EAST FRICAN COMMUNITY REGIONAL TRADE POLICY STUDY

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Acronyms

AD	Anti-Dumping
AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
ASCC	ASEAN Socio-Cultural Community
ASW	ASEAN Single Window
BOP	Balance of Payment
CETA	Comprehensive Economic and Trade Agreement
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DCFTA	Deep and Comprehensive Free Trade Agreement
EAC	East African Community
EAS	East Asian Summit
EEA	European Economic Area
EFTA	European Free Trade Association
EnPA	Environmental Protection Agency
ESOSs	European Standardization Organizations
ETSI	European Telecommunication Standards Institute
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
GI	Geographical Indicator
ILO	International Labour Organization
IP	Intellectual Property
JMC	Joint Management Committees
MFN	Most Favored Nation
MPAC	Master Plan on ASEAN Connectivity
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NTMs	Non-Tariff Measures
PTA	Preferential Trade Agreement
ROO	Rules of Origin
SADC	Southern African Development Community
SCTIFI	EAC Sectoral Council on Trade, Industry, Finance and Investment
SEA	South East Asia
SMEs	Small and Medium-size Enterprises
SPS	Sanitary and Phytosanitary Standards
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
TRQ	Tariff Rate Quota
USMCA	United States-Mexico-Canada Agreement
WTO	World Trade Organization

EXECTUIVE SUMAMRY

The Regional Trade Policy (RTP) has been developed as an answer to the Partner States' aspirations to use a regional harmonised approach in addressing their external trade priorities, based on the directive given by the EAC Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI) on 26thFebruary 2016 which directed the EAC Secretariat to coordinate development of the RTP. The overall objective of the RTP is to ensure coherence between the EAC Common Market and the external trade policies of EAC Partner States. It will provide coordination in prioritization of resources utilized by EAC Partner States in efforts to achieve their external trade goals. Its specific objectives as spelt out in the Terms of Reference (ToRs) are to:

i) Ensure compatibility between EAC Partner States external trade agreements, reinforcement of the Common Market, and realization of the five freedoms and two rights of the Community through the Partner States external trade agreements;
ii) Ensure that all Partner States share in the benefits of external trade;
iii) Contribute to greater competitiveness and value addition of goods and services originating from EAC region through relevant trade policy measures at regional level;
iv) Enable the EAC to negotiate more effectively with third parties as a regional block.

The RTP covers the following subjects:

i) Analysis of the EAC global trade performance in goods and services and issues linked to trade performance.
ii) Experiences of three mature regional economic groupings (EU[1], NAFTA[2] and ASEAN[3]) in administering trade policies amongst their members and with external trading partners, aimed to guide EAC policy makers in understanding the role of a common trade policy in promoting economic growth, trade competitiveness, and employment creation.
iii) Proposals for a Trade Development Facility (TDF) to enable mobilization of resources to support the RTP strategy implementation process
iv) Proposals for a harmonized regional strategy to take advantage of the WTO Trade Related aspects of Intellectual Property Rights (TRIPS)
v) Proposals for an EAC regional model Law on Trade Remedies based on WTO provisions that could be utilized to protect EAC region from trade malpractices and surges in imports which cause of threaten to cause injury to regional producers, particularly manufacturers
vi) Pros and cons of implementing the RTP to be used as part of lessons learning during implementation of the RTP strategy
vii) Proposals for an outreach programme for raising awareness on the importance of a common external trade policy amongst regional actors such as the East African Community Legislative Assembly, Partner States, national parliaments, private sector and civil society organizations, and the academia
viii) Proposals for the RTP strategy and implementation road map

The process of developing the RTP has entailed wide consultations with stakeholders who have an interest in trade and investment matters amongst EAC Partner States, a review of EAC priorities on trade and investment as specified in the EAC Treaty and accompanying protocols, agreements and instruments;a review of research findings which demonstrate justifications for a regional trade policy, a review of documents detailing experiences of EU, NAFTA and ASEAN with administration of their regional market trade policies, analysis of international trade data focusing on EAC trade trends over

[1] European Union
[2] North American Free Trade Area
[3] Association of Southeast Asian Nations

the period 2009-2018; and a review of WTO provisions on TRIPs and trade remedies (dumping, subsidies and countervailing measures) among others.

The findings show that:

1. EAC Partner States have performed poorly on merchandise trade over the period 2009-2018, with each country posting a growing trade deficit except in the case of Burundi whose trade deficit dropped from US$519.7 million in 2017 to US$ (-ve) 45.15 million in 2018. However, this was an exception as all other EAC countries trade deficit grew over the period with Rwanda's growing by an average 129%, Kenya 97%, Tanzania 33%, and Uganda 36%. In addition, EAC countries do not trade much with each other and also do not trade much with other African countries, as intra-EAC imports stood at a mere average 8% of the region's total imports from the world, while total imports from African countries at only 14%. Imports from non-African states thus dominate the region's merchandise trade taking an average 86% of total imports over the period 2009-2018. This indicates the urgent need to increase intra-EAC trade by strengthening potential regional chains, particularly for manufactured goods which are currently imported from outside the region while raw materials used to process them exported and then re-imported in finished form.

2. For trade in services, the overall picture shows that Kenya and Tanzania performed well with each posting a positive trade balance over the period 2009-2018. Tanzania emerges the best performer with a whopping 1340% growth in services trade balance over the period. However, all the other three EAC countries performed poorly with each posting a trade deficit,although Burundi's services trade declining slightly from US$ (-ve) 588.2 million in 2007 to US (-ve) 519.8 million in 2017 while Rwanda's trade deficit dropped by an average 81% over the period 2009-2018. However Uganda's services trade deficit grewby an average 71% between 2009 and 2018.

3. Each of the Partner States have prioritised measures to grow both their merchandise and services trade, which in summary include:

   i) Measures to increase market access for trade in goods; incorporating the need to address the overlapping membership of Partner States to multiple RECs; the need to apply a harmonised criteria for approval of Stays of Application, Remissions and Duty Exemptions; conclusion of the ongoing review of the Common External Tariff (CET) aimed to promote value addition for manufacturing industry; application of effective export and investment promotion interventions, the need to harmonise Partner States positions at multilateral level trade and investment related negotiations; the need to elimination NTBs experienced on intra-EAC trade; the need to harmonise and build producers knowledge on compliance with quality standards and SPS measures; the need for continuous improvement in trade facilitation measures and their knowledge by traders; the need for increased application of ICT in Commerce and application of digitalised manufacturing through the industry 4.0 model[4]; and the need to harmonisethe region's export/import procedures and facilitate access to export market information by exporters.

[4] Industrial transformation through digitalized manufacturing is referred to as Industry 4.0 as it represents the fourth industrial revolution; from the 1st industrial revolution (mechanization through water and steam power), 2nd industrial revolution (mass production and assembly lines using electricity), and the 3rd industrial revolution (adoption of computers and automation). Industry 4.0 aims to enhance industrial revolution through application of smart and autonomous systems fueled by automated data and digital industrial technology. It will facilitate gathering and analysis of manufacturing data using computerized machines; thus enabling faster, more flexible, and more efficient processes that produce higher-quality goods at reduced costs. The revolution will ultimately shift production economics, foster industrial growth, modify the profile of the workforce, and increase firm level productivity and industrial competitiveness.

ii) The need to conclude a harmonised Trade Remedies law based on WTO provisions covering safeguards, anti-dumping and countervailing measures; aimed to protect the region's producers/manufactures against competing imports. The harmonised law should also incorporate measures to address under-invoicing, under/mis-declarations and smugglingof imports. It should additionally include a harmonised imports valuation system to enable elimination of the need for time-consuming verifications to proof the EAC originating status of goods traded within the region in order for them to qualify for preferential duties.
iii) The need to conclude harmonised IPR regulations aimed to protect IP rights holders from infringement of their intellectual property as part of efforts to increase production and offer of innovative products and services.
iv) Measures to support the region's industrial development aspirations; incorporating among others: predictable macroeconomic framework on trade and export promotion and business development in each Partner State, harmonised mechanism for fair business competition, consumer welfare and protection, promotion of locally/regionally produced goods and services through facilitated value added production, interventions for growth of MSMEs[5], and tailor-made interventions for development of EAC grain trade, CTA[6] and leather industries' value chains.
v) Defining the roles of National and County/Local Governments in implementation of Regional Trade Policy; particularly in the Kenyan case where there are two levels of government arising from the provisions of the 2010 Constitution.

4. The mature economies under EU, NAFTA and ASEAN enshrined regional trade policies in the Single Market/ Common Market provisions; which specify clear trade priorities and related measures to facilitate implementation of trade commitments made by the REC members. Development and implementation of the EAC Regional Trade Policy should therefore prioritize the need to define:

i) Scope of EAC Regional Trade Policy; particularly Partner States tariff elimination commitments at EAC, Tripartite, AfCFTA and multilateral (WTO) levels.

ii) Feasible and clear measures for promoting increased intra-regional trade through harmonised criteria for approving justified Stays of Application, Remissions and Duty Exemptions.
iii) Measures to protect domestic industries from unfair competition and trade malpractices based on WTO provisions; including anti-dumping, anti-subsidies, safeguards, and other trade malpractices (counterfeit trade, un-customed, under-invoiced/ undervalued goods); and harmonised import valuation system.
iv) Measures to protect IPRs from infringement based on WTO TRIPS provisions
v) Trade relationships and modalities of collaboration between EAC as a Customs Union and other RECs (FTAs) and other third party trading partners.
vi) Measures for improving participation of EAC businesses and civil society in intra-EAC, African level, and global trading activities.
vii) RTP implementation modalities, including responsibilities and commitments at regional and national levels.

[5] Micro, Small and Medium Enterprises

[6] Cotton-Textile-Apparel value chain

5. Currently, IPR laws, institutional enforcement frameworks and mechanisms are not yet harmonized in the EAC, although efforts are underway to facilitate implementation of the WTO TRIPS Agreement with a view to promoting copyright and cultural industries, traditional knowledge, geographical indications, and technology transfer[7]. A regional IP Protocol and Policy were adopted by the Council of Ministers in 2013 in this regard, aimed to maximize the benefits of TRIPS flexibilities. An EAC Anti-Counterfeit Bill is also being drafted to provide the legal framework for EAC to deal with counterfeit goods. However, the protection of IPR remains a challenge in all EAC Partner States; and apart from Kenya, the other Partner States have not established the legal and institutional frameworks on protection against counterfeit trade. It is therefore necessary that each Partner State concludes its national counterfeit law for subsequent harmonisation into a regional IPR law.as a minimum, such a law should incorporate all provisions of the TRIPs Agreement; including:Protection of Copyrights and Related Rights; Protection of Trademarks; Protection of Geographical Indications; Protection of Industrial Designs; Protection of Patents; Protection of Layout Designs (Topographies) of Integrated Circuits; Protection of Undisclosed/Confidential Information; Control of anti-competitive practices in contractual licenses; and Inclusion of the Most Favoured Nation (MFN) Clause and National Treatment Rule (NTR) principles in the design of regional IPR law. In addition, the regional IPR law should incorporate effective measures to deal with counterfeits and piracy; including monitoring all imports into the region, cross border trade, and creative arts. The main aim should be to detect and take timely action on cases of infringements to registered IPRs, counterfeited and pirated goods so as to encourage innovations on products and services traded within the region.

6. All Partner States have been experiencing competition from trade malpractices in the form of dumped, under-invoiced, smuggled/uncustomed, subsidized imports; and also increased imports which have caused injury to domestic producers. This challenge includes Kenya which has in place a Trade Remedies law.It is therefore necessary to conclude a harmonised Trade Remedies law, which among others should prioritise implementation anti-dumping measures, countervailing duties, and safeguards which are in line with WTO provisions. In addition, Partner States should strengthen the regional Trade Remedies Committee, which is mandated to handle matters related to Rules of Origin, Anti-Dumping Measures, Subsidies and Countervailing Measures; Safeguard Measures; and Dispute Settlements, and NTBs. Further, it is necessary to operationalise the EAC Competition Act of 2006 in order to address all matters related to fair trade and consumer welfare in the region, such as mergers that may have cross-border trade effects. Partner States also need to establish a regional sensitisation programme to effectively educate the public about the adverse health, injury to industry and revenue loss related effects of consuming dumped, subsidised, under invoiced, smuggled and uncustomed goods, and other imported goods which may cause or threaten to injury to regional/domestic industries. Additionally, the harmonised Trade Remedies law should provide effective measures that ensure punishments for offenders and rewards for law abiding businesses/traders; including applying the EAC Authorized Economic Operators Scheme (AEO) to reward law abiding importers/traders/businesses to fast track importation without full inspection of their imports, thus enabling cost and time savings. While the Kenya law on Trade Remedies could be adopted in design of the regional law, there should be caution inapplying the safeguards measures, as the Kenyan experience shows the COMESA safeguards facility intended to protect and build sustainability of the Kenya sugar industry has been misused by importers with political connections to the detriment of the industry which now at the verge of

[7]WTO: Joint Trade Review – Burundi, Kenya, Rwanda, Tanzania and Uganda, 2019

collapse. Thus safeguards measures should be applied for a defined terminal period based on detailed justification in order to avoid potential risks of misuse. The regional law should also incorporate measures to eliminate counterfeit trade; and un-customed, under-invoiced/ undervalued imported goods as part of efforts to protect domestic manufacturers from unfair trade practices.

7. The process of implementing the EAC integration commitments and the resultant increased intra-EAC trade; the emergent trends in NTBs on intra-EAC trade; ongoing negotiations for Tripartite FTA, AfCFTA, and multilateral agreements have entailed new dynamics in the EAC trade and investment regimes. Thus as EAC conclude the RTP, it is necessary to mobilize sufficient financial resources facilitate implementation of the outlined measures. The Trade Development Facility (TDF) is therefore proposed as the main tool that will be used to mobilize resources for supporting the RTP implementation process as part of efforts to improve Partner States' trade performance at regional, African continental and global levels. The TDF will be enshrined in the existing EAC Aid for Trade (AFT) Strategy (2017-2021), which aims to channel aid for trade development in the EAC region. The use of AFT is preferred as it has been designed an effective approach for the mobilization, utilization, and tracking of aid for trade resources through EAC' regional programmes; and has strong collaboration with Development Partners. All funds intended for trade and investment development will be channeled through the AFT TDF window. The Facility will be managed under existing EAC organs, principally under the Directorate of Customs and Trade, which will additionally be complemented with national focal points to coordinate national level interventions. The main sources of TDT funds will be Partner States resources (for example a defined percentage of import revenue), Development Partners and investment financial providers (such as business angels, foundations, philanthropists and venture capital funds, etc); with the latter source targeting enterprise development activities.

8. There are many benefits associated with a harmonised regional trade policy; including: increased technology and skills transfers to local companies from their multinational partners; boost in predictability of the trading and investment environment; enhancedcollective bargaining power between a REC with third parties; enhanced economies of scale; stimulated regional investment particularly in infrastructures (corridors, ports, and high ways); and enhanced cross-border trade in goods and services among others. On the other hand, there are a number of challenges and disadvantages associated with a regional trade policy; including: The provision of free movement of labour may lead to increased job outsourcing especially for weaker REC members who may lack requisite skills needed to produce competitive products; some domestic industries may get crowded out especially for weaker economies whose production systems have not adopted modern farming and/or manufacturing technologies; reduced tax revenue may result for weaker economies of a REC; there are potential risks in theft of IPRs especially for weaker economies which have lack strict laws to protect IPRs; there are potential conflicts between the regional policy and the national policies(such as on employment, export growth, priority sectors, poverty alleviation, government revenue, environmental protection, and protection of cultures); there are potential risks in resistance to change particularly for businesses which will fear increased external competition; there could be difficulties in coordinating the RTP implementation process (particularly in EAC cases whose Secretariat is centralized and which may lack effective coordination mechanism at Partner States level); and in case of EAC there could be challenges in mobilizing sufficient financial and technical resources to ensure effective RTP implementation since the regional is already having difficulties this area with regard to implementation of planned programmes.

9. It is important to establish a sustainable outreach programme for the RTP, aimed to create awareness and knowledge, and endorsement and buy-in amongst stakeholders on the importance of a harmonised approach to trade promotion, measures for trade and investment relationships between the EAC Partner States and third parties, potential trade and investment opportunities, and measures to enhance resolution of trade and investment related challenges. The RTP will therefore have an outreach programme targeting key EAC trade and investment related stakeholders including East African Legislative Assembly (EALA), Partner States MDAs[8] mandated to deal with in trade and investment matters, National Parliaments, private sector, civil society organizations, the academia, politicians and the general public. To ensure the outreach programme is serves its intended purpose, it will lay emphasis in disseminating information on the following priority issues among others:

   i) The meaning, contents, implications, relevance, and challenges of RTP for each country
   ii) The product diversification potentials for export markets, export market expansion potentials for EAC producers, and potential regional value chains for EAC economic sectors and products
   iii) Required quality standards and SPS and public health measures for exporting goods
   iv) The content and benefits of protecting Intellectual Property Rights
   v) Existing Non-Tariff Barriers for cross border trade in specific products and progress with elimination
   vi) The dangers of trading in counterfeited and pirated goods for consumers, the economy and domestic enterprises
   vii) Education/ capacity building and sensitization activities and programmes outlined under the RTP implementation process
   viii) The RTP institutional coordination mechanism; including regional and national communication with stakeholders

To facilitate efficient implementation of outlined measures, the RTP incorporates a Strategy and Implementation Roadmap. In this regard, the RTP ***Vision*** is **"**An integrated and competitive regional economy with a harmonized approach to external trade promotion and investment attraction for mutual benefit of all Partner States; based on exportation of valued added and diversified products and services to new and traditional markets, and balanced inward investment attraction into the EAC region". Its ***Mission*** is "to facilitate application of an EAC common approach to trade and investment promotion in order to increase trade and investment competitiveness and value added production for export markets; aimed to create balanced wealth and employment and to improve quality of life of the people of East Africa".

The Policy's ***Long Term Goal***is to achieve sustainable and inclusive economic growth for all Partner States, driven by high levels of growth in trade and investment activities, production of competitive goods and services, creation of decent jobs and incomes, reduced poverty, and high standards of living for EAC citizens..

Implementation of the RTP Strategy is premised on four main RTP Strategic Objectives and related interventions and specific actions. The four RTP objectives are:

i) **Strategic Objective 1:** EAC Common Market aspirations reinforced through compatible external trade policies and regulations applied by EAC Partner States in trade and investment negotiations with third parties (Tripartite, African continental[9] and global levels[10]); thus ensuring

[8] Ministries, Departments and Agencies
[9] Through the AfCFTA

enhanced market access for EAC originating goods and services, enhanced EAC bargaining power, and enhanced trade integration in the African and global economy.

ii) **Strategic Objective 2**: FacilitatePartner States to achieve balanced cross border trade and investment based on harmonised national trade and investment policies, laws and regulations into a regional framework; aimed to promote regional value chains and value added production of available raw materials and natural resources.

iii) **Strategic Objective 3**: Facilitate strengthening of enterprise competitiveness and value added production of goods and services by buildingsynergies between sector-based policies and trade policy reforms and provision of targeted market information for trading at EAC, Tripartite, AfCFTA and global levels; aimed to achieve maximumexploitation of inclusive trade opportunities at regional, continental and global levels; and efficiency in implementation of farm and firm level interventions (including interventions targeting agro-processing/agri-business, protection of IPRs; elimination of NTBs; and mainstreaming of MSMEs in regional and global trade).

iv) **Strategic Objective 4**: Facilitatestrengthening of institutional mechanisms for collaboration and coordination between authorities and agencies responsible for trade and investment development functions to enable implementation of all RTP Intervention Measures.

The key intervention measures and specific actions outlined undereach of the four strategic objectives are detailed in the RTP Strategy Implementation Roadmap, which spans theperiod 2020-2030.

[10] Notably during negotiations in WTO forums, EPA with EU, and AGOA with US

1 BACKGROUND TO DEVELOPMENT OF EAC REGIONAL TRADE POLICY

1.1 Introduction

The Treaty for establishment of the (EAC Treaty) (2000) provides for the Common Market, whose main thrust is articulated in the Customs Union Protocol (CUP) and the Common Market Protocol (CMP), related protocols and accompanying regulations and instruments that spell out rules and requirements for EAC cross border trade and investment in goods and services (includingthe EAC Customs Management Act, 2004 and Amendment Bill 2015; the EAC Standardisation,Quality assurance,Metrology and Testing Act,2006; the EAC elimination of Non-Tariff Barriers Act, 2017; the EAC One Stop Border Posts Act, 2016; the EAC Vehicle Load Control Act, 2013; and the draft EAC Model Investment Treaty, 2016, among others). However, as noted in the Terms of Reference (TORs) for development of the EAC Regional Trade Policy (*hereafter referred to as* RTP), the key drivers of external trade policy remain at the national level, since a harmonised RTP has not yet been concluded. Thus trade priorities, targets and indicators for EAC external trade are set primarily at national level as spelt out in various national-level policy documents, including Partner States' national visions, Poverty Reduction Strategy Papers (PRSPs), national trade policies, and sector and subject-based policies. Since national trade policies have an impact on the application of EAC external trade policy instruments and the realization of the Common Market objectives, it is therefore important to conclude an RTP as the reference document on the coherence between the Common Market and Partner States' external trade policy and priorities.

Development of the RTP is intended to be an answer to the Partner States' aspiration to use a regional harmonised approach in dealing with their external trade priorities. The RTP is being developed as a directive of the EAC Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI), which on 26thFebruary 2016considered the findings of the RTP study completed in 2015, and agreed with the findings and recommendations. The SCTIFI meeting also formed consensus on the principles for the RTP, and further directed the EAC Secretariat to coordinate development of the RTP.

1.2 Overall and Specific Objectives of the EAC RTP

The overall objective of the RTP as spelt out in the TORs is to ensure coherence between the EAC Common Market and the external trade policies of EAC Partner States. It will provide coordination in prioritization of resources utilized by EAC Partner States in efforts to achieve their external trade goals, thus ensuring the EAC Common Market and Partner States external trade policies are mutually reinforcing and without contradictions. The specific objectives of the RTP as spelt out in the TORs are:

v) To ensure compatibility between EAC Partner States external trade agreements, reinforcement of the Common Market, and realization of the five freedoms and two rights of the Community through the Partner States external trade agreements;
vi) To ensure that all Partner States share in the benefits of external trade;
vii) To contribute to greater competitiveness and value addition of goods and services originating from EAC region through relevant trade policy measures at regional level;
viii) To enable the EAC to negotiate more effectively with third parties as a regional block.

1.3 Expected Results from the EAC RTP Development Process

The TORs have expressly spelt out that the development of the RTP will be expected to produce the following results:

i) The RTP, strategy, implementation road map and a logical framework
ii) A Trade Development Facility for mobilizing resources to facilitate implementation of the RTP strategy and implementation plan;
iii) A harmonized Regional Strategy to take advantage of the WTO Trade Related aspects of Intellectual Property Rights (TRIPS);
iv) A Regional Model Law on Trade Remedies that can be utilized by Burundi, Rwanda, Uganda and Tanzania; and;
v) An outreach plan for raising awareness amongst regional and national stakeholders on the importance of the RTP.

1.4 Justification for developing the RTP

Lessons learned from the progress with the EAC regional economic integration process, as well as the economic integration processes in other regions such as the European Union show that economic integration is a complex process involving varying interacting variables, varying socio-economic expectations by individual member states, and varying implementation approaches. The EAC RTP will be expected to contribute to resolving such challenges by ensuring Partner States pursue their trade-related socio-economic priorities using a harmonised joint approach. This will enable individual states to maximize trade and investment opportunities and potential benefits available from the regional integration process as provided for in the two main EAC trade related protocols; namely the Customs Union and Common Market Protocols. In addition, a review of previous literature demonstrates that a regional trade policy would facilitate increased trade competitiveness and economic growth, since these two factors are clearly linked. EAC Partner States can realize increased trade competitiveness if they pursue their external trade policy aspirations through a harmonised trade policy framework characterized by common market access approaches, and if they jointly pursue trade promotion, external trade, and trade facilitation measures based on a harmonised regional umbrella.

