	Potential supply to the market given current conditions (US\$ mn)	Actual EAC Export Supply to the market (US\$ mn)	Untapped potential by EAC (US\$ mn)	Export expansion needed to exhaust potential (%)	Potential (demand) in the market (US\$ mn)	Actual world exports to the market (US\$ mn)	Untapped potential less Potential by EAC (US\$ mn)	Current EAC's share in the market (%)	Expanding exports by EAC's mkt share on Untapped US\$ mn
			a	b	c	$d = c/a$	e	f	g	$h = b/f$	$i = (1+h)\% * g$
	Total (world)		29,103	19,742	15,006	51.6	19,927,800	14,632,800	8,077,794	0.13	12,427
1	EU & W. Europe (excluding UK)	EU EPA*	7,790	5,494	3,994	51.3	6,228,100	5,049,900	2,360,606	0.11	2,568.0
2	East Asia	-	3,900	2,000	2,200	56.4	4,100,000	2,700,000	1,797,800	0.07	1,331.7
3	Eastern Africa	EAC-CM	3,200	2,800	1,300	40.6	99,400	58,400	54,300	4.79	2,603.4
4	North America	USA*	2,900	2,000	1,600	55.2	3,100,000	2,400,000	965,000	0.08	804.2
5	Middle East	-	2,900	2,300	1,200	41.4	986,000	722,100	438,300	0.32	1,396.1
6	South Asia	-	2,600	1,500	1,300	50.0	607,800	354,400	308,400	0.42	1,305.3
7	ASEAN	-	1,700	712	1,200	70.6	1,700,000	1,000,000	829,500	0.07	590.3
8	Southern Africa	TFTA, AfCFTA	1,000	562	670	67.0	138,900	103,200	62,330	0.54	339.5
9	United Kingdom	UK EPA*	900	832	393	43.6	632,400	550,100	215,907	0.15	326.6
10	Northern Africa	AfCFTA	757	620	320	42.3	240,400	163,300	120,580	0.38	457.9
11	East Europe & Central Asia	-	569	237	361	63.4	571,800	383,800	273,239	0.06	168.7
12	Central Africa	AfCFTA	495	481	190	38.4	25,100	16,300	13,910	2.95	410.1
13	Pacific +	ACP**	190	93	129	67.9	282,300	222,200	104,471	0.04	43.7
14	Western Africa	AfCFTA	115	59	86	74.3	143,700	87,900	77,215	0.07	52.0
15	Latin America	-	76	47	58	75.4	1,000,000	771,100	420,843	0.01	25.4
16	Caribbean	ACP**	10	7	6	59.8	71,900	50,100	35,394	0.01	4.6
	Total AfCFTA		5,567	4,522	2,566	46.1	647,500	429,100	328,335	1.05	3,862.9
	<i>AfCFTA as % of:</i>										
	World		19	23	17		3	3	4		31
	EU & W. Europe (excluding UK)		71	82	64		10	8	14		150

Source: Author, using data from ITC. * Negotiations ongoing; ** agreement of the group of African, Caribbean and Pacific (ACP) states with the EU; + this region includes some of the major global markets of Australia and New Zealand, and these are not part of the ACP-EU agreements.

Figure A1: EAC partner states cumulative imports and exports before and during COVID-19 crisis







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