Available literature on links between trade competitiveness and economic growth in this regard include the findings by Porter (1990), who argues that at the micro (firm) level, increasing total factor productivity (TFP)[11] determines the return on firm investment, which in turn determines a country's long term economic growth. Thus the ability of a country to increase its trade output provides a direct path to economic growth; assuming there is full firm level production and no policy distortions brought about by application of trade distorting measures such as Non -Tariff Barriers (NTBs).More recent studies[12] focusing on sub-Saharan Africa (SSA) also empirically demonstrate that there is a direct relationship between trade and economic growth (as represented by employment creation, poverty alleviation, foreign exchange earnings and/or savings, and investment growth). Brucker and Lederman (2012) for example found out that a 1% increase in economy openness in SSA countries is associated with GDP growth averaging 0.5% per year[13]. Chang and Mendy (2012) investigated the effects of trade openness on economic growth between 1980 and 2009 using a sample of SSA countries, and concluded that trade openness positively affects economic growth. Baliamoune-Lutz

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[11]TFP refers to return on labour and capital investment

[12] Relevant studies on the links between trade competitiveness and economic growth include Mullings and Mahabir 2015; Brucker and Lederman 2012; Chang and Mendy 2012; Baliamoune-Lutz 2011; Thomas Farore (2010), and Xavier Cirera, Dirk Willenbockel and Rajith Lakshman (May 2011)

[13] This study is widely cited in literature on links between trade and growth particularly due to its analytical rigour.

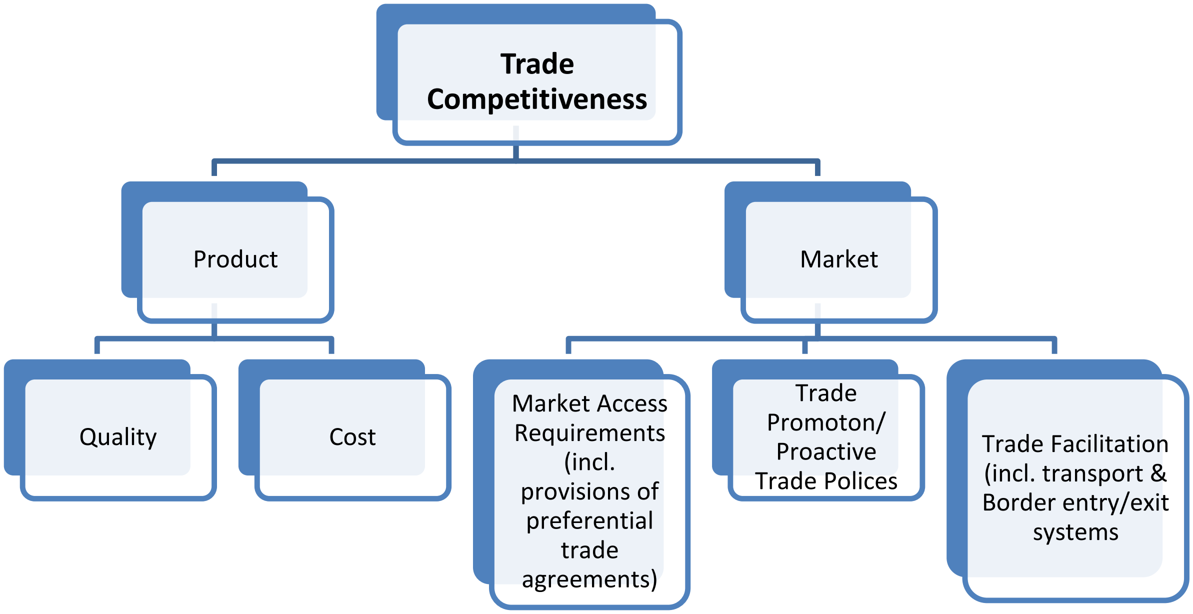
(2011) and Mullings and Mahabir (2015) also found out that the choice of a trade partner matters, and that the SSA countries which have increased trade with China have achieved higher levels of GDP growth.

Xavier Cirera, Dirk Willenbockel and Rajith Lakshman (May 2011), in their study on "Evidence of tariff reductions on employment in developing countries", find that while most countries have traditionally imposed import tariffs to protect domestic producers from international competition and to increase government revenue, such tariff increases create distortions by allowing inefficient sectors to continue producing at the expense of consumer prices. On the other hand, the emergence of regional trade agreements in developing counties since early 1990s have led to reduced tariffs particularly for industrial inputs, which have in turn catalysed reduced consumer prices. Coupled with other trade reforms (such as elimination of technical barriers to trade), tariff liberalisation also catalyses growth in sectors with comparative advantages, leading to growth in tradeable goods, employment creation, and growth in tax revenue in the medium to long term. The study finds that on average, a 1% increase in the volume of trade due to trade reforms raises aggregate employment in the reforming country by an average of 0.34%, particularly for countries with exporting sectors.

Regarding the link between trade growth and employment, this relationship is complex because there are numerous macroeconomic reforms which combined contribute to increased employment. However, Roddick (2006) found a positive relationship between unemployment and the decline of the manufacturing sector in South Africa. In this regard, the volume of exports in manufactured goods was found to be directly linked to job creation; implying that increasing exports can increase jobs through increased economic activities and higher firm and industry level output. UNCTAD (2013) also found that for West African countries, increased trade had resulted to increased specialisation of the workforce. OECD (2011) found strong evidence to conclude that increased trade has a positive impact on national and household savings, even for countries that operate below their full employment potential. The OECD study also found that trade liberalization increases jobs creation, national and household incomes, firm level productivity, and reduction in consumer prices; which all in turn lead to increased demand for additional goods and further jobs.

Studies also show a strong link between trade competitiveness and firm level competitiveness. In in this regard, the World Bank (2010) trade diagnostics framework demonstrates that trade and firm/industry competitiveness for any given country are both affected by a number of factors at the national, regional and international levels; including: the quality and the price of the product, ability to access markets, ability to apply effective trade promotion measures and trade policies, and ability to apply effective trade facilitation measures; as summarised in Figure 1 below.

Figure 1: Framework for understanding trade and firm/industry competitiveness



Adapted from World Bank (2010)

As shown in Figure 1 above, from a product perspective, trade competitiveness is determined by the quality and price of a product; while from a market perspective, trade competitiveness is determined by abilityto access to markets, ability to apply effective trade promotion measures and proactive trade policies, and ability to apply effective trade facilitation measures.

In the case of NTBs, research findings (for example Farole et al. (2010) show that about 60-90% of trade costs in SSA countries are directly associated with non-tariff measures imposed by governments. This means that poor physical infrastructure and high tariffs do not contribute high trade costs in SSA as much as NTBs.

Research findings thus provide evidence that trade growth impacts on economic growth; including employment creation, poverty alleviation, foreign exchange earnings and/or savings, investment creation, product competitiveness and continuous innovation. However, these effects do not accrue automatically, and to ensure that the desired trade competitiveness is achieved, Farole et al. (2010) points out that good trade policies have to be implemented based on a framework that seeks to address all competitiveness factors in a holistic manner (firm/industry and national competitiveness). Such a policy framework should incorporate trade tariffs, trade quotas, trade preferences, border liberalisation measures, market entry and competition policies, firm-level total factor productivity (capital and labour), hard and soft infrastructure, backbone services (including supply chain logistics), transport logistics, business information, and provision of business support services by the public sector agencies. When all these factors are offered as a package, they significantly influence the efficiency of business trade and investment environment.

The ability to apply/adopt all these factors based on a harmonised regional approach as opposed to national measures would support implementation of the EAC Common Market goals, thus increasing Partner States' trade competitiveness at the national, regional and international levels. There are numerous potential benefits that would emerge if a regionally harmonised approach to improving national trade competitiveness is adopted and implemented in this regard; including:

i) Simplified transactions across EAC borders,

ii) Clear and efficient application of trade regulations that are commonly understood by the business community,
iii) Reduced cost of trade transactions,
iv) Elimination of corruption practices, and
v) Reduced barriers to trade (Non-Tariff Barriers)
vi) Firm level efficiency gains through exploitation of comparative advantages, especially for EAC countries with abundant natural resources like oil, natural gas, a wide variety of agricultural produce (horticulture, staple foods, and beverage based products like tea and coffee among others)
vii) Improvementsin allocation of scarce resources
viii) Utilisationof excess capacity for sectors and firms in supply to deficit regions/countries
ix) Disseminationof knowledge from the more developed to less developed countries of the region, which in turn would catalyse technological progress through subcontracting and promotion of regional value chains
x) Generation of hard currency necessary to finance imports of capital goods, which are an important source of knowledge spill overs, and
xi) Production of high quality goods, facilitated byincreased openness to imports through trade liberalisation as a catalyst for domestic firms to access modern technologies, improve production of high quality,value added affordable intermediate and finished products.

Early consensus on the need for the RTP and its focus, and timely and efficient implementation of identified interventions at the national and regional level will ensure the RTP and its related Strategy and Implementation Roadmap serves as a reliable guide to drive trade and investment competitiveness for all EAC countries.

1.5 Assignment Scope of Work

The work involved in developing the RTP incorporates the following activities:

a) Analysis of EAC global trade (both merchandise and services) and issues linked to trade performance. This activity has incorporated analysis of trends and partners in EAC trade at intra-EAC level, COMESA, SADC, Africa continental and global levels; identification of the causes of either positive or negative trade performance including policy regulations and coordination; and drawing recommendations for EAC Partner States so as to unlock the EAAC trade potential. Undertaking a critical review of the previous (2015) study on the development of the EAC Regional Trade Policy, the Principles for development of RTP as adopted by the EAC Council of Ministers, and findings and recommendations from the national consultations.

b) Development of case studies on experiences of three mature regional economic groupings (EU[14], NAFTA[15] and ASEAN[16]), aimed to guide EAC policy makers in understanding the role of a common external trade policy in promoting economic growth, improving trade competitiveness, and employment creation in the region. The three case studies have highlighted the overview of each REC (notably the main goal and objectives), global and intra-REC trade, policies and regulations governing intra-REC trade and trade with third countries, key benefits that have been realised in trade and investment promotion using a harmonised regional approach, main challenges that have been experienced in pursuing the goals and objectives of each REC particularly during trade and negotiations on trading

[14] European Union
[15] North American Free Trade Area
[16] Association of Southeast Asian Nations

provisions with third parties, and the plans that have been introduced/planned by REC to deal with such challenges.

c) Development of proposals for a Trade Development Facility (TDF), necessary for enabling mobilization of resources. This includes identifying the TDF objectives, functions and modalities based on the views of national level stakeholders.

d) Development of proposals for a harmonized Regional Strategy to take advantage of the WTO Trade Related aspects of Intellectual Property Rights (TRIPS), based on views of national level stakeholders.

e) Development of proposals for a Regional Model Law on Trade Remedies that could be utilized by Burundi, Rwanda, Uganda and Tanzania, based on WTO provisions, experiences by Kenya with implementation of its Trade Remedies Act (2017), and views of national level stakeholders.

f) Development of the proposed EAC Trade Policy strategy and implementation road map.

g) Identification of the pros and cons of a regional common external trade policy, to be used as part of lesson learning during implementation of the RTP strategy.

h) Development of an outreach programme for raising awareness on the importance of a common external trade policy amongst regional actors such as the East African Community Legislative Assembly, Partner States, national parliaments, private sector and civil society organizations, and the academia.

2 EAC PARTNER STATES' TRADE PERFORMANCE IN GOODS AND SERVICES

2.1 OVERALL EAC EXPORTS PERFORMANCE

2.1.1 Exports Performance in Goods

Total EAC exports of goods during the period 2009-2018 amounted to US$ 133.1 billion as shown in Figure 2 below. EAC exported more to non-African countries (57%) than to African countries (43%). Total intra-EAC exports stood at an average 20% of total EAC exports to the world, while total EAC exports to COMESA and SADC stood at an average 27% and 17% respectively. This means intra-EAC exports are very small compared to total exports to the world, non-African countries, African countries and COMESA countries. Thus EAC prefers to export more of its unprocessed and manufactured produce to other countries rather than to sell such produce to its domestic markets. While such preference may be driven by price considerations, the implication is that there are minimal regional value chains in EAC, and that the desired level of regional economic integration through trade is far from being achieved. In addition, it is noted that the bulk of such exports especially to non-African countries are in raw form (such as hides and skins, coffee, tea, and horticulture), which ends up denying regional processors of their much needed inputs. The consequence is that EAC ends up importing the finished goods which are manufactured from such unprocessed materials.

Further analysis shows that Kenya is the dominant exporter of goods to EAC regional market, taking an average 50% of the combined intra-EAC exports during the period 2009-2018, followed by Uganda at 24% and Tanzania at 19% as shown in Figure 3 below. The other two countries (Rwanda and Burundi) exported the balance of 7% during the period, with Burundi trailing at 1% of total intra-EAC exports of goods during the period.

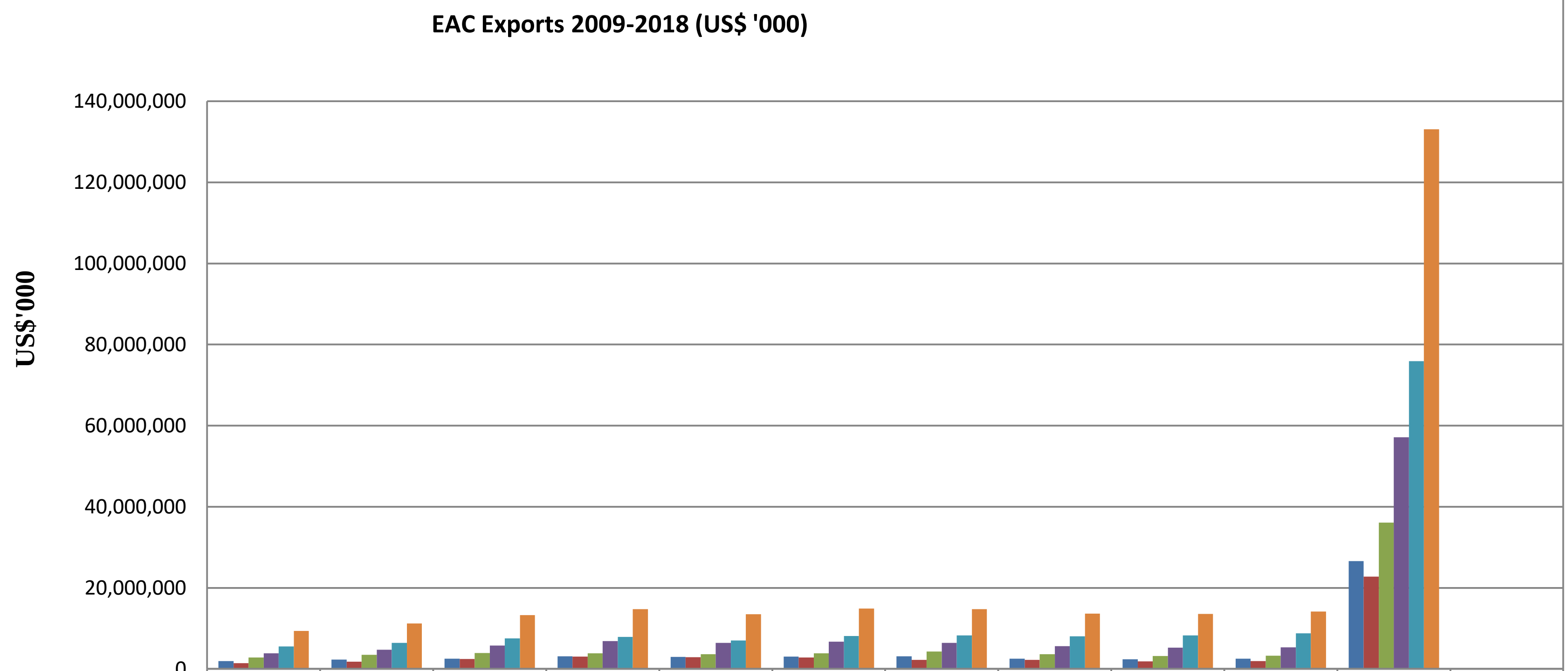
The implication of intra-EAC exports performance in goods is that EAC countries (particularly Burundi and Rwanda) export insignificant amounts of their produce to EAC markets. They therefore need to prioritise exports to EAC, which would strengthen regional value chains on goods currently exported in raw form (particularly agriculture-based). This would increase value addition within the region and reduce regional imports of finished goods.

2.1.2 Export Performance in Services

EAC combined exports to the world amounted to US$ 100.5 billion over the period 2009-2018, growing from US$ 6.22 billion in 2009 to US$ 12.14 billion in 2018 as shown in Figure 4 below. Kenya took the bulk of the region's service exports during the period at 44%, followed by Tanzania at 30% and Uganda at 18%. The other two Partner States performed poorly with Rwanda taking 7% and Burundi a mere 1%. The major EAC services traded during the period 2009-2018 areCommercial services, Travel, Transport, Government goods and services; Telecommunications, computer & information services; and Other business services[17] as shown in Figure 5 below. A detailed elaboration of services under each of these categories is presented in Annex 38 to this report.

[17]Other business services include:R&D, management consulting services (legal, accounting, auditing, business development, public relations, and advertising); trade-related services; and other technical services.

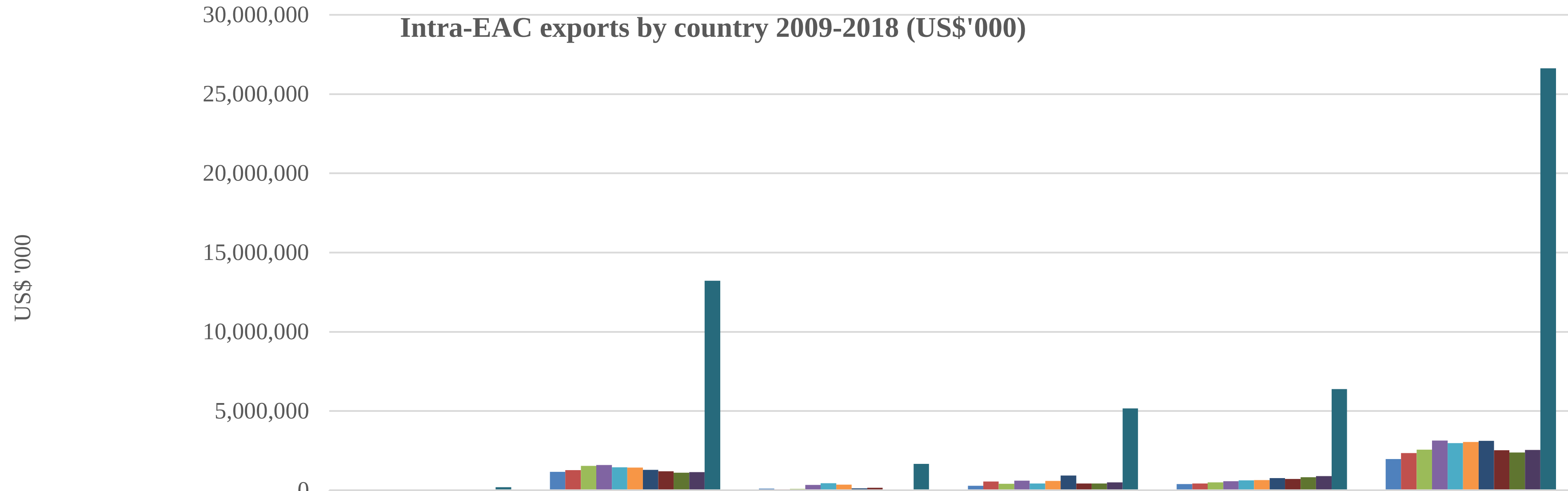
Figure 2: EAC exports of goods to the world compared to total intra-EAC exports, exports to African and Non-African Countries, COMESA and SADC during the period 2009-2018 (US$ '000)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total 2009-2018	Average Percentage share (%) 2009-2018
TOTAL INTRA-EAC EXPORTS	1,980,310	2,339,708	2,567,825	3,139,598	2,982,736	3,050,333	3,126,165	2,522,602	2,379,144	2,544,496	26,632,917	20%
TOTAL EAC EXPORTS TO SADC	1,426,485	1,802,118	2,435,392	3,085,351	2,871,967	2,838,136	2,220,410	2,239,551	1,901,570	1,959,833	22,780,813	17%
TOTAL EAC EXPORTS TO COMESA	2,843,805	3,500,865	3,914,757	3,895,632	3,651,948	3,873,268	4,273,115	3,674,389	3,228,650	3,263,598	36,120,027	27%
TOTAL EAC EXPORTS TO AFRICA	3,846,839	4,775,949	5,740,635	6,911,684	6,456,867	6,747,454	6,459,075	5,629,001	5,271,387	5,331,662	57,170,553	43%
TOTAL EAC EXPORTS TO NON-AFRICAN COUNTRIES	5,540,215	6,422,296	7,511,289	7,877,080	7,009,415	8,125,979	8,261,503	8,037,461	8,313,474	8,819,129	75,917,841	57%
TOTAL EAC TO WORLD	9,387,054	11,198,245	13,251,924	14,788,764	13,466,282	14,873,433	14,720,578	13,666,462	13,584,861	14,150,791	133,088,394	100%

Source: International Trade Centre database www.intracen.org

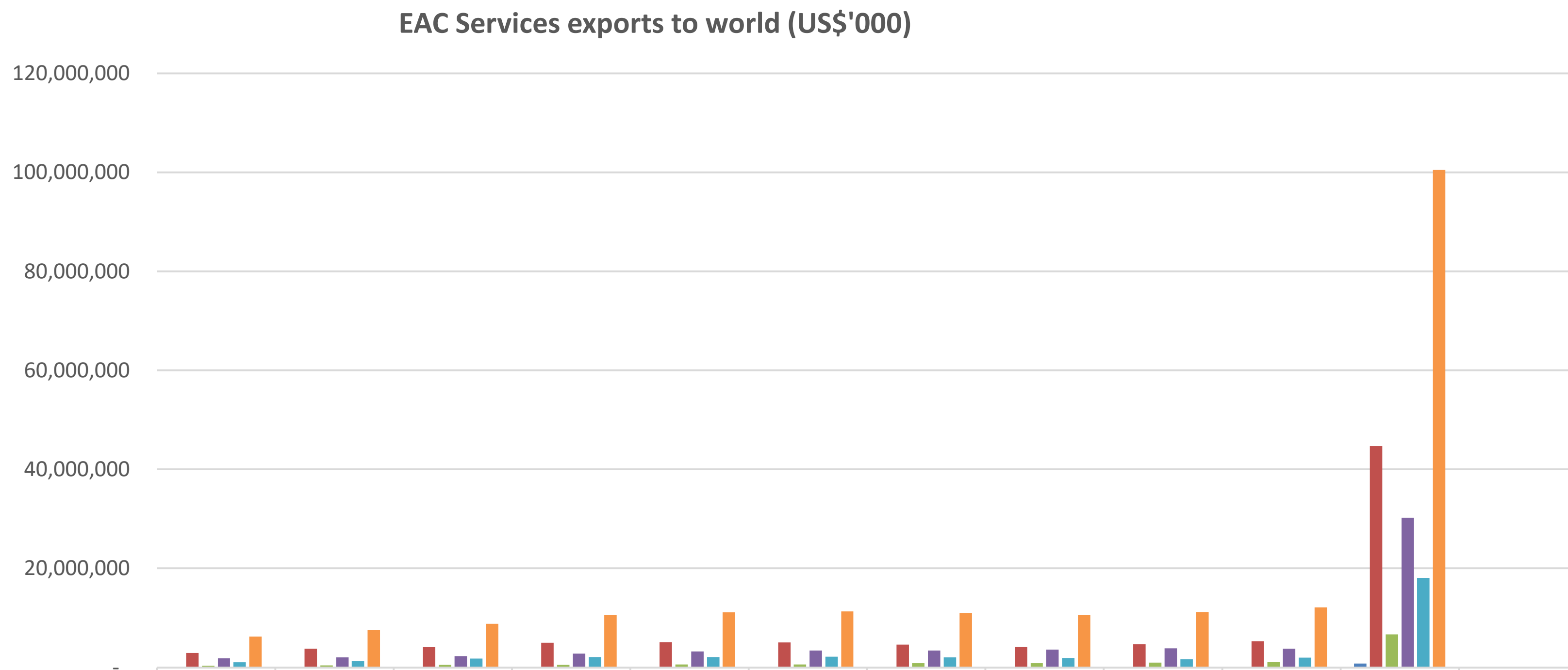
Figure 3: Intra-EAC exports in goods during the period 2009-2018 (US$'000)



	Burundi exports to EAC	Kenya exports to EAC	Rwanda exports to EAC	Tanzania exports to EAC	Uganda exports to EAC	TOTAL Intra-EAC Exports (US$ '000)
2009	27,917	1,170,493	98,116	284,992	398,792	1,980,310
2010	17,940	1,279,232	55,918	558,027	428,591	2,339,708
2011	28,452	1,545,701	80,974	408,955	503,743	2,567,825
2012	4,663	1,599,069	342,293	613,303	580,270	3,139,598
2013	29,948	1,450,744	453,014	421,614	627,416	2,982,736
2014	25,454	1,431,416	353,075	598,144	642,244	3,050,333
2015	23,349	1,287,734	118,543	924,911	771,628	3,126,165
2016	25,132	1,199,462	155,893	430,772	711,343	2,522,602
2017	11,543	1,110,842	0	430,334	826,425	2,379,144
2018	0	1,145,707	0	500,167	898,622	2,544,496
Total exports to EAC 2009-2018 (US$ '000)	194,398	13,220,400	1,657,826	5,171,219	6,389,074	26,632,917
Average share (%) 2009-2018	1%	50%	6%	19%	24%	100%

Source: International Trade Centre database www.intracen.org

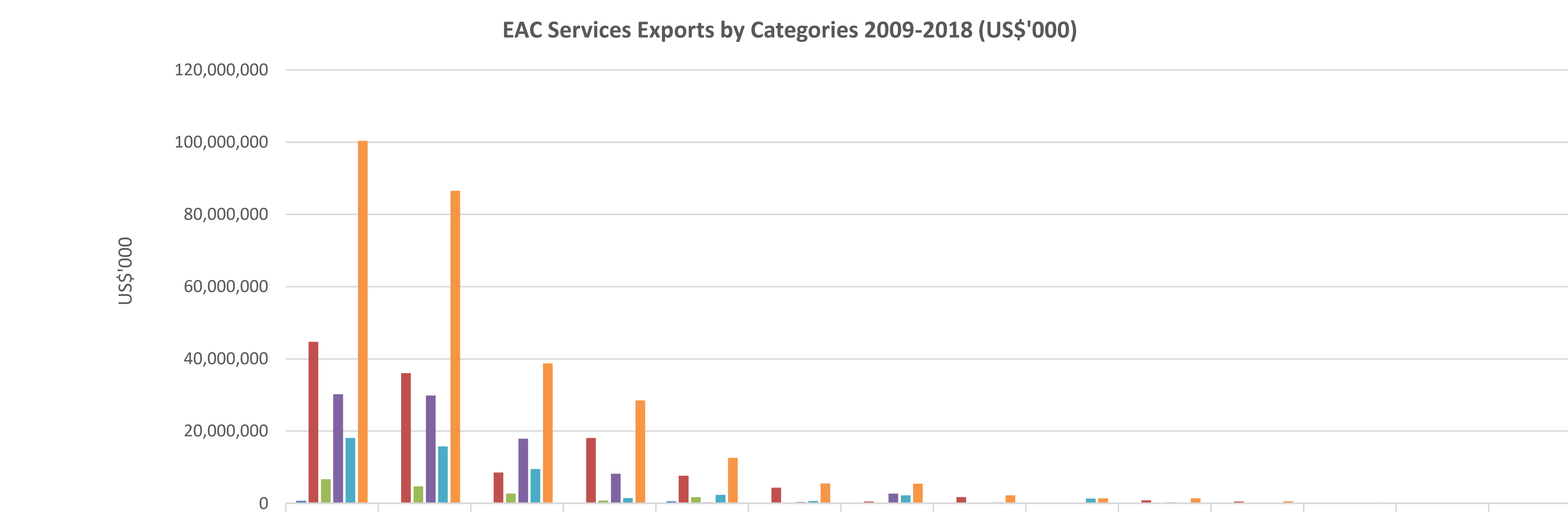
Figure 4: EAC Services Exports by Country 2009-2018 (US$ '000)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total 2009-2018	Average share 2009-2018 (%)
Burundi	83,324	49,932	79,492	111,682	89,459	127,011	72,259	57,299	72,852	-	807,179	1%
Kenya	2,893,020	3,772,190	4,134,283	4,993,159	5,132,045	5,024,216	4,638,185	4,154,815	4,647,692	5,318,576	44,708,181	44%
Rwanda	356,956	386,960	514,099	515,738	575,239	592,230	817,982	834,506	998,240	1,092,665	6,684,615	7%
Tanzania	1,854,640	2,045,750	2,300,340	2,786,410	3,201,655	3,395,964	3,411,480	3,607,479	3,849,591	3,768,518	30,221,827	30%
Uganda	1,027,180	1,304,104	1,779,353	2,125,356	2,103,061	2,180,522	2,058,496	1,906,706	1,634,528	1,959,702	18,079,008	18%
Total Services exports by EAC (US$'000)	6,215,120	7,558,936	8,807,567	10,532,345	11,101,459	11,319,943	10,998,402	10,560,805	11,202,903	12,139,461	100,500,810	100%

Source: International Trade Centre database www.intracen.org

Figure 5: EAC Global Services Exports by Categories 2009-2018 (US$ '000)



	All services	Commercial services	Travel	Transport	Government goods and services n.i.e.	Telecomm, computer & information services	Other business services	Financial services	Construction	Insurance and pension services	Charges for use of intellectual property n.i.e.	Maintenance and repair services n.i.e	Personal, cultural, and recreational services	Manufacturing services on physical inputs owned by others
Burundi (excl. 2018)	723,855	154,676	20,722	17,402	569,179	53,972	30,920	10,186	6,767	14,351	105		252	
Kenya	44,708,181	36,071,388	8,553,911	18,100,292	7,649,751	4,333,644	505,382	1,707,656		826,018	488,037	160,848	72,471	6,463
Rwanda	6,684,615	4,678,910	2,702,640	750,649	1,710,671	180,230	18,590	89,052	115,284	2,358	140	22,123	217	
Tanzania	30,221,827	29,892,726	17,901,786	8,173,632	309,589	355,983	2,698,346	142,188		313,015	593		35,292	
Uganda	18,079,008	15,735,851	9,539,945	1,429,730	2,343,155	617,258	2,207,880	267,132	1,296,274	216,611	78,814	5,969	67,438	8,802
EAC Total 2009-2018 (US$'000)	100,417,486	86,533,551	38,719,004	28,471,705	12,582,345	5,541,087	5,461,118	2,216,214	1,418,325	1,372,353	567,689	188,940	175,670	15,265

Source: International Trade Centre database www.intracen.org

2.2 OVERALL EAC IMPORTS PERFORMANCE

2.2.1 EAC Imports Performance in Goods

As shown from Figure 6 below, total EAC imports of goods from the world during the period 2009-2018 amounted to US$ 332 billion. During the period, intra-EAC imports stood at a mere 8% of the region's total imports from the world. Imports from non-African states dominated the region's imports at an average 86%, compared to total imports from African countries at only 14%, and total imports from SADC and COMESA at 8% and 7% respectively. Thus EAC countries do not import much from each other, while they also don't import much from African including the regional trading blocs (COMESA and SADC) to which the five partner states belong. This indicates the urgent need to increase intra-EAC trade by strengthening potential regional chains, particularly for manufactured goods which are currently imported from outside the region while raw materials used to process them were initially exported and then re-imported in finished form. Regional potential in this regard exists to manufacture finished products such as leather goods, textiles and wearing apparel, paper and paperboard products, processed coffee and tea, and fruit juices among others using the region's raw materials.

Total intra-EAC imports of goods during the period 2009-2018 amounted to US$ 18.94 million as shown in Figure 7 below. Uganda was the lead importer from EAC taking 33% of intra-EAC imports, followed by Tanzania at 21%, Kenya at 20%, Rwanda at 19%, while Burundi trailed at 7%. Like in the case of intra-EAC exports, the analysis shows that EAC countries (particularly Burundi) import insignificant amounts of EAC originating goods and therefore need to prioritise intra-EAC trade. This would strengthen EAC regional value chains, thus reduce imports of finished goods into the region.

2.2.2 EAC Imports Performance in Services

Total EAC imports of services amounted to US$ 332 billion during the period 2009-2018, growing from US$ 22.44 billion in 2009 to US$ 34.5 billion in 2018 as shown in Figure 8 below. Kenya took the bulk of the services imported into the region at an average 46%, followed by Tanzania at 31% and Uganda at 17%. Rwanda and Burundi took insignificant market shares at 5% and 2% respectively.As shown in Figure 9, services significantly imported based on EAC combined import data during the period 2009-2018 fall in the categories of Memo item: Commercial services[18], Transport, Other business services, Travel, Government goods and services, Construction, Insurance and pension services; and telecommunications, computer and information services. The detailed categorisation of services falling under each of these classes is presented in Annex 38 to this report.

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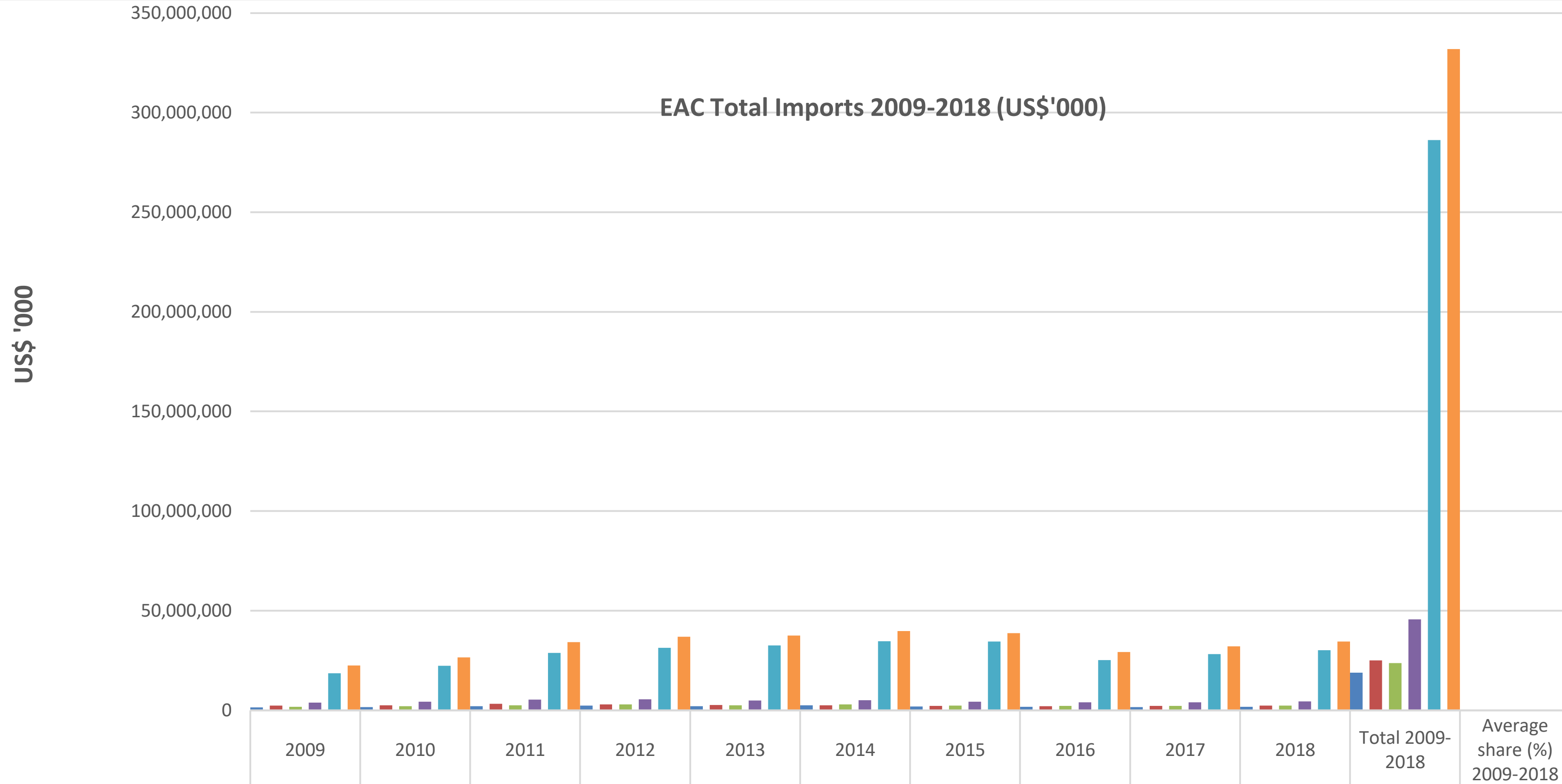
[18]The term memo item: commercial services includes all service categories except government services not included elsewhere (i.e. in other service categories), which are offered by a commercial entity on behalf of a foreign commercial entity which may not have commercial presence in the country where the service if consumed. Examples of such services include: Royalties and license fees, merchanting and trade-related services, and leasing; Agricultural, mining and on-site processing services; Administrative and support services; Rental and leasing services; Employment services; Travel agency, tour operator reservation service and related services; Services offered under security and investigation activities; Services to buildings and landscape activities; and Office administration, office support and other business support activities

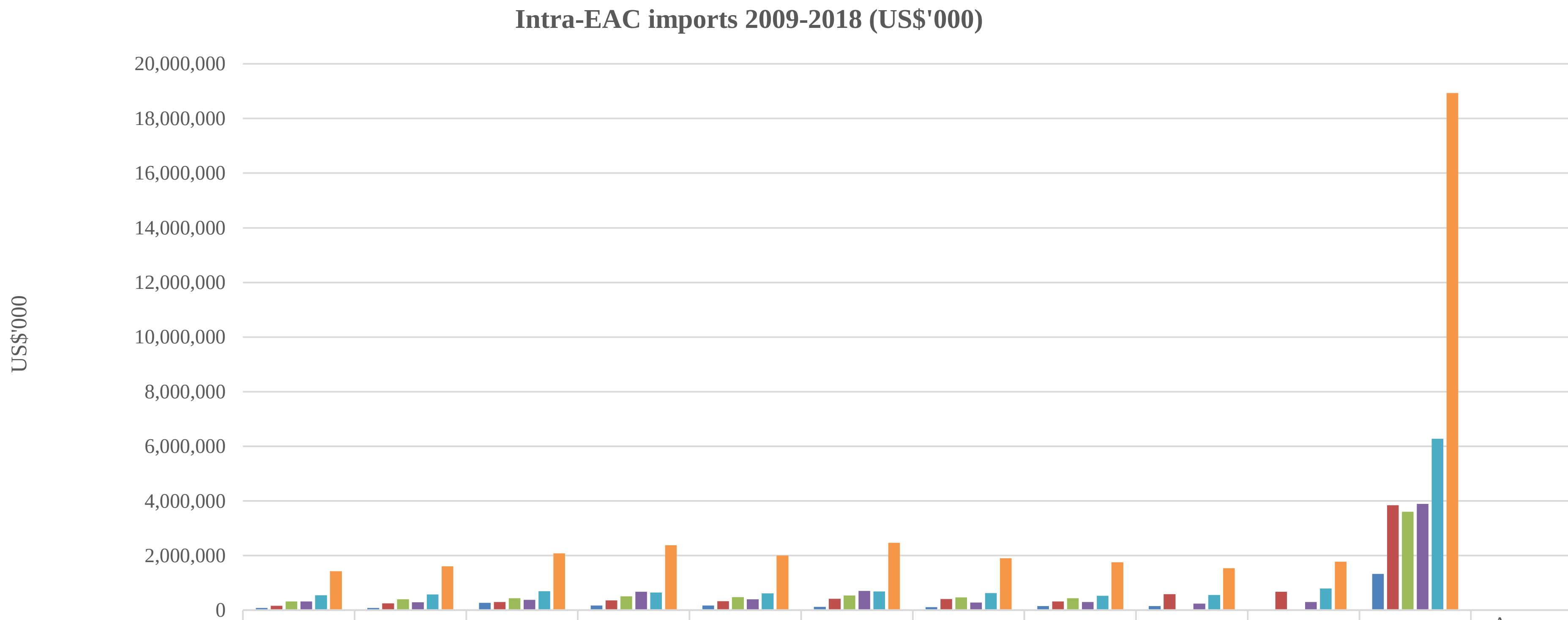
Figure 6: Total EAC merchandise imports from world compared to intra-EAC imports, imports from African and Non-African countries, COMESA and SADC during the period 2009-2018 (US$ '000)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total 2009-2018	Average share (%) 2009-2018
TOTAL INTRA-EAC IMPORTS	1,430,288	1,611,116	2,079,429	2,377,976	2,001,645	2,466,161	1,908,494	1,751,803	1,538,741	1,771,911	18,937,564	6%
TOTAL EAC IMPORTS FROM SADC	2,393,391	2,522,310	3,201,806	2,895,617	2,670,006	2,532,304	2,261,830	2,037,199	2,166,399	2,375,850	25,056,712	8%
TOTAL EAC IMPORTS FROM COMESA	1,714,998	2,049,718	2,521,619	2,906,550	2,458,890	2,881,021	2,330,858	2,264,592	2,206,087	2,328,297	23,662,630	7%
TOTAL EAC IMPORTS FROM AFRICA	3,873,095	4,269,848	5,392,981	5,513,128	4,910,776	5,098,607	4,281,701	3,983,365	3,960,376	4,412,316	45,696,193	14%
TOTAL EAC IMPORTS FROM NON-AFRICAN COUNTRIES	18,563,911	22,309,496	28,846,124	31,363,823	32,555,745	34,678,957	34,433,484	25,239,539	28,184,091	30,089,795	286,264,965	86%
TOTAL EAC TO WORLD	22,437,006	26,579,344	34,239,105	36,876,951	37,466,521	39,777,564	38,715,185	29,222,904	32,144,467	34,502,111	331,961,158	100%

Source: International Trade Centre database www.intracen.org

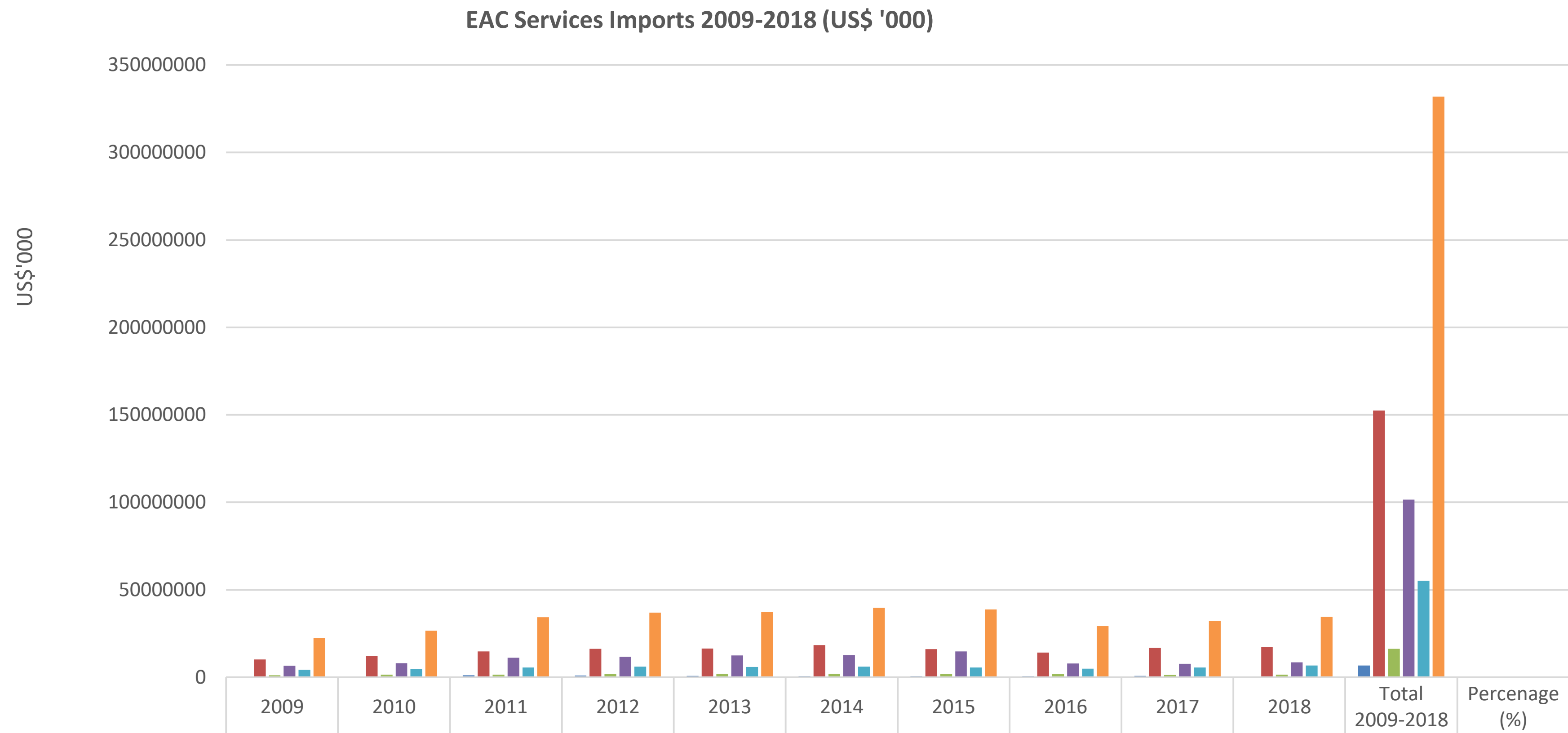
Figure 7: Intra-EAC Imports of goods during the period 2009-2018 (US$ '000)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total 2009-2018	Average Percentage share (%) 2009-2018
Burundi imports from EAC	78,725	83,745	267,213	174,375	172,527	126,052	114,171	157,593	152,096	0	1,326,497	7%
Kenya imports from EAC	162,773	256,539	302,641	365,439	334,509	415,087	411,505	324,478	589,731	676,345	3,839,047	20%
Rwanda imports from EAC	324,915	399,098	438,831	512,734	480,982	533,954	473,923	439,333	0	0	3,603,770	19%
Tanzania imports from EAC	316,921	295,199	378,129	678,597	397,026	706,459	278,724	300,349	236,999	302,508	3,890,911	21%
Uganda imports from EAC	546,954	576,535	692,615	646,831	616,601	684,609	630,171	530,050	559,915	793,058	6,277,339	33%
TOTAL INTRA-EAC IMPORTS	1,430,288	1,611,116	2,079,429	2,377,976	2,001,645	2,466,161	1,908,494	1,751,803	1,538,741	1,771,911	18,937,564	100%

Source: International Trade Centre database www.intracen.org

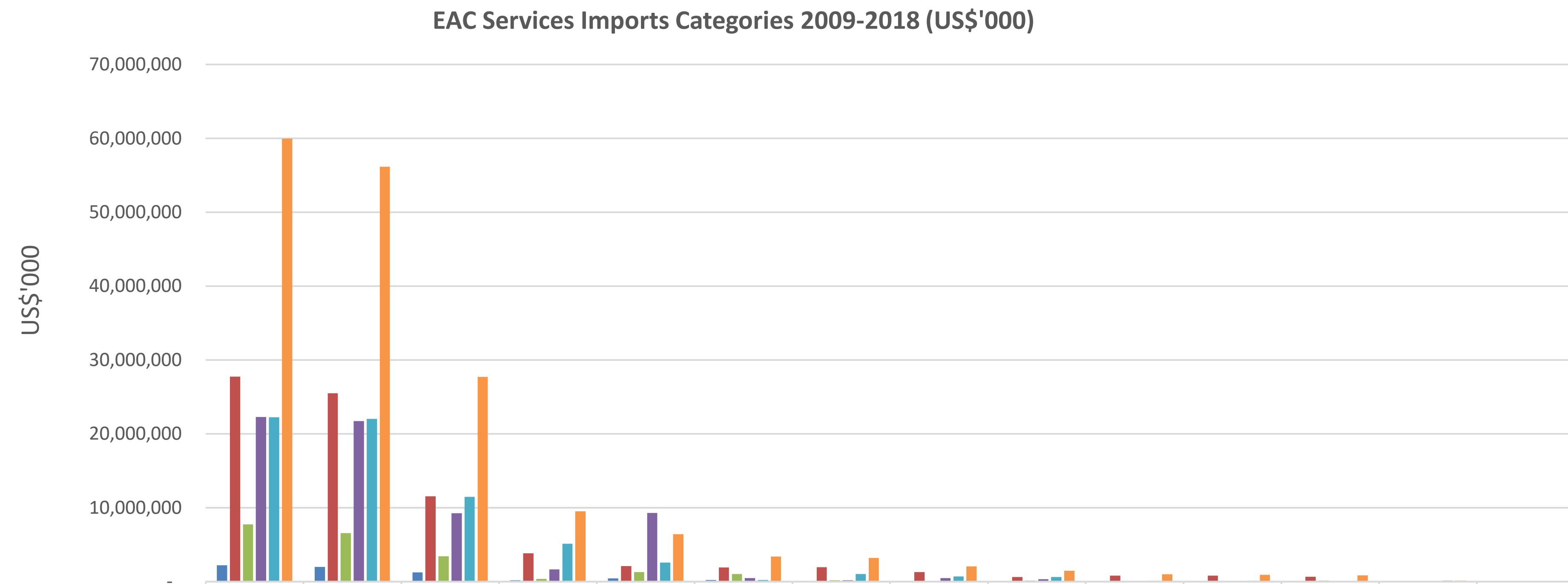
Figure 8: EAC Global Services Imports by Country 2009-2018 (US$ ‘000)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total 2009-2018	Percenage (%)
Burundi	344796	404047	1127650	1003121	727593	672579	560585	625328	783299	437572	6,686,570	2%
Kenya	10,202,001	12,092,926	14,788,054	16,282,136	16,406,862	18,386,137	16,062,423	14,113,751	16,690,015	17,376,721	152,401,026	46%
Rwanda	1,112,015	1,405,159	1,508,305	1,831,958	1,989,145	1,954,210	1,858,091	1,778,279	1,309,838	1,447,812	16,194,812	5%
Tanzania	6,530,823	8,012,874	11,184,221	11,715,589	12,525,411	12,691,110	14,705,969	7,876,087	7,765,411	8,510,629	101,518,124	31%
Uganda	4247371	4664338	5630875	6044147	5817510	6073528	5528117	4829459	5595904	6729377	55,160,626	17%
Total EAC Imports from world (US$'000)	22,437,006	26,579,344	34,239,105	36,876,951	37,466,521	39,777,564	38,715,185	29,222,904	32,144,467	34,502,111	331,961,158	100%

Source: International Trade Centre database www.intracen.org

Figure 9: EAC Global Services Imports by Categories 2009-2018 (US$'000)



	All services	Memo item: Commercial services	Transport	Other business services	Travel	Government goods and services n.i.e.	Construction	Insurance and pension services	Telecommunications, computer, and information services	Financial services	Charges for the use of intellectual property n.i.e.	Maintenance and repair services n.i.e.	Personal, cultural, and recreational services	Manufacturing services on physical inputs owned by others
Burundi Total 2009-2018 (Excl. 2018)	2,210,969	2,004,934	1,255,333	178,298	436,081	206,033	20,716	26,524	55,537	31,113	998		298	
Kenya Total 2009-2018	27,732,531	25,510,460	11,537,136	3,841,911	2,107,381	1,929,195	1,956,321	1,308,226	635,952	814,606	808,433	655,448	35,660	
Rwana Total 2009-2018	7,753,004	6,582,407	3,438,692	353,465	1,296,932	1,042,730	192,753	19,293	141,776	55,805	993	151,822	114	
Tanzania Total 2009-2018	22,306,205	21,739,880	9,250,474	1,667,008	9,295,631	499,139	202,428	486,104	327,040	54,975	12,598		10,038	
Uganda Total 2009-2018	22,258,323	22,047,387	11,493,650	5,144,306	2,598,753	210,937	1,025,906	715,093	630,777	97,773	114,814	54,718	130,804	40,794
EAC Total 2009-2018 (US$ '000)	59,954,827	56,145,188	27,724,811	9,517,980	6,439,147	3,388,895	3,195,696	2,069,136	1,464,042	999,297	925,238	861,988	166,876	40,794

Source: International Trade Centre database www.intracen.org

2.3 PARTNER STATES' TRADE PERFORMANCE ON GOODS AND SERVICES

2.3.1 Overall Trade Performance in Goods

The overall picture on trade performance in merchandise trade shows that all the EAC countries performed poorly, with each country posting a trade deficit over the period 2009-2018 as shown in table 1 below. In this respect, Burundi's trade deficit grew from US$ (–ve) 138.6 million in 2009 to US$ (–ve) 519.7million in 2017, and then dropped substantially to US$ (-ve) 45.15 million in 2018; thus showing an overall average drop of 67% over the period. However all other EAC countries trade deficit grew over the period 2009-2018, with Rwanda posting a growth of 129%, Kenya 97%, Tanzania 33%, and Uganda recording 36%. Kenya's trade deficit was the highest followed by Tanzania, Uganda, Rwanda and Burundi, which is also indicative of the size of the EAC economies.

Table 1: EAC Countries Trade Balance in goods 2009-2018 (US$'000)

Year	BURUNDI	RWANDA	KENYA	TANZANIA	UGANDA
2009	(138,602)	(851,355)	(5,738,574)	(3,548,416)	(2,679,778)
2010	(183,705)	(1,163,331)	(6,923,795)	(3,962,310)	(3,045,721)
2011	(754,583)	(1,106,994)	(9,029,311)	(6,449,291)	(3,471,798)
2012	(550,052)	(1,324,969)	(10,147,767)	(6,168,353)	(3,686,642)
2013	(347,900)	(1,381,048)	(10,575,903)	(8,112,868)	(3,409,785)
2014	(417,638)	(1,300,845)	(12,274,195)	(6,986,440)	(3,811,567)
2015	(362,268)	(2,023,441)	(10,155,573)	(8,851,756)	(3,261,093)
2016	(410,828)	(2,051,935)	(8,416,178)	(3,134,200)	(2,347,156)
2017	(519,733)	(1,999,530)	(10,943,033)	(3,587,306)	(2,694,430)
2018	(45,151)	(1,953,657)	(11,326,300)	(4,714,916)	(3,642,095)
% growth	-67%	129%	97%	33%	36%

Source: Computations from ITC Trade Maps datawww.intracen.org

2.3.2 Overall Trade Performance in Services

The overall picture on trade in services shows that Kenya and Tanzania performed well with each posting a positive trade balance over the period 2009-2018 as shown in table 2 below. Kenya posted an average positive growth of 50% while Tanzania was the best performer with a whopping 1340% growth in services trade balance over the period. The other three EAC countries performed poorly, with Burundi's services trade deficit declining slightly from US$ (-ve) 588.2 million in 2007 to US (-ve) 519.8 million in 2017; Rwanda's trade deficit dropping by an average 81% from US$ (-ve) 528.7 million in 2009 to US$ (-ve) 99.1 million in 2018, and Uganda's trade deficit growing by an average 71% from US$ (-ve) 1.25 billion in 2009 to US$ 2.14 billion in 2018.

Table 2: EAC Trade Balance in Services 2008-2018 (US$'000)

Year	BURUNDI	RWANDA	KENYA	TANZANIA	UGANDA
2008	(588,154)				
2009	(411,049)	(528,722)	2,650,512	375,384	(1,252,005)
2010	(326,916)	(537,074)	4,492,537	472,620	(1,737,370)
2011	(372,227)	(382,880)	5,076,977	283,835	(2,193,284)
2012	(428,072)	(71,932)	6,472,800	1,298,763	(1,233,002)
2013	(419,273)	(114,349)	6,269,116	2,160,332	(1,164,810)
2014	(612,832)	(270,645)	4,381,345	2,235,288	(1,640,967)
2015	(528,889)	(924,318)	3,266,513	2,254,614	(1,207,693)
2016	(447,368)	(910,592)	3,663,775	4,165,911	(579,209)
2017	(519,768)	(234,698)	4,050,010	5,540,982	(1,524,214)

Year	BURUNDI	RWANDA	KENYA	TANZANIA	UGANDA
2018		(99,097)	3,987,197	5,405,728	(2,137,614)
% growth	(12%)	(81%)	50%	1340%	71%

Source: Computations from ITC Trade Maps datawww.intracen.org

2.3.3 BURUNDI TRADE PERFORMANCE

2.3.3.1 Burundi Merchandise Trade Performance

Burundi's total merchandise trade grew from US$ 551 million in 2009 to US$ 830 million in 2018 or by 51%. Merchandise exports grew from US$ 206.2 million in 2009 to US$ 392.4 million in 2018 or by 90%, while imports grew from 344.8 million in 2009 to 437.6 million in 2018 or by 27%. There was a cyclical performance in the country's trade deficit over the period 2009-2018, but overall the merchandise trade deficit reduced from US$ 138.6 million in 2009 to US$ 45.15 million in 2018 as shown in table 3 below.

Table 3: Burundi's Merchandise Trade Performance 2009-2018 (US$'000)

Year	Merchandise exports	Merchandise imports	Total merchandise trade	Trade Balance 2009-2018
2009	206,193	344,795	550,988	(138,602)
2010	220,343	404,048	624,391	(183,705)
2011	373,066	1,127,649	1,500,715	(754,583)
2012	453,068	1,003,120	1,456,188	(550,052)
2013	379,693	727,593	1,107,286	(347,900)
2014	254,942	672,580	927,522	(417,638)
2015	198,318	560,586	758,904	(362,268)
2016	214,501	625,329	839,830	(410,828)
2017	263,562	783,295	1,046,857	(519,733)
2018	392,397	437,548	829,945	(45,151)
% growth	90%	27%	51%	-67%

Source: Computations from ITC Trade Maps datawww.intracen.org

Among the country's major merchandise exports, three product categories emerge as the most significant as represented by total exports during the period 2009-2018; namely coffee which took 31% of the total export market share, semi-manufactured gold (29%), and tea (10%). Others are soaps and beer (3% each), tobacco and wheat (2% each); and mineral ores (3.3%). Combined, the top 10 merchandise exports took 85% of Burundi's total exports as shown in Annex 3 to this report.

The major merchandise export markets as represented by average export market shares during the period 2009-2018 are United Arab Emirates which took 26%, Switzerland (12%), DR Congo (11%), Kenya (6%), Belgium (5%0, Germany (4), United Kingdom, Rwanda, and Uganda (each at 3%), and Singapore (2%). Combined, these 10 ten export destinations took 73% of Burundi's merchadise exports during the period of analysis as summarised in Annex 4.

The 10 major merchandise imports are petroleum products which took an averag19% market share of the country's total merchandise import bill during the period 2009-2018, medicaments (6%); soya beans, motor cars and cement (3% each); and fertilisers, telephone sets, wheat, motor vehicles, and flat-rolled iron and non-alloy steel products (2%) as shown in Annex 5.

The major merchandise import markets as summarised in Annex 6are Saudi Arabia and China each of which took 11% market share during the period 2009-2018, India (9%), Tanzania (8%), Belgium and Kenya (6% each), Uganda and UAE (5% each), and France and Japan (4% each).

2.3.3.2 Services Trade Performance

Burundi's total services exports decreased from US$ 169.9 million in 2008 to US$ 145 million in 2017 or by 15% between 2008 and 2017, while services imports also declined from US$ 758 million in 2008 to US$ 664.5 million in 2017 or by 12% during the period. Overall, the country's services trade deficit reduced from US$ 588.15 million in 2008 to US$ 519.8 million in 2017 as shown in table 4 below.A comprehensive definition of services which are traded globally based on GATS Agreement is presented in Annex 38.

Table 4: Burundi's Trade in Services 2008-2017 (US$'000)

Year	Service Exports	Service Imports	Total Services Trade	Trade balance
2008	169,899	758,053	927,952	-588,154
2009	102,330	513,379	615,709	-411,049
2010	166,267	493,183	659,450	-326,916
2011	242,951	615,178	858,129	-372,227
2012	191,618	619,690	811,308	-428,072
2013	282,127	701,400	983,527	-419,273
2014	174,943	787,775	962,718	-612,832
2015	133,889	662,778	796,667	-528,889
2016	163,248	610,616	773,864	-447,368
2017	145,014	664,782	809,796	-519,768
% Growth	-15%	-12%	-12.73%	-12%

Source: ITC trade in services database based on IMF[19] statistics

Burundi's major services exports are professional services (*referred to under WTO GATs Agreement as all other services*)[20] which took 46% of total services exports between 2008 and 2017, government goods and services[21] (37%), and memo commercial services[22] (9%). A comprehensive summary of Burundi's services export trade is presented in Annex 7.

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[19] International Monetary Fund

[20] Under WTO (GATS Agreement), "*all other services*" which are actually professional services include research and development services, professional and management consulting services (legal services, accounting, auditing, business and management consulting, public relations services, advertising, business and technical services (such as architectural, engineering, waste treatment and de-pollution, agriculture, mining, and operational leasing services).

[21] Under GATs, Government goods and services covers all government and international organizations' transactions. It is subdivided into services transacted by embassies and consulates, military units and agencies, and all other government services offered by the government of one country on behalf of another government.

[22]The term memo item: commercial services includes all service categories except government services not included in other service categories. Such goods and services are offered by a commercial entity on behalf of a foreign commercial entity which may not have commercial presence in the country where the service if consumed. The memorandum items include:

i) Freight transportation on merchandise, valued on a transaction basis (Sea freight, Air freight, Space freight, Rail freight, Road freight, Inland waterway freight, Pipeline freight, and other types of freight),
ii) Travel (Expenditure on goods while on travel, Expenditure on accommodation and food and beverage serving services, and All other travel expenditures),
iii) Gross insurance premiums (Gross premiums – life insurance, Gross premiums – freight insurance, and Gross premiums – other direct insurance),
iv) Gross insurance claims (Gross claims – life insurance, Gross claims – freight insurance, and Gross claims – other direct insurance,

The country's major services imports are: all other services (or professional services) which took 34% of total services imports between 2008 and 2017, memo commercial services (31%), and transport (20%). A comprehensive summary of Burundi's services import trade is presented in Annex 8 to this report.

2.3.3.3 Key Reasons for Burundi's Trade Performance on Goods and Services

Analysis of Burundi's trade performance shows poor performance over the period 2009-2018 as detailed in the country's RTP national report. Some key reasons associated with Burundi's poor trade performance include:

- Exports are concentrated on a small range of products with strong dependence on primary products with low value addition and use of modern processing technology. Although recent efforts have been made to introduce higher value addition for primary products as a priority through key policy documents, limited results have been achieved in export diversification and product specialisation. For example, efforts to increase coffee sector trade performance by improving the quantity, quality, marketing arrangements and prices offered have not borne significant results as Burundi remains insignificant and a price taker in world markets. However, Burundi coffee can qualify for the global specialty market if it is well promoted and consistently supplied.
- Burundi firms and exporters continue to face regulatory obstacles in their trade transactions. In this regard, while many laws governing private sector activities such as the investment code, commercial code and labour code have been updated and the competition law has been enacted, there is absence of appropriate accompanying regulations to facilitate application of these laws. This implies risks of arbitrary implementation of such laws to the detriment of businesses which are supposed to be beneficiaries. For example, the general business incentives given under the investment code are insufficient to attract foreign direct investment and encourage local entrepreneurs to expand their activities because of subsequent high transport[23] and energy costs for international transactions, coupled with poor quality services which end up as disincentives to business operations. Frequent power failures in this respect end up forcing businesses to invest in backup power sources, which consequently increase business operating costs, forcing businesses to produce uncompetitive products for regional and international markets.
- Businesses have poor knowledge by about the content of trade and market access preferences given through key international trade agreements to enable access to international markets. The key agreement in this regard is the EU Economic Partnership Agreements. Burundi businesses lack sufficient understanding about relevant provisions of this agreement and how to apply such provisions on their export transactions to EU countries; including rules-of-origin, quality standards, and SPS[24] measures. The absence of good knowledge ends up as an obstacle for Burundi exporters in accessing EU markets.
- Burundi is currently excluded from accessing the lucrative USA market for goods under the AGOA facility. The USA AGOA[25] provides duty-free market access into the United

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v) Financial intermediation services indirectly measured (FISIM)
vi) Financial services including FISIM, and
vii) Merchanting gross flows and audio-visual transactions.

[23]High transport costs are mostly as a result of Burundi being a land-locked country

[24] Sanitary and Phyto-Sanitary measures

[25] The US African Growth and Opportunity Act (AGOA), signed in May 2000, offers trade preferences (duty-free status) on virtually all marketable goods produced in AGOA-eligible countries upon entry into the US market, with intention of stimulating economic growth and facilitating sub-Saharan Africa's integration into the global economy.

States for qualifying products produced in designated Sub-Saharan African beneficiary countries. It extends duty-free preferences previously available under the US *Generalised System of Preferences* (GSP), while also adding many additional tariff lines that were not previously GSP-eligible. Virtually all GSP tariff lines have received AGOA eligibility (i.e. duty-free preferences). In addition, AGOA also provides duty-free access to textiles and apparel subject to compliance with the specific rules of origin for wearing apparel. For example, textiles (HS chapter 50-60 and 63) are AGOA eligible only when produced and exported by a '*lesser developed*' AGOA beneficiary country. Wearing apparel (HS chapters 61 and 62) are granted duty-free status within a number of different rules of origin categories, each with their own special classification. In addition, to benefit from AGOA, a beneficiary country must be deemed to be making progress towards a market economy, a multiparty system and the rule of law, the elimination of discriminatory barriers to American trade and investment, intellectual property protection, combat against corruption, protection of human rights and labour standards, and the abolition of certain forms of child labour. Burundi does not currently meet the latter areas of eligibility criteria under AGOA (particularly the market economy, multiparty system, IPR, corruption, human rights and labor standards). Thus while Burundi is a potential beneficiary of AGOA as a Sub-Saharan African country, its exporters cannot access the US market on account of Burundi's non-eligibility under AGOA.

2.3.3.4 Measures to Unlock Burundi's Trade Potential

Key challenges that need to be addressed to unlock Burundi's trade potential as summarised in Annex 33 include:

- Focused attention on reducing high transport costs associated with Burundi being a landlocked country, characterised by high fuel costs and poor road conditions on some transport legs on central and northern corridor. Burundi entirely depends on sea shipment services at the ports of Dar es Salaam and Mombasa for its international transactions. These pots are situated at 1,200 km and 2,050 km respectively from Bujumbura, which translates to additional time and cost for Burundi importers and exporters. To improve on transport efficiency, it is important to continue improving trade facilitation measures as a combined effort of all EAC countries, focusing on improving access to imported production inputs and improving speed and cost of accessing regional and international markets.
- Reducing the high energy costs for producers
- Expanding the current narrow export base through value addition of available products that are exported in unprocessed and/or semi-processed form.
- Addressing NTBs that act as barriers to accessing imported cargo (including inputs), which adversely impact on ability to process goods for regional and international markets. Some notable NTBs include axle weight limits specified under weighbridge regulations, roadblocks and associated corruption incidences on the transport corridors, bureaucracy/ long procedures in clearing cargo at the port of Dar-es-Salaam, work permit requirement for Clearing & Forwarding agents at Dar es Salaam which delays access to imported cargo, lack of quality standards and SPS laboratory facilities at important border stations (such as Kobero andMugina border-posts) which causes delayed clearance of at least 2 days during inspection and clearance of incoming cargo[26], Slow customs services (by OBR agents), false customs declarations by Customs agents resulting to high fees, blocking of small cross-border

[26] For example samples of incoming gods have to be sent to Bujumbura for testing before clearing at Kobero or Mugina border posts

traders from accessing clearance offices by Air and Border Police, availability of BCB bank at border posts (such as Mugina) forcing cross-border traders to travel long distances (for example to Makamba) to pay for cost of analysis, and prohibition of cross-border trade between Tanzania and Burundi at Mugina except for specified food products (rice, maize, cassava) originating from Tanzania; etc. a detailed listing of NTBs experienced at each border post is tabulated in the detailed RTP Burundi country report.

2.3.4 RWANDA TRADE PERFORMANCE

2.3.4.1 Rwanda Merchandise Trade Performance

Rwanda's total merchandise trade grew from US$ 1.37 million in 2009 to US$ 3.95 million in 2018, or by 191% over the period 2009-2018 as summarised in table 5 below. Exports grew from US$ 260.7 million in 2009 to US$ 1.02 billion in 2018 or by 290%, while imports grew from US$1.112 million in 2009 to US$ 2.97 million in 2018 or by 167%% over the period. Overall the country's trade deficit grew from US$ 851.4 million in 2009 to US$ 195 billion in 2018 or by 129% during the period.

Table 5: Rwanda's merchandise trade with the world 2009-2018 (US$ '000)

Year	Total Exports	Total Imports	Total merchandise trade	Trade Balance 2009-2018
2009	260,660	1,112,015	1,372,675	(851,355)
2010	241,828	1,405,159	1,646,987	(1,163,331)
2011	401,311	1,508,305	1,909,616	(1,106,994)
2012	506,989	1,831,958	2,338,947	(1,324,969)
2013	608,097	1,989,145	2,597,242	(1,381,048)
2014	653,365	1,954,210	2,607,575	(1,300,845)
2015	548,835	2,572,276	3,121,111	(2,023,441)
2016	555,137	2,607,072	3,162,209	(2,051,935)
2017	948,319	2,947,849	3,896,168	(1,999,530)
2018	1,017,862	2,971,519	3,989,381	(1,953,657)
% growth	290%	167%	191%	129%

Source: Computations from ITC Trade Maps datawww.intracen.org

Rwanda's top 10 merchandise exports are semi-processed/ manufactured gold which took 19% export market during the period 2009-2018, coffee and tea (11% each); niobium, tantalum, vanadium and zirconium ores and tin ores (10% each); tungsten ores (3%), raw hides and skins (1.5%), and vegetables (0.6%). Combined, these products contributed 65% of the country's merchandise exports during the period 2009-2018 as shown inAnnex 9.

The Democratic Republic of Congo (DRC) is the largest destination of Rwanda exports, accounting for an average 26% of total exports during the period 2009-2018, followed by Tanzania (11%), Kenya (10%), Switzerland (7%), United Arab Emirates (9%), and Uganda (6), Belgium (4%), Burundi (3%), USA (2.6%) and UK (2.4%). Combined, these top 10 export destinations took the bulk of Rwanda exports at 81% export market share during the period 2009-2018 as summarised in Annex 10.

The regional market mostly consumes non-traditional exports and re-exports (such as fuel products and textile/garments to DRC). On the other hand, exports to non-African markets comprise traditional commodities (tea, coffee and minerals) and horticultural products (still in low volume and value but slowly picking up).

Rwanda's major merchandise imports include: telephone sets,petroleum oils obtained from bituminous minerals, construction materials (cement, iron steel products), medicaments, sugarcane, wheat and meslin, palm oil, and motor vehicles. The share of these products to total imports averaged 23% during the period 2009-2018 as shown in Annex 11.

Rwanda's major import markets are China which took an average 16% market share of total merchandise imports during the period 2009-2018, Uganda (11%), India and UAE (9% each), Kenya (7%), Tanzania and Japan (4% each), Germany (3%), Belgium (2.7%), and South Africa (2.6%). Combined the top 10 import markets contributed 68% of Rwanda total imports during the period of analysis as summarised in Annex 12. Rwanda's imports from African countries (mainly EAC) are generally made of construction materials (cement, iron steel, tubes and pipes), food products (sugar cane, maize, fish, roots and tubers etc).

2.3.4.2 Rwanda Services Trade Performance

Rwanda's services exports grew impressively from US$ 978.7 million in 2009 to US$ 1.9 billion in 2018 or by 93% during the period 2009-2018, while the services imports increased from US$ 1.5 billion in 2009 to US$ 2 billion in 2018 or by 35%. Overall, the country's services trade deficit decreased from US$ 528.7 million in 2009 to US$ 99.1 million in 2018 or by an impressive 81% as shown in table 6 below. Between 2014 and 2016, the services trade deficit had increased substantially from US$ 270.6 million in 2014 to US$ 924.3 million in 2015 and US$ 910.6 million in 2016, but thereafter reduced to US$ 234.7 million in 2017 and further to US$ 99.1 million in 2018. Thus while the country still runs a trade deficit in services trade, there has been a marked increase in service exports over service imports during the decade.

Table 6: Rwanda's services trade 2009-2018 (US$'000)

Year	Total service Exports	Total service Imports	Total services trade	Trade balance 2009-2018
2009	978,732	1,507,454	2,486,186	-528,722
2010	1,018,310	1,555,384	2,573,694	-537,074
2011	1,383,946	1,766,826	3,150,772	-382,880
2012	1,390,526	1,462,458	2,852,984	-71,932
2013	1,537,431	1,651,780	3,189,211	-114,349
2014	1,585,058	1,855,703	3,440,761	-270,645
2015	2,203,074	3,127,392	5,330,466	-924,318
2016	2,242,919	3,153,511	5,396,430	-910,592
2017	2,725,184	2,959,882	5,685,066	-234,698
2018	1,890,299	1,989,396	3,879,695	-99,097
Total 2009-2018	16,955,479	21,029,786	37,985,265	-4,074,307
% Growth	93%	32%	56.05%	-81%

Source: ITC trade in services database based on IMF statistics

The major services exports as represented by data for the period 2009-2018 were professional services (categorised as all other services)27 which took 39% market share, memorandum commercial services (28%), travel (16%), and government goods and services (10%); which combined accounted for an average 93% of the country's service exports during the analysis period as shown in Annex 13.

Forservices imports, the major categories comprise professional services (under all other services) which took a 37% market share of the country's total services imports during the period 2009-2018, commercial services (31%), and transportation (16%); which combined accounted for 84% of total service imports during the period of analysis as summarised in Annex 14.

2.3.4.3 Key Reasons for Rwanda's Trade Performance on Goods and Services

One of the factors explaining the country's high trade deficit in merchandise trade is continued dependence on traditional exports which are sold in unprocessed form, although semi-manufactured gold has emerged as the country's top export earner, peaking from US$ 7.61 million in 2014 to US$ 636 million in 2018. As summarised in table 6 above, Rwanda's merchandise exports grew by an average 290% while merchandise imports grew by 191% during the same period. On the other hand, services exports grew by an average 93% between 2009 and 2018. The good export performance for some major goods and services is attributed to greater trade openness, price liberalization, improved public financial management, financial reforms (including e-payments system), services liberalization, and substantial public investment in infrastructure.

These macro-economic reforms have enabled the country to enjoy strong economic growth over the period of analysis, growing at an average of 7% between 2009 and 2018. The IMF[28] projects the country's GDP will grow by an average rate of between 7% and 8% in 2019 and 2020 respectively. In addition to good macro-economic reforms, the country's high economic growth is attributed to high and stable global prices for some traditional exports like tea and coffee, improved agricultural output, and growth in transport, tourism and construction activities; all which have contributed to enabling the country to recover from drought and the downturn experienced in 2016 (*whereby the GDP growth rate had declined from 8.9% in 2015 to 6% in 2016*[29]).

Good macro-economic reforms have also enabled Rwanda to enjoy relatively high rankings in the World Bank's Ease of Doing Business Index, with the county ranking position 29 out of 190 economies in 2019[30]. This has resulted to increased attraction of FDI[31]in key economic sectors like energy, agriculture, and services (trade, hospitality, financial, construction and tourism).

Although the country still faces a huge trade deficit, efforts are underway to resolve this challenge. A notable initiative in this regard is the "Made in Rwanda Policy" (MIRP) introduced in 2015, which has prioritised actions to increase domestic production of goods and exports of semi-manufactured gold. The policy has contributed to reducing the high trade deficit on merchadise goods, with some notable decline observed both in 2017 and 2018. In addition, the emergence of semi-manufactured gold as the country's major export earner since 2015 has contributed to reducing Rwanda's trade deficit as evidenced by export data for the period 2009-2018.

Specifically, good export performance on goods and services has been as a result of:

- Sustained high economic growth; with a strong growth in the average year-on-year GDP coupled with relatively low inflation;
- Low corruption: Rwanda is rated as one of Africa's four least corrupt nations and 48th in the world as per the Transparency International's 2018 Corruption Perception Index;
- Eases of starting a business: Rwanda is rated as a top global consistent reformer since 2008 (World Bank Doing Business Reports), and the 2ndeasiest place to do business in Sub-Saharan Africa.
- Access to markets: Rwanda's market of 12.2 million people has a growing middle class, which is supported by the EAC Common Market which has a regional market potential estimated at 162 million consumers. Rwanda also has access to the eastern DRC market of approximately 35 million people.

[28] The International Monetary Fund
[29]World Bank data (www.worldbank.org/GDP growth (annual %)
[30] Rwanda was the second-best in sub-Saharan Africa after Mauritius on Ease of Doing Business in 2019
[31]Foreign Direct Investment

- Untapped investment opportunities: Rwanda has potential investment opportunities which are particularly attractive to FDI in the following sectors: infrastructure, energy, agriculture, tourism, manufacturing, information and communication technology, mining, financial services, real estate, and construction. Sustained new investments in these sectors has been a key driver in the country's increased exports over the last decade.

2.3.4.3 Measures to Unlock Rwanda's Trade Potential

Key priorities to increase Rwanda's export trade performance and unlock trade potential are summarised in Annex 34 include:

i) Providing firm-level support: In efforts to enhance firm-level competitiveness, the government has prioritised measures to upgrade capacities of firms to enter and grow regional and global export markets. The Rwanda Development Board (RDB) in this respect supports an export capacity program aimed to grow the number of successful exporters and export volumes, and also administers the export advisor initiative (EIA) which offers advisory support to exporters through a cadre of qualified and experienced advisers, focusing on export and market entry strategies as part of business development measures.

ii) Establishment of the Export Growth Facility (EGF): Rwanda exporters and potential exporters are supported financially through the Export Growth Facility, which has better credit terms compared to other traditional financial instruments. The EGF is designed as a single fund with three separate windows for funding: 1) an investment catalyst fund to encourage export focused investments, 2) a matching grant fund for medium sized exporters to meet specific requirements in target markets, and 3) an export guarantee facility to underwrite exports. Through these measures, EGF has facilitated increased exports by supporting and sustaining the efforts of exporters to venture into export markets.

iii) Support to SMEs development: The SMEs policy in Rwanda supports the development of SMEs clusters, which have in turn enabled the building of supply and value chains that have been instrumental in improving firm-level productivity and efficiency, stimulating and enabling innovations, and facilitating commercialization and new business formations. All these dynamics have further boosted efforts to exploit export potentials.

iv) Continued focus on the "Made in Rwanda" initiative: This Policy aims to boost local industries' contribution to economic growth, promote Rwandan brands locally and globally, reduce the country's import burden and boost consumption of locally made products. The key measures being implemented in efforts to achieve these goals include awareness drives, enhanced quality standards, and improved branding and packaging of products along the value chain.

v) Focused support to value addition: Rwanda has prioritised value addition in order to raise products' competitiveness in export markets, particularly for agro processing and agribusiness. In this regard, the National Agricultural Export Development Board (NAEB) has given emphasis to expansion of coffee washing stations and provision of technical training to farmers, which has contributed to increasing the quality of coffee from 30% in 2013 to 60% in 2018. For tea, increased production has been driven by the construction of six new tea processing factories between 2013 and 2018.

vi) Provision of a business friendly environment: Rwanda's has prioritised pro-business and investment friendly policy reforms, which are necessary for strong and sustained economic growth, low corruption ratings, conducive business environment, and export orientation. These efforts have already borne good results as evidenced by the country's high ranking in the World Bank's Ease of Doing Business Index.

vii) Implementation of Rwanda Special Economic Zones (SEZs: Rwanda has prioritised the SEZs to address constraints facing businesses and investors. The Kigali SEZ has for example attracted investors in heavy and light manufacturing, large scale industrial plants, commercial wholesalers, chemicals, pharmacy and plastics; warehousing, tourism, ICT and logistics businesses. These investments have increased the country's export potential.

viii) Continued support to products with emerging export potentials: The country has prioritised support to products with export potentials, such gold and gemstones which have emerged as major exports thus enabling the country totake advantage of the recovery of commodity prices in international markets in both 2017 and 2018. In addition, increased demand from neighbouring countries (mainly Eastern DRC) for clothing accessories and petroleum products has been identified as an area with export potential, and Rwanda has started increasing re-exports of such products to DRC.

ix) Building capacity for collection of services sector trade data: The country has recognised that mechanisms to capture accurate and reliable services trade data (including values and destination countries and/or countries of origin) are weak, and has thus prioritised capacity building programs, including human resource development and institutional strengthening.

x) Transformation of Rwanda into a regional trade hub: The government has prioritised construction of new international business class hotels, a convention center in downtown Kigali, a new inland container terminal and bonded warehouse in Kigali, and expansion of the national carrier RwandAir; all which will contribute to making Rwanda a regional trade, logistics, and conference hub.

xi) Prioritisation of regional and international integration initiatives: In order to enhance export trade competitiveness in regional and global markets, Rwanda has embraced regional and international economic integration as an important aspect of the country's development agenda. In this respect, Rwanda as a member of EAC is committed to implementation of all the Customs Union[32] and Common Market[33] provisions. Rwanda is also a member of COMESA[34], and has also concluded a Bilateral Investment Treaty (BIT) and a Trade and Investment Framework Agreement (TIFA) with the United States. In 2009, Rwanda became a member of the Commonwealth and is scheduled to host the Commonwealth Heads of Government meeting in 2020. The country is also a member of WTO[35] since 1996, while at the continental level it has signed and ratified the African Continental Free Trade Agreement (AfCFTA) which aims to create an African single continental market.

2.3.5 KENYA TRADE PERFORMANCE

2.3.5.1 Kenya Merchandise Trade Performance

Kenya's total merchandise trade grew from US$ 14.7 billion in 2009 to US$ 24.43 billion in 2018 or by 60%. Merchandise exports grew from US$ 4.46 billion in 2009 to US$ 6.1 billion in 2018 or by 36%, while imports grew by a higher rate of 70% from 10.2 billion in 2009 to

[32] The key provisions of the Customs Union include elimination of tariffs on goods originating from the EAC Partner States, implementation of the common external tariff on imports from non-EAC countries, application of harmonised Rules of Origin, and removal of non-tariff barriers (NTBs) on goods traded within the Community.

[33] The Common Market provisions are the four Freedoms of movement (Goods; Persons (Labour/ Workers); Services; and Capital); and the two Rights (establishment and residence).

[34] Common Market for Eastern and Southern Africa countries

[35] World Trade Organization

17.38 billion in 2018. As a result the country's trade deficit increased from US$ 5.74 billion in 2009 to US$ 11.33 billion in 2018 as shown in table 7 below.

Table 7: Kenya's Merchandise Trade Performance

Year	Total merchandise exports	Total merchandise imports	Total merchandise trade	Trade balance2009-2018
2009	4,463,439	10,202,013	14,665,452	(5,738,574)
2010	5,169,114	12,092,909	17,262,023	(6,923,795)
2011	5,758,743	14,788,054	20,546,797	(9,029,311)
2012	6,134,362	16,282,129	22,416,491	(10,147,767)
2013	5,830,953	16,406,856	22,237,809	(10,575,903)
2014	6,111,947	18,386,142	24,498,089	(12,274,195)
2015	5,906,845	16,062,418	21,969,263	(10,155,573)
2016	5,697,566	14,113,744	19,811,310	(8,416,178)
2017	5,746,973	16,690,006	22,436,979	(10,943,033)
2018	6,050,421	17,376,721	23,427,142	(11,326,300)
Total 2009-2018	56,870,363	152,400,992	209,271,355	(95,530,629)
% Growth	36%	70 %	60%	97%

Source: Computations from ITC Trade Maps datawww.intracen.org

The country's top 10 merchandise exports which combined took 49% of total exports during the period 2009-2018 as shown in Annex 15 are: tea which took 21%, cut flowers (9%), petroleum products (6%), coffee (4%); medicaments, tobacco products and ammonium carbonate (2% each); and fresh or chilled vegetables and iron or non-alloy steel products (1% each).

Kenya's major merchandise export markets as represented by average market shares during the period 2009-2018 are Uganda which took 12%, United Kingdom (8%), Tanzania and Netherlands (7% each), USA and Pakistan (6% each), United Arab Emirates (5%), Egypt (4%), DR Congo and Somalia (3% each). Combined, these 10 ten export destinations took 61% of the country's merchadise exports during the period as summarised in Annex 16.

The country's 10 major merchandise imports as shown in Annex 17 are petroleum products which took an average 20% market share of total merchandise imports during the period 2009-2018; palm oil, motor cars, aircraft, and medicaments (3% each); and telephone sets, wheat, and flat-rolled iron and non-alloy steel products (2% each).

The major import markets of merchandise goods as summarised in Annex 18 are China which contributed 16% market share during the period 2009-2018, India (13%), UAE (9%); Japan, USA, Saudi Arabia and South Africa (5% each); and Indonesia, UK and Germany (3% each).

2.3.5.2 Kenya Services Trade Performance

Kenya's total services trade grew from US$ 13.32 billion in 2009 to US$ 21.34 billion in 2018 or by 60% during the period 2009-2018. Total services exports increased from US$ 8 billion in 2009 to US$ 12.7 billion in 2018 or by 59%, while services imports also increased from US$ 5.3 billion in 2009 to US$ 8.7 billion in 2018 or by 63% during the period. Overall, the country experienced a positive services trade balance during the period, increasing from US$ 2.65 billion in 2009 to US$ 4 billion in 2018 or by 50% as shown in table 8 below.

Table 8: Kenya's Trade in Services

Year	Total services exports	Total services imports	Total Services Trade	Trade balance 2009-2018
2009	7,983,955	5,333,443	13,317,398	2,650,512
2010	10,560,613	6,068,076	16,628,689	4,492,537
2011	11,613,808	6,536,831	18,150,639	5,076,977
2012	13,998,458	7,525,658	21,524,116	6,472,800
2013	14,464,190	8,195,074	22,659,264	6,269,116
2014	14,164,528	9,783,183	23,947,711	4,381,345
2015	12,985,123	9,718,610	22,703,733	3,266,513

Year	Total services exports	Total services imports	Total Services Trade	Trade balance 2009-2018
2016	11,667,840	8,004,065	19,671,905	3,663,775
2017	13,080,541	9,030,531	22,111,072	4,050,010
2018	12,664,986	8,677,789	21,342,775	3,987,197
Total2009-2018	123,184,042	78,873,260	202,057,302	44,310,782
% Growth	59%	63%	60%	50%

Source: ITC trade in services database based on IMF statistics

The major services exports are professional services (*all other services as per GATs Agreement*) which took 36% of total services exports between 2009 and 2018, memo commercial services (29%), transport (15%), travel (7%), government goods and services[36] (6%), and telecommunications, computer, and information services (4%). A comprehensive summary of Kenya's services export trade is presented in Annex 19.

The country's major services imports are: professional services (or all other services) which took 35% of total services imports between 2009 and 2018, memo commercial services (32%), transport (15%) as presented in Annex 20.

2.3.5.3 Key Reasons for Kenya's Trade Performance on Goods and Services

Some key reasons for Kenya's trade performance over the period 2009-2018 are elaborated below, while the measures necessary to unlock the country's trade performance are summarised in Annex 35 to this report.

a) Application of a focused export strategy to USA under AGOA Facility

Kenya has entered into preferential trade agreements with USA under AGOA which offers quota free and duty free market access for a wide range of export products, subject to meeting the eligibility criteria such as rules of origin and product quality specifications. The AGOA facility, introduced in 2000 was to expire in July 2015 but was subsequently extended to 2025. It mostly benefits apparels but the range of eligible products has overtime been enhanced to include home decor and personal accessories, processed and speciality foods, flowers, coffee, tea, and fresh fruits and vegetables. While Kenya's efforts to exploit its export potential to US under the facility was initially constrained by several demand and supply side challenges, a strategic step was taken to understand and better manage the challenges by formulating the Kenya AGOA Strategy for the period 2012-2016. This strategy has enhanced Kenya's overall exports to the US, which over the period 2012-2016 grew by 41.6% from US$ 389.5 million in 2012 to US$ 551.5 million in 2016, while AGOA/GSP specific exports grew by 34.1% from US$ 293 million in 2012 to US$ 393 million in 2016.

In efforts to sustain increased exports, Kenya with support of USAID through the East Africa Trade and Investment Hub,also formulated the Kenya National AGOA Strategy and Action Plan (2018-2023), whose goal is to increase exports to the US by 20% annually. This latter strategy provides strategies and actions for increasing exports to the US, and focusing specifically on expanding US market share and buyer diversification, trade facilitation, skills development, increased productivity, trade-support capacity building, and export supply development. Although Kenya apparel exports have been the main beneficiary of AGOA, there is room for increased exports other products, hence the need to diversify the portfolio of other potential AGOA eligible sectors through value-addition; such as home decor and personal accessories, tea, coffee, macadamia nuts, fresh produce, processed and specialty foods.

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[36] Under GATs, Government goods and services covers all government and international organizations' transactions. It is subdivided into services transacted by embassies and consulates, military units and agencies, and all other government services offered by the government of one country on behalf of another government.

b) Challenges of exporting to EAC, African regional and wider African continent

As detailed in the Kenya RTP report, for the African market, particularly the regional market which has traditionally been the main export market for Kenyan manufactured goods (EAC, COMESA and SADC), exports have been declining in recent years because of:

i) Lack of adherence to the EAC Customs Union and Common Market Protocols, particularly due to application of NTBs by other EAC countries on Kenyan goods contrary to the Customs Union provision which requires free movement of goods within the Community subject to meeting rules of origin criteria. Some known NTBs in this regard relate to quality standards, rules of origin, SPS measures, and weights and measures specifications, axle loads, police roadblocks, customs documentation and declarations, and immigration requirements on issuance of work permits.

ii) Stiff competition between regionally produced and imported goods for the regional markets, including counterfeit and cheap substandard products originating from China

iii) Increased production of goods by EAC countries which Kenya had previously maintained an edge over other regional countries. The result has been replacement of Kenyan originating goods in the regional market.

iv) High Power tariffs, making Kenyan products uncompetitive in the regional markets.

v) With the onset of the Customs Union, Kenyan manufacturers have increasingly been unable to access the regional market using export promotion schemes like the duty exception, duty remission and the EPZ[37] programme. These schemes had previously enabled manufacturers to import raw materials and other inputs free of duty for production of export oriented products. However under the EAC rules of origin, the final products can no longer qualify as Kenyan originating and are therefore disqualified for duty free trade within EAC. The result has been that the EAC as an export market for Kenya has to a large extent been lost and manufacturers should focus on competition for the regional market based on production and supply chain competencies but not on production based on imported duty free materials/inputs.

vi) Protectionist national policy measures by other EAC Partner States against Kenyan goods, which is evidenced by application of NTBs and stays of application from CET; with the latter denying regional manufacturers the chance to supply the regional market.

vii) Lack of product diversification by Kenyan manufacturers and poor adoption of modern technologies that suit production for the regional market, particularly EAC and COMESA countries. In this regard, there is inadequate value addition to agricultural sector products which have potential for intra-regional trade (particularly coffee, tea, hides and skins, and cotton), which ultimately affects potential to realise higher export prices. This is made worse by persistent trade wars between the counties, such as the intra-EAC trade wars on processed milk, which ends up limiting the capacity of manufacturers to enter the regional market for products that are produced from local raw materials.

viii) Distance, communication and supply chain logistical challenges which limit market access particularly for the SADC countries

ix) Relocation/migration of some companies from Kenya to the regional countries after onset of the Customs Union, which precipitated the loss of potential to produce for regional market using imported duty free materials. Relocation has also been

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[37] Export Promotion Zones

catalysed by increased competition from stronger continental suppliers especially from South Africa, which has necessitated the need to locate production units close to intended markets in order to save on transport and distribution costs.

x) For services sector, there are persistent trade wars especially with Tanzania, with Kenyan tour operators in 2018 being banned from accessing Serengeti national park, and Kenya retaliating by banning Tanzanian tour vans from accessing Maasai Mara game reserve. In addition, the EAC region has not yet agreed on services to be commonly traded without restrictions as part of fast tracking implementation of Common Market provisions on free movement of services. The result has been inability to grow the regional services sector.

c) Challenges of exporting to other international markets (excluding USA)

i) There has been continued reliance on traditional non-value added agricultural products (tea, coffee, hides and skins, horticulture), due to inadequate adoption of technologies that would facilitate production of value added goods.

ii) Hightechnical quality standard requirements, especially quality standards and SPS measures demanded by international markets has resulted to Kenyan products being uncompetitive in such markets, particularly the EU. Kenyan companies lack capacity to meet such high quality standard requirements.

iii) While the rest of the world has well developed industrial sectors which enjoy economies of scale, African countries (Kenya included) has not maximised its production potential due to lack of proper uptake of production models like subcontracting and partnerships exchange schemes (SPX). Such models entails production of a single item by many players who specialize in production of parts that eventually go into assembly of the final good intended for the market. This enables mass production of parts contracted to each producer, thereby maximizing on economies of scale and facilitating specialisation and firm competitiveness.

iv) Kenyan producers are constrained by high cost and unreliable power supply compared to many competitor countries, which ends up into production of goods that are not price competitive in international markets.

v) Distance, transport/communication and logistical challenges also limit access to international markets.

2.3.6 TANZANIA TRADE PERFORMANCE

2.3.6.1 Tanzania Merchandise Trade Performance

Tanzania's total merchandise trade grew from US$ 9.5 billion in 2009 to US$ 12.3 billion in 2018 or by 29%. Merchandise exports grew from US$ 3 billion in 2009 to US$ 3.8 billion in 2018 or by 27%, while imports grew from 6.53 billion in 2009 to 8.5 billion in 2018 or by 30%. Overall the country's trade deficit increased from US$ 3.55 billion in 2009 to US$ 4.72 billion in 2018 or by 33% during the period of analysis as shown in table 9 below.

Table 9: Tanzania merchandise trade 2009-2018 (US$'000)

Year	Total merchandise exports	Total merchandise imports	Total merchandise trade	Trade balance 2009-2018
2009	2,982,401	6,530,817	9,513,218	(3,548,416)
2010	4,050,545	8,012,855	12,063,400	(3,962,310)
2011	4,734,940	11,184,231	15,919,171	(6,449,291)
2012	5,547,231	11,715,584	17,262,815	(6,168,353)
2013	4,412,545	12,525,413	16,937,958	(8,112,868)
2014	5,704,648	12,691,088	18,395,736	(6,986,440)
2015	5,854,210	14,705,966	20,560,176	(8,851,756)
2016	4,741,898	7,876,098	12,617,996	(3,134,200)
2017	4,178,105	7,765,411	11,943,516	(3,587,306)

Year	Total merchandise exports	Total merchandise imports	Total merchandise trade	Trade balance 2009-2018
2018	3,795,723	8,510,639	12,306,362	(4,714,916)
Total2009-2018	46,002,246	101,518,102	147,520,348	(55,515,856)
% Growth	27%	30%	29%	33%

Source: Computations from ITC Trade Maps datawww.intracen.org

The country's top 10 merchandise exports during the period 2009-2018 as shown in Annex 21 are: semi-manufactured gold which took 31%, other precious-metal ores and concentrates (8%), nuts (e.g. coconuts, brazil and cashew nuts (5%), unmanufactured tobacco (4%), coffee (4%); coffee, fish, dried, leguminous vegetables, oil seeds and oleaginous fruits (3% each); Manganese ores and concentrates (2%)), and Cotton (1%). Combined, these top 10 products took 62% of total merchandise exports during the period 2009-2018.

Tanzania's major merchandise export markets as represented by average market shares during the period 2009-2018 are India which took 15%, South Africa (14%), Switzerland (11%), China (10%), Kenya (7%); Japan and DR Congo (4% each), Germany and Belgium (3% each), and Netherlands (2%). Combined, these 10 ten export destinations took 74% % of the country's merchadise exports during the period of analysis as summarised in Annex 22.

The country's 10 major merchandise imports are petroleum products which took an average 30% market share of total merchandise imports during the period 2009-2018;, motor cars for the transport of persons and goods (4%); wheat, palm oil, and medicaments and flat-rolled iron and non-alloy steel products (2% each); telephone sets and tractors (1.5%); and rubber tyres (1.3%). Combined, the top 10 imports took 47% of total merchandise imports during the period 2009-2018 as shown in Annex 23.

The major merchandise import markets are China and India each of which contributed 14% market share during the period 2009-2018, UAE (9%), Saudi Arabia (8%), Switzerland (7%), South Africa (6%), Japan (5%), Kenya (3%); and USA and UK (2% each). Combined, these top 10 import markets contributed 70% of Tanzania's total merchandise imports during the period 2009-2018 as shown in Annex 24.

2.3.6.2 Tanzania Services Trade Performance

Tanzania's total services trade increased from US$ 10.63 billion in 2009 to US$ 16.6 billion in 2018 or by 56% during the period 2009-2018. Total services exports increased from US$ 5.5 billion in 2009 to US$ 11 billion in 2018 or by 100% between 2009 and 2018, while services imports increased from US$ 5.13 billion in 2009 to US$ 5.6 billion in 2018 or by 9% during the period. Overall, the country experienced an impressive positive services trade balance over the analysis period, growing from US$ 375 million in 2009 to US$ 5.4 billion in 2018 or by 1340% as shown in table 10 below.

Table 10: Tanzania's Trade in Services

Year	Total service exports	Total service imports	Total services trade	Services Trade Balance 2009-2018
2009	5,504,123	5,128,739	10,632,862	375,384
2010	6,092,932	5,620,312	11,713,244	472,620
2011	6,857,115	6,573,280	13,430,395	283,835
2012	8,326,323	7,027,560	15,353,883	1,298,763
2013	9,572,787	7,412,455	16,985,242	2,160,332
2014	10,171,962	7,936,674	18,108,636	2,235,288
2015	10,196,064	7,941,450	18,137,514	2,254,614
2016	10,800,229	6,634,318	17,434,547	4,165,911
2017	11,528,801	5,987,819	17,516,620	5,540,982
2018	10,994,641	5,588,913	16,583,554	5,405,728
Total2009-2018	90,044,977	65,851,520	155,896,497	24,193,457

Year	Total service exports	Total service imports	Total services trade	Services Trade Balance 2009-2018
% Growth	100%	9%	56%	1340%

Source: ITC trade in services database based on IMF statistics

The major services exports are professional services (*all other services as per GATs Agreement*) which took 33.6% of total services exports between 2009 and 2018, memo commercial services (33.2%), and transport (20%). A comprehensive summary of Tanzania's services export trade is presented in Annex 25.

The country's major services imports are: professional services (*under all other services as per GATs Agreement*) which took 34% of total services imports between 2009 and 2018, and travel and transport (14% each), as presented in Annex 26.

2.3.6.3 Key Reasons for Tanzania's Trade Performance on Goods and Services

Factors attributed to Tanzania's export trade performance based on the period 2009-2018 include:

a) For agricultural products, Tanzania experienced an increase in exports of some food items during the period 2009-2018 as a result of increased domestic production; which was catalysed by good weather conditions, increased access to subsidised agricultural inputs by farmers, and application of better agricultural technologies (including agricultural mechanization).

b) Exports to the regional (EAC, COMESA and SADC), African continental, and global level markets experienced export decrease over the period of analysis as a result of the 2008 global financial and economic crisis, and the 2010 Euro Zone sovereign debt crisis, both which led to decreased global aggregate demand. In addition, cashew nuts experienced very significant export decline in 2018 due to government ban on private sector traders on account of low prices offered to farmers. Further, exports of manufactured goods to the EAC regional market decreased during the period of analysis due to stiff competition mainly from China.

c) There are a number of supply side constraints which adversely affected exports to the region, African continental and global markets; including poor business environment (characterised by poor policy, legal and regulatory frameworks); poor and costly hard and soft infrastructure; poor access to utilities (inadequate supply and unreliable access to electricity and water); multiplicity of high tax rates; length period of getting VAT refunds; and non-availability of one stop center for tax payments and unpredictable tax regime (types and rates of taxes). All these factors adversely affected the competitiveness of Tanzania producers in terms of unreliable supplies, poor quantity and quality, and high prices of goods and services.

d) Inadequate quantity and quality of managerial and technical skills and talents needed by economic sectors (manufacturing, agriculture, ICT, transport logistics, finance, etc); inadequate availability and access to affordable long-term business finance; and poor business environment as articulated in the annual World Bank Ease of Doing Business publications (*particularly difficulties in getting construction permits, business premises; tariff and NTBs experienced in cross border trade, dealing with day to day businesses operations, enforcing contracts and cumbersome labour market regulations including work and residence permits for foreigners*). All these difficulties adversely affect supply side requirements for efficient business operations and thereby international trade competitiveness.

e) Demand side constraints which lead to reduced trade performance. These include slowdown of the global economy, trade war between China and USA as well as the British Exit from European Union (BREXIT) which have led to declining demand for goods originating from developing countries including Tanzania. The 2008 global financial and economic crisis as well as the 2010 Euro Zone sovereign debt crisis have for example contributed to slow down in the world economy, thereby affecting demand for Tanzania's originating goods.

f) Poor capacity to negotiate during international trade meetings/forums due to inadequate awareness of regional trade protocols that should guide negotiators to articulate national/regional trade priorities; poor preparations prior to negotiations arising from poor national consultations and coordination; and insufficient analytical work prior to negotiations have contributed to poor trade deals for Tanzania; as highlighted in "Essay in Economics – the Performance of Tanzania in International Trade"[38] (undated). In addition, the coordination of Tanzania international trade is not centralized. For instance, negotiations and agreements on EAC are handled by the Ministry of Foreign Affairs and International Cooperation while those on SADC are handled by the Ministry of Industry, Trade and Investment which is also responsible for all multilateral trade issues. This leads to loss of synergies on commitments made on regional and international trade matters.

g) The Tanzania private sector is not adequately involved in formulation of international trade policies and international trade negotiations due to inadequate financial and human resources. This limits ability to gain experience and adequate awareness about international trade issues, and accrual of low benefits from international trade agreements.

h) In the case of grains sector, there are several constraints that limit ability to participate effectively in international trade; including:

   i) Trade within the Tripartite regional trading bloc (EAC, COMESA and SADC) is constrained by unpredictability of trade policies which are characterised by prevalence of NTBs such as export bans that lead to tremendous decrease in intra-regional trade

   ii) At the global level, trade is limited by unacceptability of commodities/products due to lack of knowledge on how to apply quality standards in the production process, leading to inability to comply with required international standards. In addition, producers (manufacturers and farmers) have inadequate capacity to comply with traceability requirements demanded in international markets for commodities/products, and thus cannot enter into contractual trading arrangements with international buyers.

   iii) Most Tanzanian products lack presentable packaging and branding, which makes it difficult to compete in the international markets

   iv) Low awareness and uptake of international certification and standards on products traded in international markets: Most SME's products from Tanzania have no international certifications including bar coding from GS1 or ISO; leading to failure to qualify for entry into international markets.

   v) Poor access to affordable finance: Only about 5% of the total commercial bank loans portfolio is dedicated to agriculture, which creates a huge burden on SMEs to compete in the international markets due to lack of adequate working and investment capital.

   vi) Affordability of products: Due to high production costs associated with sourcing of raw materials and inputs, the result is high production cost per unit for majority of

[38]The Performance of Tanzania in International Trade: https://www.ukessays.com/essays/economics/the-performance-of-tanzania-in-international-trade-economics-essay.php

Tanzania grains, leading to high prices and uncompetitive processed products in regional and global markets.

2.3.6.4 Measures to unlocking Tanzania's Trade Potential

Measures to unlock Tanzania's trade potential in regional and international markets as detailed in Annex 36 should focus in addressing all constraints associated with poor trade performance; including:

a) Focused attention to improve the poor business environment.

b) Enhancing the quantity and quality of managerial and technical skills and talents needed by the countries, key economic sectors.

c) Design of strategy to enable access to affordable long-term business finance.

d) Building public and private sector capacity for regional and international trade negotiations.

e) Design of strategy to ensure the private sector is adequately involved in formulation of international trade policies and international trade negotiations.

f) Design of strategy to address production constraints that adversely affect the grains sector.

2.3.7 UGANDA TRADE PERFORMAMNCE

2.3.7.1 Uganda's Merchandise Trade Performance

Uganda's total merchandise trade grew from US$ 5.8 billion in 2009 to US$ 9.8 billion in 2018 or by 69%. Merchandise exports grew from US$ 1.58 billion in 2009 to US$ 3.1 billion in 2018 or by 97%, while imports grew by a slower rate from US$ 4.25 billion in 2009 to US$ 6.73 billion in 2018 or by 58%. The country's trade deficit increased from US$ 2.7 billion in 2009 to US$ 3.64 billion in 2018 or by 36% during the period as shown in table 11 below.

Table 11: Uganda merchandise trade 2009-2018 (US$'000)

Year	Merchandise exports	Merchandise Imports	Total merchandise Trade	Trade balance 2009-2018
2009	1,567,592	4,247,370	5,814,962	(2,679,778)
2010	1,618,606	4,664,327	6,282,933	(3,045,721)
2011	2,159,070	5,630,868	7,789,938	(3,471,798)
2012	2,357,505	6,044,147	8,401,652	(3,686,642)
2013	2,407,725	5,817,510	8,225,235	(3,409,785)
2014	2,261,953	6,073,520	8,335,473	(3,811,567)
2015	2,267,014	5,528,107	7,795,121	(3,261,093)
2016	2,482,299	4,829,455	7,311,754	(2,347,156)
2017	2,901,464	5,595,894	8,497,358	(2,694,430)
2018	3,087,264	6,729,359	9,816,623	(3,642,095)
Total2009-2018	23,110,492	55,160,557	78,271,049	(32,050,065)
% Growth	97%	58%	69%	36%

Source: Computations from ITC Trade Maps datawww.intracen.org

The country's top 10 merchandise exports are: coffee which took 17% of total merchandise exports during the period 2009-2018, gold (6%), petroleum products (5%), fish (4%); cement, tea, cane and beet sugar, and unmanufactured tobacco (3% each); and horticulture (cut plants) and cocoa (2% each). Combined, the top 10 merchandise exports took 49% of Uganda's total merchandise exports (Annex 27).

Kenya's major merchandise export markets as represented by average market shares during the period 2009-2018 are Kenya which took 15%, Arab Emirates and Rwanda (9% each), DR Congo (8%), Sudan and South Sudan (6% each), Netherlands (4%); and Italy and Germany (3% each). Combined, the top 10 merchandise export markets took 49% of Uganda's total merchandise exports as shown in Annex 28.

The country's 10 major merchandise imports are petroleum products which took an average 20% market share of total merchandise imports during the period 2009-2018; medicaments and palm oil and (4% each); motor vehicles for transport of persons and goods (5%), , telephone sets (3%); and wheat, cement, sugar and flat-rolled iron and non-alloy steel products (2% each). Combined the top 10 imports took 43% of the country's total merchandise imports over 2009-2018 as shown in Annex 29.

The major import markets for Uganda merchandise goods as summarised in annex 30 are India which contributed 18% market share during the period 2009-2018, China (13%), Kenya (10%), UAE (8%); Japan (6%), Saudi Arabia and South Africa (5% each); Indonesia (3%), and UK and Germany (2% each).

2.3.7.2 Uganda Services Trade Performance

Uganda's total services trade increased from US$ 7.1 billion in 2009 to US$ 13.1 billion in 2018 or by 85%. Services exports increased from US$ 2.9 billion in 2009 to US$ 5.48 billion in 2018 or by 88% between 2009 and 2018, while services imports increased from US$ 4.16 billion in 2009 to US$ 7.62 billion in 2018 or by 83% during the period. Overall, the country experienced an increasing services trade deficit over the period 2009-2018 from US$ 1.25 billion in 2009 to US$ 2.14 billion in 2018 as shown in table 12 below.

Table 12: Uganda's Trade in Services

Year	Total Service Exports	Total Service Imports	Total Services Trade	Services Trade Balance 2009-2018
2009	2,911,137	4,163,142	7,074,279	(1,252,005)
2010	3,642,122	5,379,492	9,021,614	(1,737,370)
2011	5,173,960	7,367,244	12,541,204	(2,193,284)
2012	6,200,230	7,433,232	13,633,462	(1,233,002)
2013	6,083,160	7,247,970	13,331,130	(1,164,810)
2014	6,362,255	8,003,222	14,365,477	(1,640,967)
2015	5,919,618	7,127,311	13,046,929	(1,207,693)
2016	5,476,501	6,055,710	11,532,211	(579,209)
2017	4,643,675	6,167,889	10,811,564	(1,524,214)
2018	5,481,209	7,618,823	13,100,032	(2,137,614)
Total2009-2018	51,893,867	66,564,035	118,457,902	(14,670,168)
% Growth	88%	83%	85%	71%

Source: ITC trade in services database based on IMF statistics

The major services exports are professional services (*all other services as per GATs Agreement*) which took 35% of total services exports between 2009 and 2018, memo commercial services (30%), and travel (18%). A comprehensive summary of Uganda's services export trade is presented in Annex 31.

The country's major services imports are: professional services (or all other services) which took 33% of total services imports between 2009 and 2018, memo commercial services (33%), and transport (17%) as shown in Annex 32.

2.3.7.3 Key Reasons for Uganda's Trade Performance on Goods and Services

Merchandise products which demonstrated increased export performance over the period 2009-2018 are largely raw materials and semi processed products with minimal transformation and value addition (refer to annex 27). Most of these products are exported to the developed countries like Netherlands, Italy and Germany. However some products which require limited technological inputs and sophistication are also emerging as export potentials (such as semi processed gold and also some final products like flat iron and steel bars); with emerging market being the neighboring COMESA and EAC countries (refer to annex 28). The emerging export trends to neighbouring countries implies that the regional integration process in EAC and COMESA is yielding positive results for Uganda. The notable aspects of the integration process which have supported increased exports are reduction of tariffs on intra-EAC trade, application of trade facilitation measures (including OSBP and single window system), and adoption of EAC common external tariffs.

For services, analysis of export performance suggests an overall steady growth over the period 2009-2018, although services imports also demonstrated similar trend. The significant increase in services exports performance can partly be attributed to the positive impact of the EAC Common Market which provides a framework for eased services trade among EAC partner states.

Merchandise products which has suffered decreased exports over the period 2009-2018 are mainly those destined to African countries (such as) live animals and animal products, fish products, vegetable products, grains and some intermediate products such as iron/steel tubes and pipes). The major reason for such declines is that some of the target African countries have started producing similar products to those Uganda previously exported to their markets, thus reducing the need for imports. A typical example is Rwanda, which was previously a major importer of Uganda cement but which has started producing its own thus scaling down on imported cement from Uganda. Thus as industrial development takes shape at the regional level, there is likely to be reconfiguration of the market shares among EAC (and also COMESA) member states. China, India and South Africa are also making inroads into the Africa continent and therefore becoming major sources of imports, which is taking the previous market shares from EAC producers resulting to decreased sales within the regional market.

At the continental level, there is homogeneity among African countries in goods produced. This is because African economies are largely agro-based, meaning they largely produce and trade in similar agricultural commodities in addition to emerging albeit small quantities of industrial goods. This ends up limiting potential for intra-regional and intra-African trade, except for certain types of products such as grains (such as maize) and cereals during some drought periods. This explains why the sensitive list at both EAC level is composed of almost similar products as countries try to protect their producers from external competition, which however ends up limiting increased intra-EAC trade.

Regarding imports, analysis shows that Uganda imports have increased by double the value of exports during the period 2009-2018. The imports with significant increase are mainly intermediate and finished manufactured products which require high technology manufacturing process[39]. This indicates that technology and sophistication deficiencies has had adverse impact on Uganda's import bill. The manufactured and semi-processed products in this regard are mainly sourced from Europe, Middle East, America and Asian countries; while a limited number originate from the EAC (largely Kenya and Tanzania). This implies that increased sourcing of manufactured and intermediate goods from the regional market will entail overcoming technology challenges and improving trade facilitation measures to ensure increased competitiveness of regionally produced goods. It will also require focused implementation of the existing national and regional industrialization policies

[39]Uganda's notable imported over the period 2009-2018 include flavoured teas, processed coffee, palm and olive oil, sugar confectionary, ceramics, processed petroleum products, beverages, medicaments and pharmaceuticals, polymers and plastics, wood and paper products, synthetic fibers and materials, apparel and clothing, glass products, steel products, assembled vehicles and parts, machinery and equipment, and electrical products.

and strategies in order to increase the regional capacity for supplying high quality manufactured products.

In addition to technological deficiencies, other notable factors which have limited Uganda's potential to increase export trade include:

a) High costs of doing business due to high regulatory burden on producers.
b) Increased competition from imports particularly from China and India. In November 2011, EAC and China signed a Framework Agreement on economy, trade, investment and technical cooperation. While the agreement has enabled China to promote trade in EAC, Uganda firms as well as other firms in EAC have found it quite challenging to compete with Chinese originating products since China offers production subsidies which enable firms to compete successfully in foreign markets (for example textiles and garments), which ends up adversely affecting competitiveness of EAC firms in the regional markets (EAC, COMESA, and SADC).
c) Limited value addition of available domestic raw materials, particularly agricultural products; with Ugandan economy being highly concentrated in agro-processing activities
d) Dominance of MSMEs[40] in manufacturing activities as notable by WTO, 2019, which are constrained in producing high quality goods by inability to meet standards set my importers in both regional and international markets. In this regard, compliance to these international standards particularly in European markets entails additional costs which most SMEs are unable to meet. This explains why successful exporters in the Uganda (as well as EAC) are usually foreign players.
e) Climate change has resulted to occasional droughts which affect production of grains (e.g. maize). This has led to volatility of grains exports.
f) Uganda lacks an effective export strategy focused particularly in accessing international markets; a similar situation for the other EAC Partner States. In this regard, EAC countries have not performed well in penetrating international export markets on value added products. A case in point is the AGOA market which gives tariff and quota free preferences to Sub-Saharan African countries. Except in the case of Kenya for garments, the rest of the EAC beneficiary countries have performed dismally in utilising AGOA provisions to access the US market.
g) The prevalence of NTBs have ended up undermining the potential to increase intra-regional trade. The WTO (2019) observes that reported NTBs are mainly experienced on customs and administrative documentation and procedures; inspection requirements; police road blocks/check points; transit procedures; quality standards, and SPS measures. NTBs have proved hard to eliminate, thus compromising the aspiration to deepen the integration process. This is despite the efforts made so far in establishing the NTBs elimination mechanism, the time-bound NTBs elimination mechanism, formation of NMCs, and conclusion of the NTBs Act 2016. Uganda in this respect has had trade disagreements with Tanzania on Ugandan sugar exports, while the ongoing political disagreements between Uganda and Rwanda have resulted into Rwanda closing its borders to Ugandan originating goods since early 2019, contrary to the rights and obligations provided for under the Common Market Protocol. Even before the border was closed, Uganda vegetable oil was being restricted in Rwanda on account of application of unclear Rules of Origin. In addition, Uganda rice exports to Kenya have for a long time been restricted. Also, Kenya which occasionally experiences maize shortages recently opted to import maize from Mexico instead of importing from the region which has surplus maize.

2.3.7.4 Measures to unlock Uganda's Trade Potential

[40]Micro, Small and Medium Enterprises

Uganda has identified a number of trade and investment related priorities that need to be addressed in order to unlock the country's and EAC regions trade potential at the regional, continental and global level as enumerated in Annex 37 to this report. The key priority areas in this regard include:

a) Supporting fast tracking of the African Continental Integration
b) Continued support to integrating the Single Customs Territory, One Stop Border Posts, and Integrated Border Management initiatives as part of the Customs Union
c) Creating awareness on the importance of IPR protection against piracy, counterfeits, and IPR non-compliant products
d) Prioritising conclusion of the EAC Common External Tariff as part of measures to promote production of value added goods for export to regional and international markets; and consumer welfare and protection.
e) Boost national investments in order to expand supply capacities; including establishing strategies for the removal of impediments to trade, offering incentives to producers for export oriented production in areas designated as export processing zones, and implementing marketing strategies for products with export potential
f) Prioritising measures to increase intra-EAC grain trade as part of measures to ensure increased consumer welfare and cross border trade
g) Implementing the EAC SQMT protocol provisions, facilitating acceptance of quality standards certification marks, and identifying and eliminating all NTBs related to technical barriers to trade as part of measures to promote intra-EAC trade
h) Supporting producers to comply with Sanitary and Phytosanitary standards and certification requirements;enhancing implementation of theSPS Protocol focusing particularly on food safety measures, plant protection and animal health;and fast tracking implementation of the harmonized EAC SPS measures and policies in order to reduce SPS related NTBs which impeded ability to undertake intra-EAC, intra-regional and international trade.
i) Fast tracking identification and implementation of measures aimed at addressing overlapping membership of EAC Partner States to Multiple RECs; particularly through conclusion of the Tripartite FTA, which focuses in harmonization of customs procedures, transit procedures, tariff liberalization and Rules of Origin.
j) Elimination of Stays of Application and dutyremissionschemes in favour of Duty Exemption Schemes for export promotion purposes.
k) Prioritising conclusion and adoption of an EAC Regional Trade Remedies Law aimed to protect vulnerable producers from competition with imported goods
l) Fast tracking implementation of the Uganda Services Export Strategy, Apiculture Export Strategy and the National Development Export strategy; all which envisage positioning and branding Uganda on the world market as an exporter of good-quality and dependable services, based on models of international best practices.
m) Prioritising business development through promotion of locally produced goods and services (under the Buy Uganda Build Uganda initiative)
n) Supporting development of Micro, Small and Medium Enterprise (MSMEs) as part of measures to facilitate achievement of the country's industrialisation goals
o) Supporting promotion of Sector-Based Products with high potential to promote production of value added goods for domestic, regional and international markets; including Leather Industry and Textile/Garments Industry.

2.5 HARMONISED PRIORITIESTO UNLOCK EAC TRADE POTENTIAL

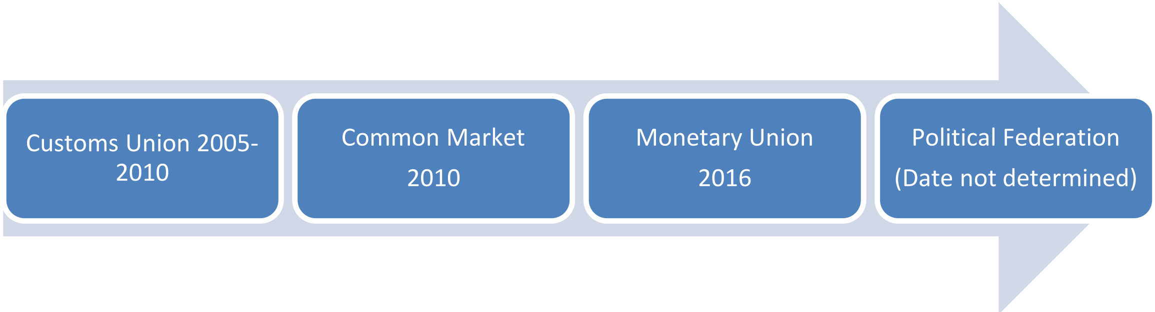
There are various trade and investment related priorities which cut across the region, and which would therefore potentially facilitate implementation of the EAC economic integration process as specified under the Customs Union, Common Market and sector/subject based protocols and strategies. These priorities will need to be addressed as part the EAC Regional Trade Policy in order to unlock and increase the region's trade potential at the regional (EAC, COMESA and SADC), the African Continental and Global Levels. The relevant issues in this regard have been identified through four levels, namely:

i) A review of the EAC Economic Integration Pillars,
ii) A review of the RTP Principles Adopted by the SCTIFI in February 2016.
iii) A review of Partner States' national policy documents,
iv) Findings from stakeholders' consultations conducted as part of the RTP development process between October 2019 and February 2020.

2.5.1 RTP PRIORITIES PROVIDED IN EAC ECONOMIC INTEGRATION PILLARS

An exploration of the background to initiating the EAC economic integration agendaas articulated in the EAC Treaty and its accompanying instruments shows that the EAC economic integration process is based on clearly specified goals on trade and investment, monetary and fiscal policy, and labour and capital markets. As part of efforts to achieve the goals under these pillars, the Partner States at the outset adopted a phased approach to the regional integration process after concluding the EAC Treaty. This phased approach incorporates establishment of a Customs Union in 2005, a Common Market in 2010, and a Monetary Union in 2016. Negotiations towards achievement of the ultimate goal of establishing a Political Federation are underway. Figure 10 below illustrates the economic integration agenda stages which the Partner States adopted as in efforts to achieve the aspirations of the EAC Treaty.

Figure 10: EAC Economic Integration Stages/pillars



The specific provisions governing EAC intra- and extra regional trade under each of the above economic integration stages are summarised in Table 13 below.

Table 13: Key EAC Trade Provisions

Treaty/Legal Obligation	Intra- regional priorities	Extra- regional priorities
Customs Union Protocol (2005)	i) Trade Liberalization • Elimination of internal tariffs on intra-EAC traded goods (i.e. duty-free and quota-free movement of tradable goods among Partner States) • Elimination of NTBs on goods traded amongst Partner States ii) Common External Tariff (CET) for imports from third party countries iii) Common Rules of Origin (RoO) iv) Common safety measures for regulating importation of goods from third parties such as phyto-sanitary requirements and food standards; v) Common set of customs rules and procedures including documentation; vi) Common customs coding and description of tradable goods (common tariff nomenclature, CTN);	**Trade Liberalization** Countries outside the EAC region shall not receive internal tariff reductions as provided by Articles 11 and 14 of the Protocol.

Treaty/Legal Obligation	Intra- regional priorities	Extra- regional priorities
	vii) Common valuation method for tradable goods for tax (duty) purposes viii) A structure for collective administration of the Customs Union through the EAC Customs Management Act 2004 ix) A common trade policy to guide trading relationships with third countries/trading blocs outside the Customs Union (incl. guidelines for entering into preferential trading arrangements with third parties (such as Free Trade Areas).	
Customs Union Common External Tariff (CET)	The Partner States agreed to remove internal tariffs by 2010 and set a 3-tariff band CET structure that provides: i) 0% duty on agricultural goods, raw materials, capital goods, medicines, and certain medical equipment; ii) 10% duty on intermediate goods and other essential industrial inputs; iii) 25% duty on finished goods. However, the goods traded under the CET structure must meet the rules of origin (see below). In addition, the CUP introduced a Sensitive-Goods list with the following provisions: x) 59 tariff lines for all products in list xi) The rates are on average 25% higher than those on non-sensitive items	Common External Tariff (CET) The three band CET applies to goods imported from outside the EAC region.
Customs Union Rules of Origin (RoO)	The purpose of the RoO is to implement the provisions of Article 14 of the CUP, which provides for Partner States to ensure uniformity in application of rules of origin that are transparent, accountable, fair, predictable and consistent. Products manufactured or sourced from outside EAC are subject to applicable CET.	The exports of goods from EAC non-members to the EAC region will be subject to applicable tariffs, with the provisions of the RoO agreement specifications.
Common Market Protocol	The CUP was established as part of measures to implement the EAC Treaty (Article 76 of the Treaty). The CMP aims to facilitate and guarantee implementation of 4 major freedoms: i) Free trade in goods ii) Free trade in services iii) Freedom of movement of capital iv) Freedom of movement of labour, the right of Establishment and Residence	Countries from outside the EAC will not receive the four freedoms spelt out in Article 76 of EAC Treaty.
Monetary Union	The objective of the Monetary Union is to promote and maintain monetary and financial stability in EAC in order to facilitate economic integration and attain sustainable growth and development of EAC Partner States. The Monetary Union is subject to the following convergence criteria: ***Macroeconomic convergence criteria*** i) Ceiling on headline inflation at 8%; ii) Ceiling on fiscal deficit, including grants at 3% of GDP; iii) Ceiling on GDP debt at 50% of GDP in Net Present Value; and iv) Reserve cover of 4.5 months of imports ***Single Currency*** i) The Partner States shall adopt a single currency. ii) The single currency will be adopted by at least 3 partner states in order to be used as legal tender.	After the implementation of the MU EAC non-members will be required to conduct further transactions as per the new single currency.

Treaty/Legal Obligation	Intra- regional priorities	Extra- regional priorities
	iii) The Partner States who adopt the currency shall form the single currency area. iv) The currency shall be used in the settlement and payment systems of the single currency area.	
EAC Customs Management Act	Governs aspects of trade facilitation within the EAC as the major law on customs and revenue in EAC.	Applicable on CET for imports from third countries
NB: Other provisions of the integration process	i) NTBs ii) SQMT Protocol iii) Competition Policy iv) Trade remedies v) EPZs and SEZ operations vi) (NB: The Customs Union has 16 elements, all which are relevant to the envisaged trade policy and which need to be explored in the assignment)	i) WTO[41] Agreement ii) AGOA[42] iii) EPA[43] with EU[44] iv) TFTA[45] v) etc

Some important milestones have been achieved in the EAC economic integration process as provided in the EAC Customs Union and Common Market as summarised in Table 2 above, which among others include:

a) Clear elaboration of rules governing intra and extra EAC trade as provided for in the respective Protocols. In this regard, there is optimism that although some challenges still remain (especially the continued existence of NTBs and introduction of new ones since the establishment of the EAC Treaty), the economic integration agenda is underway and promising.

b) Active participation by the private sector in the integration processes through regional institutions such as EABC[46] and EACCI[47].

c) Conclusion and implementation of some key provisions of the Customs Union particularly on: Common External Tariff, internal tariff arrangements, and application of harmonised rules of origin.

d) Conclusion of the Common Market Implementation Plan and mechanisms and continued tracking of the requirements by Partner States.

e) Development of the EAC SQMT[48] Protocol in 2006, and its subsequent revision to SACA[49] in 2016; which has facilitated development and/or adoption of a wide range of quality standards and SPS measures

f) Conclusion of the NTBs Act in 2016, which aims to facilitate elimination of NTBs experienced on intra-EAC trade, to facilitate periodic tracking of future trade obstacles through the NTBs Time-Bound Mechanism.

[41] World Trade Organisation
[42] African Growth and Opportunities Act, governing trade between African countries and the United States
[43] Economic Partnership Agreement
[44] European Union
[45] COMESA, SADC and EAC Tripartite Free Trade Area
[46] East African Business Council
[47] East African Chamber of Commerce and Industry
[48] Standards, Quality Assurance, Metrology and Testing services
[49] Standardization, Accreditation and Conformity Assessment

g) Establishment of a number of OSBPs[50] and related IBM[51] systems and procedures with support by TMEA, World Bank and JICA[52], aimed to ease the time and cost of crossing EAC borders by goods and accompanying persons[53].

h) Holding of pre-budget consultations between the EAC Ministries of Finance as a prerequisite for formulating national budgets that have similar market driven macro-economic policy objectives

i) Agreement on the need for a comprehensive review of the CET and Rules of Origin to take into account the needs for value addition in selected sectors

j) Continuous joint verification missions between Partner States, aimed to confirm the originating status of goods traded across EAC borders and adherence with the value addition and local content criteria as provide in the EAC Rules of Origin (ROO). This is a key requirement for according preferential market access to EAC originating products as provided for under the EAC internal trading arrangements.

k) Establishment of a Single Customs Territory (SCT) Framework aimed to facilitate free flow of goods in the Community once applicable import duties and other taxes are collected at the first port of entry into the region; the roll out of an initial list of beneficiary products; and development of the SCT standard operating procedures.

l) Introduction of an EAC Customs Bond, which is implemented as part of the SCT framework and in line with the provisions of the Regional Electronic Cargo Tracking System to prevent diversion of uncustomed goods into the territories of Partner States.

m) Development of an EAC Plan on AGOA, aimed at increasing and diversifying exports, and improving production of value added tradable goods targeting the US market.

n) Ongoing EAC negotiations for an EPA with EU and for conclusion of the Tripartite COMESA_EAC-SADC FTA Agreement based on an EAC joint approach.

The above examples clearly demonstrate that EAC Partner States have embraced regional economic integration as a central element in their national development strategies. The Regional Trade Policy will consolidate these gains under one roof, thus enabling them to contribute substantially to resolving challenges related to the trade and market expansion aspirations of the regional producers and manufacturers, and to the trade and investment related goals of Partner States at the national and regional level. The EAC region in this regard is characterized by small size and primary production structures which are dominated by agriculture sector activities with minimal value addition; and a small market size as

[50] One Stop Border Posts
[51] Integrated Border Management
[52] Japan International Cooperation Agency
[53] The established OSBPs are listed below:

No.	OSBP	Border Area
1	Elegu/Nimule	Uganda-South Sudan
2	Malaba	Uganda-Kenya
3	Busia	Uganda-Kenya
4	Mirama Hills/Kagitumba	Uganda-Rwanda
5	Mutukula	Uganda-Tanzania
6	Kobero/Kabanga	Burundi-Tanzania
7	Holili/Taveta	Tanzania-Kenya
8	Namanga	Tanzania-Kenya
9	Gatuna/Katuna	Uganda-Rwanda
10	Tunduma-Nakonde	Tanzania-Zambia

evidenced by a small GDP base and small per capita incomes (refer to Tables 14 and 15 below). This limitations end up as bottlenecks to expansion and growth plans of national businesses.

Regarding the small market size, the combined EAC GDP grew from US$ 154.5 million in 2016 toUS$ 170.4 million in 2017 and further to US$185.4 million in 2018 as shown in Table 14 below. On the other hand, the EAC combined regional GDP per capita grew from an average US$ 713 in 2016 to US$ 852 in 2017 and further to US$ 891 in 2018 as shown in Table 15 below. The small EAC regional market compares poorly with the mature economies which are major EAC trade partners, including the United Kingdom and USA, with USA having a GDP of US$ 18.7 Trillion in 2016, US$ 19.5 Trillion in 2017 and US$ 20.5 Trillion in 2018; while UK had a GDP amounting to US$ 2.66 Trillion in 2016, US$ 2.64 Trillion in 2017 and US$ 2.83 Trillion in 2018. On the other hand, the US recorded a PCI of US$ 57,904 in 2016, US$ 59,928 in 2017 and US$ 62,641 in 2018; while the UK achieved a PCI of US$ 40,540 in 2016, US$ 39,932 in 2017, and US$ 42,491 in 2018. Thus EAC countries combined trail these two mature economies on GDP and PCI by big margins, which could be reduced if the EAC Partner States approached their external trading arrangements jointly with a harmonised trading framework.

Tables 14: EAC GDP compared to USA and UK (current prices US$)

Country	2016	2017	2018
Burundi	2,959,185,295	3,172,416,146	3,078,029,929
Rwanda	8,475,681,533	9,135,454,442	9,509,003,197
Kenya	69,188,755,511	78,757,391,333	87,908,262,520
Tanzania	49,774,021,003	53,320,625,959	57,437,073,927
Uganda	24,133,664,285	25,995,031,850	27,476,945,526
Total EAC	154,531,307,626	170,380,919,730	185,409,315,099
United States of America	18,707,188,235,000	19,485,393,853,000	20,494,099,845,390
United Kingdom	2,659,238,931,670	2,637,866,340,434	2,825,207,947,503

Source: World Bank database https://data.worldbank.org

Tables 15: EAC GDP Per Capita compared to USA and UK (current prices US$)

Country	2016	2017	2018
Burundi	282	293	275
Kenya	1,411	1,568	1,711
Rwanda	726	762	773
Tanzania	966	1,005	1,051
Uganda	609	632	643
South Sudan	283		
EAC Average	713	852	891
United States of America	57,904	59,928	62,641
United Kingdom	40,540	39,932	42,491

Source: World Bank database https://data.worldbank.org

Effective implementation of outlined RTP interventions will enable EAC Partner States to pursue mutually beneficial economic cooperation measures, which will contribute to expanding the trade potentials and markets of the EAC regional producers, manufacturers and traders at the regional, African continental and global levels.

2.5.2 RTP PRIORITIES BASED ON PRINCIPLES ADOPTED BY SCTIFI IN FEB. 2016

The RTP study completed in 2015 made some key recommendation on development of the EAC RTP Strategy and implementation roadmap, which were subsequently adopted by the

SCTIFI[54] on 26th February 2016 as principles of developing the EAC RTP. These principles incorporate provisions of the Customs Union and Common Market Protocols and their related subject specific protocols and accompanying measures. The principles primarily focus on regional harmonization of trade and investment related priorities as elaborated below.

2.5.2.1 Policy Related Priorities

a) Market Access for Trade in Goods

The RTP should articulate measures to harmonise and prioritise overlapping membership to various RECs so that Partner States can be party to the same Free Trade Area agreements. This would enable each country to access target markets based on similar market access requirements, including tariff cuts, rules of origin, quality standards, SPS measures, etc. This entails that Partner States in future negotiate for new market access agreements with third parties on trade in goods and services under the EAC umbrella in order to prevent future challenges emerging on free movement of goods, including the preferential tariffs and rules of origin that an individual Partner State should apply on imports from another Partner State that may belong to other RECs. For example, Burundi, Kenya, Rwanda and Uganda all belong to EAC and COMESA, while Tanzania belongs to EAC and to SADC.

Since each of the three RECs has a Customs Union or FTA arrangements, the challenge lies as to which tariff regime and rules of origin to apply. In addition, harmonisation of market access arrangements will eliminate the potential risks associated with diversion of uncustomed goods into the territory of unintended Partner States. The latter challenge arises especially because Tanzania belongs to SADC in addition to EAC, and goods originating from the more developed SADC states such as South Africa under preferential trade arrangements can easily find their way into the other EAC States without payment of the applicable CET, thus bringing unfair competition to local producers. The RTP strategy will define the criteria for harmonisation of Partner States overlapping membership to different RECs.

b) Stays of Application, Remissions and DutyExemptions

Partner States have continued to apply for stay of application, remissions and exemption from the EACT CET on products of interest, aimed at meeting their social and poverty alleviation goals. However these applications dilute the whole essence of the CET and ends up promoting trade with non-EAC trading partners at the expense of the region’s producers and manufacturers. The RTP strategy should therefore specify measures to ensure increased discipline on use of the stay of application and exemptions. It will also set a strict process with clear criteria for approval of exemptions, and a sunset clause to phase out applications for stay of application, remissions and exemption from the CET based on agreed defined period.

c) Review of the CET

Before greater discipline is imposed on the use of applications for stay of application, remissions and exemption from the CET, Partner States should agree on review of the 3-tariff band CET structure so as to address its uneven impacts on manufacturers; including its limitations in promoting value addition for some manufacturing subsectors. This subject will be reflected in the RTP strategy based on the strategy agreed by Council on how to handle proposals for CET review which have been submitted by various regional manufacturers to their trade associations, to EAC governments and to EAC Secretariat. The goal of CET review will be to raise the number of CET bands for sectors that merit consideration, and to

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[54] EAC Sectoral Council on Trade Industry Finance and Investment

increase CET tariff rates for finished goods that can competitively be procured from within the region without contravening the WTO MFN[55] and NTR[56] clauses.

d) Export and investment promotion

The RTP strategy should prioritise representation of all Partner States whenever they undertake missions to promote their exports in new markets and to attract foreign investment. This would create efficiencies in allocation of resources and allow for presence of even the weaker Partner States in any events/forums conducted by one given Partner State with the aim of promoting exports and attracting foreign investment.

e) Regulatory divergences at the multilateral level

A strategy on how to approach negotiations on trade and investment at the regional, continental and global arena under the EAC regional umbrella should be part of the RTP in order to avoid contradictions and divergences which may have adverse implications on the Common Market. In this regard, EAC will need to present harmonised Partner States positions in such fora, including under the TFTA[57], African Union FTA, EPA with EU, AGOA with US, WTO, and other regional, African Continental and global for a; where subjects related to market access, food safety and protection, trade restrictions, quality standards and SPS measures, trade remedies, export and investment promotion measures among others are discussed and relevant actions agreed.

f) Safeguards, anti-dumping and countervailing measures

The RTP strategy should specify a regional approach for applying trade remedies at the EAC level in order to protect domestic industries from injury emanating from exposure to third country external competition, while preserving the CET. The required institutional mechanism for administering such measures will be specified in the RTP strategy (see more on this below).

2.5.2.2 Institutional Development Related Priorities

a) Administration of Trade Remedies

The RTP strategy should specify modalities for administering safeguards, anti-dumping and countervailing measures at regional and national levels as part of measures to protect regional/domestic producers affected by incidences of dumping and other unfair trading practices.

b) Engagement at the WTO forums

To enable increased EAC presence and effectiveness in WTO forums where trade and investment matters are discussed and/or negotiated, the RTP strategy should set an appropriate approach that enables trade and investment matters to be presented under the EAC regional umbrella.

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[55] The WTO "Most-Favoured-Nation" (MFN) treatment — requires WTO Members to accord the most favourable tariff and regulatory treatment on products originating from any WTO members at the time of import/export. Imports must therefore enjoy the same treatment as "like products" from all other WTO members. Thus if WTO Member A agrees with Member B on preferential treatment including reduction of tariffs on products traded amongst themselves, such treatment must be applied on products originating from all other WTO Members.

[56] The WTO National Treatment Rule (NTR under GATT Article III) stands alongside the MFN treatment, and provides that WTO Members must not discriminate between imports and "like" domestic products (with the exception of the imposition of tariff applied as border measures). This rule aims to prevent countries from discriminating against imports and from offsetting the effects of tariffs through non-tariff measures.

[57] Tripartite Free Trade Area under negotiation between EAC, COMESA and SADC

c) Export and Investment Promotion Priorities

The RTP strategy should define:

i) Modalities of establishing an effective EAC joint approach to promoting regional exports to potential markets and attracting foreign direct investment; including the institutional framework for such a regional approach.
ii) The role of Partner States and the EAC Organs (Secretariat, Council, Summit, EALA, and other subject specific institutions) in promoting the region's exports and attracting foreign investment at the regional level (TFTA and other African RECs), African Union level, and international level (WTO, EPA, AGOA).
iii) Modalities of implementing a common EAC competition policy, and the need to define clear responsibilities of EAC organs vis-a-vis the national level organs (including MDAs[58])
iv) National versus regional priorities on export promotion, modalities of harmonising existing national export promotion schemes and the incentives offered, and the role of Partner States versus the EAC organs in export promotion.
v) The national versus regional priorities in trade facilitation, the components of trade facilitation that need to be pursued under the regional umbrella, and the role of the Partner States versus the EAC organs in trade facilitation at regional and international levels.

2.5.3 RTP PRIORITIES IDENTIFIED THROUGH NATIONAL STAKEHOLDERS CONSULTATIONS BETWEEN SEPTEMBER 2019 AND FEBRUARY 2020

Based on the review of various national policy documents and the new round of stakeholders' consultations (September 2019 to February 2020), the overall findings show that conclusion of the Regional Trade Policy is crucial to facilitating achievement of the region's economic integration agenda. In this regard, the EAC mission s "*to widen and deepen economic, political, social and cultural integration in order to improve the quality of the people of East Africa, through increased competitiveness, value added production, trade and investment*". Some key measures that need to be addressed to achieve this overall economic development mission include:

a) Elimination of NTBs experienced on intra-EAC trade

The elimination of NTBs experienced on cross border trade is perceived as a key priority to promotion of cross border trade by stakeholders consulted. In this regard, Partner States have prioritised removal of NTBs, but these obstacles continue to act as serious hindrances to increased cross border trade. The EAC landlocked countries (Burundi, Rwanda and Uganda) are particularly adversely affected by continued existence of NTBs because of the long distance to entry and exit ports[59], which implies additional transport costs and time for accessing imported inputs and external markets. The NTBs as defined by EAC include laws, regulations and administrative and technical requirements (other than tariffs) imposed by a Partner State, whose effect is to impede trade; resulting to escalating the cost and time for accessing imported inputs and final goods. The barriers also delay the efficiency of fulfilling international orders, which is a key requirement in international trade transactions.

At the entry into force of the EAC Customs Union Protocol in 2005, Partner States were required to remove all existing NTBs that inhibit the importation into their respective territories of goods originating from the other Partner States and thereafter not to impose any new ones. This undertaking was perceived as part of measures to facilitate effective

[58] Government Ministries, Departments and Agencies
[59] Rwanda for example is 1,740 km from the Port of Mombasa and 1,480 km from Dar es Salaam, which translates to high transport costs estimated at 40 per cent of the cost of the value of an export and/or import.

implementation of the Customs Union. Partner States have consequently formulated the NTBs mechanism for identifying, monitoring and eliminating NTBs; and have also established National NTBs Monitoring Committees on NTBs (NMCs) and the EAC NTBs Time-Bound Program to facilitate the NTBs elimination process. Further, Partner States have concluded the Non-Tariff Barriers Act 2017, which provides the legal framework for enforcing the removal of NTBs through dispute resolution mechanisms with the possibility of sanctions against offending states. Despite these commendable efforts, NTBs continue to affect the free flow of goods and services amongst EAC states. As of 2019, the following categories of NTBs were reported to affecting trade within the EAC: Unnecessary delays in clearing goods through the entry/exit ports and border stations due to administrative requirements imposed by governments' approval/clearing agencies[60]; Delays in checking conformity with axle load regulations at weighbridges; Delays in getting clearance at police roadblocks; Delays during inspection of conformity with axle load requirements at weighbridge stations; Import/ export bans (particularly on grains), Failure to endorse certificates of origin for EAC originating goods by some Partner States; Failure to accept standard marks issued by competent authorities; Failure by some Partner States to issue imports approvals for food and plant materials originating from the region; and Corruption incidences associated with these procedures. For the NTBs elimination process to work efficiently as envisaged, there is need for:

i) Continued support to making the online and SMS-based NTBs reporting tools work effectively in facilitating reporting of identified NTBs, undertake detailed NTBs impact analysis based on initial reports submitted by businesses through their membership organisations, and to continue supporting the logistical and capacity needs of the NMCs as the watchdogs of NTBs elimination process. It is also crucial that Partner States domesticate the Non-Tariff Barriers Act 2017 in order to enforce dispute resolution mechanisms and sanctions against offending states whenever NTBs dispute resolution fails. The eventual goal should be that all Partner States stop imposing any new NTBs on intra-EAC trade. It also appears necessary that an independent and non-political regional NTBs organ of the community be established with the principal aim of coordinating, monitoring, and facilitating resolution of all reported NTBs. Such as organ would be responsible for coordinating detailed research of reported NTBs, coordinating bilateral dispute resolution meetings between affected Partner States, adjudicating[61] on reported NTBs if bilateral negotiations fail to produce the desired effect, and making final decision on cases that may require sanctions.
ii) Traders/businesses to provide evidence on NTBs encountered in the course of cross border transactions to enable the National Monitoring Committees to begin the process of bilateral discussions for the elimination process.
iii) Creating a permanent regional Public and Private forum to coordinate the NTBs discussions (impact and elimination processes).
iv) Wide publicity of the national NTBs websites and reporting telephone numbers.
v) Creating national WhatsApp/ SMS groups for cross-border traders so that wider sharing of information on newly identified NTBs can take place as a means of creating public pressure on the need for elimination.
vi) Periodic field visits by NMCs to all EAC border stations with large volumes of cross border transactions as part of evidence gathering on the NTBs reported during national and regional NTBs forums.

[60] Such as customs, bureaus of standards, sanitary and phytosanitary agencies, port authorities, port/border health authorities, etc.
[61] This will entail agreeing on the legal process of resolving NTBs disputes, the procedures for formal pronouncement of a judgment or decree made in the EA Court of Justice (EACJ), and the entry into force of any judgement made by EACJ on NTBs cases.

vii) Support capacity building needs of the NMCs which are mandated to coordinate the NTBs elimination process at national levels.

b) Review of the Common External Tariff (CET)

All Partner States perceive the EAC CET as a crucial tool for furthering the EAC integration agenda, enhancing the growth potential of key economic sectors like manufacturing and agriculture, and for spurring the region's industrial growth and development aspirations. For these goals to be achieved, the production capacity of manufacturing companies needs to be supported through an effective CET that enhances access to affordable raw materials and inputs which may not be available within the region. The ongoing initiative to review the CET structure is therefore lauded as a necessary approach that will enable all Partner States to access the larger regional market as part of efforts to achieve the region's industrialisation agenda. The process should culminate into a CE structure that correctly classifies raw materials and capital items, intermediate goods, and final goods while also giving a window for protection of goods considered as sensitive in each Partner State in order to protect vulnerable producers like farmers. However the sensitive products list should only be accorded protection on intra-EAC trade during a defined transition period, after which they should eventually be phased out in order to ensure achievement of consumer welfare and to catalyse increases in firm level efficiencies. On the other hand, in line with WTO provisions and in efforts to protect sensitive producers from unfair competition and trade malpractices, Partner States shouldadvocate for defined sensitive producers to be exempted from competition with third country imports even in the long run, based on specific socio-economic and political considerations,. The EAC states should in this regard prepare well researched positions which define clear legal process of settling any potential disputes that may be raised by third parties, since the WTO does not provide a legal mechanism to settle trade disputes.

The CET structure which will hopefully be eventually agreed will eliminate the current misclassifications of some goods into wrong tariff numbers so that the correct duties are charged particularly on raw materials, capital goods and intermediate items as part of efforts to promote value added production in the region. It will also need firm commitments by all Partner States as it will be presented as the EAC Customs Union tariff structure at the multilateral (WTO) level. Partner States will further need to the agree on target dates for full achievement of their commitments, and a sunset clause for elimination of the current use of Stays of Application (SOAs) so as to enhance consistency between the CET and the Customs Union.

It is expected that the envisaged CET will recognize application of EAC Rules of Origin as supportive instrument for enhancing intra-EAC of export trade; which will require that the Community adopts a common valuation method on imported goods as part of measures to ensure similar regional local content and value added criteria is used in order to eliminate the need for constant verification missions between countries which may contest that EAC originating goods have not met the rules of origin criteria in order to be accorded duty free status. The verification process ends up denying some genuine manufacturers access to target markets. Additionally, with a well-designed CET structure, the region will only need to retain duty exemption schemes as part of instruments for promoting exports to third country markets; thus phasing out current duty remission schemes. If incorporated into the Regional Trade Policy, these measures will enhance efficiency and effectiveness of intra-EAC trade as part of measures to fast track implementation of the Customs Union Protocol. In summary, the CET review should aim to achieve:

i) Reform of the CET structure a tool for enhancing achievement of consistent and balanced trade between Partner States, and facilitating industrial development in the Community through value added production. This will increase Partner States exports by enhancing the value of raw materials which are currently exported either in raw or semi-processed form. In this regard, the CET review should focus on achieving low or no tariffs on imported inputs/raw materials and capital goods used to produce final goods for the regional, African continental and global markets. This is crucial to enabling production of cost competitive products and promotion of value addition in key sectors like manufacturing and agriculture.

ii) A CET structure which enables some comfortable level of protection for regional produces against competing equivalent imports. This will contribute to the region's goal of achieving socio-economic development, based on the fact that tariffs are directly linked with firm level performance, consumer welfare, job creation and poverty reduction.

iii) Access to the regional market by manufacturers as part of the Customs Union goals.

iv) Resolution of notable trade distortions, such as misclassification of some product lines, and disproportionate favoritism of larger firms through the Duty Remission Scheme as opposed to supporting smaller firms. This is because the DRS has high potential for misuse by large firms who make applications for duty remissions in presence that they intend to export while in the end the final items are sold into the domestic market duty free.

v) Appropriate tariff bands and rates especially for products with potential to facilitate the region's industrial development goals, increase domestic production and exports, exploitation of business opportunities; access to affordable inputs for manufactures, enhanced consumer goods, and attraction of foreign direct investment.

vi) The eventual goal of reserving the sensitive item list for only second hand imported items (such as textiles and footwear). This will eliminate the adverse effects which the current long list of sensitive items have on consumer welfare[62], particularly for items from key priority sectors/products like agriculture and agri-business, which denies regional consumers the chance to access products that may be available from within the region at cheaper prices. Protection of sensitive items also translates to protection of producers in their domestic markets, but denies them opportunity to penetrate the markets of other Partner States; thus eventually implying obstruction to potential for enterprise growth.

c) Quality Standards and SPS Measures

Partner States concluded the Standardization, Quality Assurance, Metrology and Testing (SQMT) Protocol in 2001, the SQMT Act, 2006, in facilitating regional trade. Over the years, the Act has been strengthened through development of EAC standards, and through development of regulations for facilitating application and enforcement of these standards; including (i) The EAC SQMT (Product Certification) Regulations, 2013; (ii) The EAC SQMT (Designation of Testing Laboratories) Regulations, 2013; and (iii) The EAC SQMT (Enforcement of Technical Regulations in Partner States) Regulations, 2013. In addition, Partner States have established the East African Standards Committee (EASC) as a Sectoral Committee with mandate to conceptualise and monitor the implementation of harmonized standardization activities in the Community; develop and establish frameworks and programmes for advancing compliance by the Partner States with their obligations under the Act; establish procedures for the development, approval, gazetting and adoption of these standards at the national levels; establish liaison mechanisms with other regional and international organizations which are consistent with the objectives of the Act; constantly review the effectiveness of the national WTO TBT Agreement enquiry points; and hear appeals with regard to administrative measures for Compulsory Standards implemented in the Partner States.

[62] As noted by Anna Twum; International Growth Center (IGC): Negotiating the EAC Common External Tariff: Options to strengthen Rwanda's Competitiveness; Policy Note, 2018

Despite these commendable efforts, businesses/traders continue to experience cross border trade obstacles attributed to refusal to recognise standard marks issued by competent standard bodies. The RTP will therefore need to address obstacles related to application of harmonised EAC quality standards and recognition of quality standard markets as a key imperative for facilitating increased cross border trade. Some key issues that need to be taken into account in this respect include: (i) provision of adequate funding for national quality institutions in some Partner States; (ii) creating awareness about SQMT regulations among producers and standards bureaus; (iii) strengthening capacity for compliance with set quality standards amongst producers/manufacturers; and (iv) creating awareness about international standards applied in key target markets such as the EU and USA among producers.

In addition, SPS measures are cited as serious obstacles which restrict cross border movement of or food items. Varying Phytosanitary standards particularly restrict movement of plant materials (horticulture), while the lack or insufficient Phytosanitary standards in some Partner States such as Burundi act as hindrances to access to international markets. This should be a major area that the RTP should put emphasis on; focusing on facilitating effective application of SPS measures and certification with a view to increasing market. EAC Partner States' particularly need to harmonize and implement SPS measures and policies with demonstrated potential to increase competitiveness of EAC produce in international markets. This particularly requires that Partner States should build and/or strengthen demonstrated institutional capacity for testing, traceability and compliance mechanisms that meet international standards, and which is capacity for enabling the region to contain major threats to human, animal or plant life or health which are associated with imports (such as attacks on food items by aflatoxin and pests). EAC additionally needs to prioritise elimination of NTBs related to SPS such as certification of producers in order to increase access to the regional and international markets.

d) Strengthening of strong IPR regulations

Although the CMP requires Partner States to cooperate and coordinate during enforcement of Intellectual Property Rights (IPRs), EAC countries continue to apply different levels of intellectual property protection. Thus although the Council in 2013 adopted the regional IP Protocol and Policy on the Utilization of Public Health Related WTO-TRIPS flexibilities, and while EAC secretariat is in the process of undertaking consultations related to development of harmonised IPR regulations to support implementation of the TRIPS Agreement, this process is yet to be concluded, which translates to denying regional creators of their IP rights. Partner States should therefore strengthen ongoing initiatives to make use of the TRIPS flexibilities by fast tracking conclusion of harmonised IPR laws based on WTO TRIPS Agreement, aimed to protect regional creators from infringement of their intellectual rights. The areas of focus of such regulations include: patents and trademarks; utility models, industrial designs, and technology innovations (including traditional knowledge). This would boost potential monetary gains of the intellectual rights holders, including EAC domestic industries that develop innovative products.

e) Industrial development

The EAC Industrialisation Policy and Strategy 2012-2013 focuses in addressing the region's industrial challenges and to scale-up industrialisation. The policy and strategy has specifically identified six strategic sectors in which the region has potential comparative advantages based its vast natural resources endowments. The six identified strategic regional industries are:

i) Agro-processing;
ii) Energy and Bio-fuels;
iii) Fertilisers and agrochemicals;
iv) Iron-ore and other mineral processing;
v) Petro-chemicals and gas processing; and;

vi) Pharmaceuticals

Key issues which have been proposed as important in fast tracking the implementation of the policy and strategy include:

i) Strengthening and exploiting policy synergies between the EAC Industrial Policy and other regional sectoral policies (such as the EAC Competition, Regulations and Model Investment Code 2006; The EAC Competition Act 2006 and Competition Regulations 2010, and the EAC Agriculture and Rural Development Policy 2006).
ii) Promoting targeted regional industry value chains which have widespread linkages with other economic sectors (*such as agriculture, transport, hotels and hospitality industry, and tourism among others*), and in which the region has substantial comparative advantages. Notable industries with substantial potential value chains in this respect include the CTA[63], leather goods, horticulture, tea, coffee, grains, cereals, fishery products, petroleum, and minerals (such as gold produced in Rwanda) among others.
iii) Fast tracking implementation of the concluded Model Investment Code 2006 as part of measures to encourage investments in six identified strategic regional industries with potential to improve production of value added goods for regional and international markets, which can be appropriately manufactured in the region's export processing zones, free zones, and special economic zones.
iv) Strengthening the capacity of industry support institutions (ISIs) to develop and sustain a competitive regional industrial sector.
v) Developing harmonised laws and enforcement regulations on trade remedies, anti-piracy and counterfeit, which where existing are usually very weakly enforced; aimed to protect regional producers/manufacturers from unfair competition with imports.
vi) Developing supportive infrastructures to spur industrialisation along Selected Economic Corridors; particularly the EAC northern and central corridors.

f) Trade facilitation

In pursuit of the Customs Union, the EAC should continue to support integration of the Single Customs Territory (SCT) in intra-EAC transactions and imports of goods from third countries. This needs establishment of an EAC regional Tax Authority with mandate and legal structure to harmonize Partner States duty exemption schemes, facilitate traders' compliance with customs rules, enhance uniformity in application of the CET tariffs, resolve misclassification of products in tariff lines, harmonise Partner States import valuation schemes, harmonize domestic tax regimes, eliminate misalignment between EAC ROO and Tripartite FTA provisions, and resolve customs related disputes among Partner States whenever they emerge.

g) Overlapping membership of Partner States to multiple RECs

To address overlapping membership of the EAC Partner States to various RECs, the EAC needs to urgently conclude of the CET review aimed at eliminating Stays of Application, use of Duty Remission Schemes, and to have a CET that promotes value added production. In addition, the Community needs to harmonize trade remedies laws; products certification procedures; standards testing systems; quality assurance and conformity procedures; and also to adopt the Tripartite rules of origin as the basis for fast tracking harmonisation of AfCFTA rules of origin[64]. The policy on overlapping membership should also prioritize:

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[63] Cotton Textile and Apparel value chain

[64]For products to qualify as African originating, they have to qualify under the African RECs rules of origin criteria, which specifically focus on proof of local content and value added achieved on finished products in the country of origin> this enables the products to benefit from tariff preferences in the target export country. Rules of origin are therefore important in determining the percentage of local raw materials used in the country of manufacture, and

i) Programs that address trade and transport facilitation so as to lower the costs of doing business and improve the competitiveness of products originating from the EAC region;
ii) Implementation of governance systems on inter-regional cooperation focusing principally on the Tripartite region;
iii) Fast tracking implementation of the Common Market Protocol focusing on enhanced market integration, free movement of goods, services, labour/skills and capital across borders
iv) Establishment of mechanisms to handle cross border disputes and trade spillovers;
v) Increasing resources to strengthen weak public institutions involved in administration of long land borders where trade diversion and entry of uncustomed goods take place;
vi) Improving infrastructural and communication links across the Tripartite RECs.
vii) Supporting the Tripartite to establish strong supranational institutions that have legal and institutional capacity to boost Tripartite RECS decision-making powers; and establishment of effective frameworks for enforcing compliance with cross border trade rules and procedures; and
viii) The merger of the three RECs into the envisaged Tripartite FTA, and eventual integration of African continent into the envisaged AfCFTA (Africa Continental Free Trade Area).

h) Other cross cutting trade and investment priorities to unlock EA trade potential

Other priorities center around the themes summarised below

i) Setting a macroeconomic framework on trade and export promotion and business development in each Partner State
ii) Establishing harmonised mechanism for fair business competition, consumer welfare and protection
iii) Application of ICT in Commerce and application of digitalised manufacturing through the industry 4.0 model[65].
iv) Business Development through promotion of locally/regionally produced goods and services
v) Development of Micro, Small and Medium Enterprises (MSMEs)
vi) Defining the roles of National and County/Local Governments in implementation of Regional Trade Policy
vii) Institutional framework for implementation of the RTP and export promotion
viii) Harmonisation of export/import procedures
ix) Facilitating access to export market information
x) EAC Grain Trade
xi) Specific focus on a harmonised EAC Regional Trade Remedies Law

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"act like a passport for a product to enter a free trade area and circulate without imposition of duty" (UNCTAD 2019), "The rules of origin are used as an important trade measure. They do not constitute a trade instrument by themselves and are not to be used to pursue trade objectives directly or indirectly or as a policy measure. According to the World Customs Organization, rules of origin are used to address different commercial policy measures aimed to attain specific purposes that appear in national or international policies.

[65] Industrial transformation through digitalized manufacturing is referred to as Industry 4.0 as it represents the fourth industrial revolution; from the 1st industrial revolution (mechanization through water and steam power), 2nd industrial revolution (mass production and assembly lines using electricity), and the 3rd industrial revolution (adoption of computers and automation). Industry 4.0 aims to enhance industrial revolution through application of smart and autonomous systems fueled by automated data and digital industrial technology. It will facilitate gathering and analysis of manufacturing data using computerized machines; thus enabling faster, more flexible, and more efficient processes that produce higher-quality goods at reduced costs. The revolution will ultimately shift production economics, foster industrial growth, modify the profile of the workforce, and increase firm level productivity and industrial competitiveness.

2.5.4 SUMMARY OF PROBLEMS AND PRIORITIES TO BE ADDRESSED TO UNLOCK EAC TRADE POTENTIAL

Based on the review of priorities contained in the EAC integration pillars, a review of RTP Principles adopted by SCTIFI in February 2016, analysis of Partner States trade performance in goods and services, a review of trade and investment priorities elaborated in Partner States' policy documents, and stakeholder consultations in Partner State between October 2019 and February 2020, the following summary amply elaborates the problems and priorities that need to be addressed in order to unlock EAC trade potential.

1) EAC Partner States belong to multiple Regional Economic Communities (RECs) with varying Free Trade Area (FTA) agreements and related market access requirements, which ends into confusion as to which REC FTA provisions to apply on incoming imports. Membership to multiple RECs also implies that Partner States access target markets based on different market access provisions. These varied approaches to external trade dilutes the purpose of the Customs Union and Common Market Protocols. For example, Burundi, Kenya, Rwanda and Uganda all belong to EAC and COMESA, while Tanzania belongs to EAC and to SADC. COMESA and SADC have not yet harmonised their FTA provisions; although efforts are underway to harmonise EAC, COMESA and SADC trade regime through the Tripartite FTA; including applied tariffs, rules of origin, quality standards, and SPS measures. However until this goal is achieved, the implication is that EAC Partner States will continue to apply different trade regimes in their external trade relations.

   It is therefore necessary for EAC Partner States to urgently harmonise their REC membership to enable them to undertake future negotiations for new market access agreements with third parties under the EAC Customs Union. This would prevent future challenges emerging on free movement of goods; including preferential tariffs and rules of origin that an individual EAC Partner State should apply on imports from third parties.

2) Exports are concentrated on a small range of traditional products which are exported either in primary or semi-processed form due to inadequate adoption of modern technologies to produce value added goods. Limited value addition of agricultural products and other natural resources such as gold has contributed to low export earnings and high trade deficits for all EAC countries. Key regional products exported either in primary of semi-processed form include agricultural produce (coffee, tea, fruits and vegetables, wet blue hides and skins, cotton fibre, grains, live animals and animal products, fish products), semi-processed gold, and intermediate products such as iron/steel tubes and pipes among others. Although there have been efforts to introduce higher value addition for primary products in some EAC countries (such as fruits, coffee and tea) as articulated in national policy documents, limited results have been achieved in export diversification and product specialisation. For example, efforts to increase trade performance in coffee and tea sub-sectors by improving the quantity, quality, marketing and prices offered to farmers have not borne significant results as all EAC countries remain price takers in world markets. It is to be noted that coffee and tea are significant sectors for all EAC countries in terms of employment and export earnings. EAC countries could however increase value addition and export earnings by targeting exports of specialty products for niche global markets.

   Analysis of EAC imports shows that all countries imports have substantially increased more than exports during the period 2009-2018, translating to increasing Individual countries trade deficit. The imports with significant increase are mainly finished manufactured products which require high technology manufacturing processes[66]. This indicates that the region's technology and sophistication deficiencies has had adverse impact on the region's import bill. The manufactured products in this regard are mainly sourced from Europe, Middle East, America and Asian countries (notably China and India); while only a limited number originate from the EAC (largely Kenya and Tanzania).

It is therefore necessary for EAC Partner States to implement measures to enable bulking of individual countries' produce into regional produce as part of efforts to ensure consistent supplies, to adopt modern production and storage technologies (including processing and warehousing), to adopt effective supply chain logistics, to ensure compliance with required official and demand driven quality requirements, and to use a coordinated regional export approach as opposed to current national export approaches (*the latter approach makes EAC competitors for the same markets*) in order to achieve efficient export promotion of EAC products in regional, African continental and international markets.

It is also important for the region to implement measures to overcome its technology challenges; improve trade facilitation measures so as to increase competitiveness of manufactured goods in regional markets, increase intra-EAC trade, and reduce dependence on imported manufactured and intermediate goods. Implementation of these measures requires focused implementation of the existing national and regional industrialization policies and strategies, and effective implementation of all provisions of the Customs Union and Common Market protocols aimed to increase free flow of goods and other factors of production (labour and capital) within regional market.

3) Increased competition by EAC countries in similar goods targeting the EAC and COMESA/SADC regional markets, which are dominated by agricultural and manufactured goods which do not require sophisticated processes. Kenya and Uganda have particularly suffered export declines in some African countries which have started producing similar products to those Kenya/Uganda previously exported to their markets, thus reducing the need for imports. Kenyan exports of manufactured goods (such as iron and steel, plastics items, paperboard, polythene, soaps and detergents) to Uganda and Tanzania have substantially declined on this account, while Uganda cement exports to Rwanda has suffered similar fate as Rwanda, which was previously a major importer of Uganda cement has started producing its own thus scaling down imported cement. Even at the continental level, there is homogeneity among African countries in goods produced because African economies are largely agro-based, and thus largely produce and trade in similar agricultural commodities in addition to emerging albeit small quantities of industrial goods. This ends up limiting potential for intra-regional and intra-African trade, except for certain types of products such as grains (notably maize) and cereals where intra-regional and intra-continental trade potential occasionally increase during drought periods. This explains why the sensitive goods list at EAC level is composed of almost similar products as Partner States attempt to protect their producers from external competition, which however ends up limiting increased intra-EAC trade. The implication of trade in similar goods is that as industrial development takes shape at the regional and African continental level, there is likely to be reconfiguration of the market shares among EAC Partner States (and also among COMESA/SADC and African Member States). China, India and South Africa are also making significant inroads into the Africa continent and therefore

[66] Notable imported goods include processed petroleum products, beverages, pharmaceuticals, polymers and plastics, synthetic fibers, apparel and clothing, glass products, steel products, assembled vehicles and parts, machinery and equipment, and electrical products.

becoming major sources of imports, which has consequently reduced the previous market shares for EAC producers in the regional market.A related challenge which has adversely affected competitiveness of domestic/regional firms to trade in the regional market is that in November 2011, EAC and China signed a Framework Agreement on economy, trade, investment and technical cooperation. This has enabled China to penetrate the EAC regional trade in goods at the expense of regional firms which are unable to compete in their own countries and the wider regional market. A major reason for heightened Chinese competition is that China offers production subsidies to its producers, thus enabling them to compete successfully in foreign markets (for example on textiles and garments, electrical and electronic items, machinery and equipment among key products exported to EAC). This has ended up adversely affecting competitiveness of EAC firms in the regional markets (EAC, COMESA, and SADC).

It is therefore necessary for EAC Partner States to pay more focused attention to specialisation in value added production of goods over which they have comparative advantages so as to reduce exportation of primary goods in favour of value added goods while reducing competition in similar goods in the regional markets. It is also important for Partner States to constantly be on the look-out for Chinese products which receive production subsidies in order to institute requisite investigations necessary to build evidence on the need for anti-subsidies (countervailing) measures aimed to protect domestic/regional industries from injury that emanate from competition with imports. This would contribute to reducing importation of value added products and individual country's high trade deficit.

4) Persistent trade wars between EAC counties, such as the trade wars between Kenyan and Uganda on processed milk; Uganda trade disagreements with Tanzania on Uganda sugar exports; and the ongoing political disagreements between Uganda and Rwanda which have resulted into Rwanda closing its borders to Ugandan originating goods since early 2019, contrary to the rights and obligations provided for under the Common Market Protocol. Even before the border was closed, Uganda vegetable oil was being restricted in Rwanda on account of application of unclear Rules of Origin. In addition, Uganda rice exports to Kenya have for a long time been restricted for unclear reasons. Also, Kenya occasionally experiences maize shortages and opts to source the product from Mexico instead of importing from Rwanda, Tanzania and Uganda; all which report surplus maize. This ends up limiting the capacity of manufacturers to trade within the regional market on goods that are processed using local raw materials. For services sector, persistent trade wars have occurred between Kenya and Tanzania in the tourism industry, with Kenyan tour operators in 2018 being banned from accessing Serengeti national park, and Kenya retaliating by banning Tanzanian tour vans from accessing Maasai Mara game reserve. In addition, the EAC region has not yet agreed on services to be commonly traded without restrictions as part of fast tracking implementation of Common Market provisions on free movement of services. This has led to inability to grow the regional services sector.

   It necessary for Partner States to strictly implement the provisions of the Common Market Protocol on free movement of goods, persons, labour/workers, services and capital; and also fast track operationalisation of the right f establishment and right of residence in order to stem down constant trade wars. It is also necessary for the region to urgently agree on services to be commonly traded within the Community without restrictions as part of fast tracking implementation of Common Market provisions on free movement of services.

5) Since the entry of the Customs Union in 2005, individual EAC countries' exports to the regional market have been declining due to lack of adherence to provisions of the EAC Customs Union and Common Market Protocols. This is evidenced by application of NTBs on goods traded between EAC countries, contrary to the Customs Union

provisions which require free movement of goods within the Community subject to meeting rules of origin criteria. The WTO (2019) observes that reported NTBs which adversely impact of ability to undertake efficient cross border trade in EAC are categorised under cumbersome customs and administrative documentation and procedures (such as import declarations); inspection requirements; police road blocks/check points; transit procedures; quality standards, and SPS measures. Other notable NTBs are experienced under procedures for checking compliance with EAC rules of origin, weights and measures specifications, axle loads, and immigration requirements on issuance of work permits. The prevalence of NTBs have ended up undermining the potential to increase intra-regional trade and the region's aspiration to deepen the integration process. This is despite the efforts made so far in establishing the NTBs elimination mechanism, the time-bound NTBs elimination mechanism, formation of NMCs, and conclusion of the NTBs Act 2016.

It is necessary for Partner States to implement the NTBs Act 2016 without delay, and to operationalise the Trade Remedies Committee so as to facilitate legal resolution of trade obstacles whenever they emerge.

6) The existence of NTBs is made worse by protectionist national policy measures characterised by constant Stays of Application (SOA), duty remissions and duty exemptions from CET. While these policy measures may seem justified by individual Partner States' needs to meet their socio-economic aspirations, all end up denying agricultural producers and manufacturers the chance to supply the regional market. They also discourage formation and/or strengthening of regional value chains, and also largely benefit large manufacturers to the detriment of small producers who are not aware about the provisions given through the schemes. To address the problems associated with unending applications by Partner States for SOA, duty remissions and exemptions from CET, the 34th meeting of the Council (June 2019) directed that future approvals will be given to applications which demonstrate adherence to the following principles:

   i) Degree of processing;
   ii) Minimized lists of exemption and duty remission;
   iii) Adherence to international commitments (WTO Commitments);
   iv) Compliance with global commitments- e.g. SDGs[67], carbon tax.
   v) Commitments under the multilateral agreements;
   vi) Harmonization across other agreements (TRIPARTITE, AfCFTA, etc.)
   vii) Elimination of stays of application;
   viii) Need to review duty rate for products that Partner States have consistently requested for a stay of application
   ix) Promotion of Industrialization

   If implemented efficiently, future approvals for SOA, duty remissions and exemptions from CET should facilitate formation and/or strengthening of the eight (8) priority regional value chains which Partner States have already agreed are critical to spurring intra-EAC trade and to building a sustainable foundation for increasing exports to Tripartite FTA, AfCFTA and international markets. The 8 priority regional value chains are:

   i) Cotton, textile and apparel sectors;
   ii) Leather and footwear;

[67]Sustainable Development Goals

iii) Argo-processing (tea, coffee, livestock, fisheries, meat & meat products, sugar, grains-rice, maize, fruits & juices, vegetable oils, etc.)
iv) Wood & wood products
v) Iron & steel, iron ore, & other mineral processing
vi) Energy, renewable energy, bio-fuels, Coal, oil, natural gas and gas producers (power plants, factories, refineries and other CO_2 gas emitters)
vii) Petro-chemicals (fertilizers, agro-chemicals, pharmaceuticals
viii) Automobile industry with emphasis on parts

It is urgent to address the unending applications by Partner States for SOA, duty remissions and exemptions from CET by implementing the 34th meeting of the Council (June 2019) regarding principles to be used on applications that merit future approval in order to preserve the Common Market, while facilitating formation and/or strengthening of the eight priority regional value chains that are critical to spurring intra-EAC trade and exports to Tripartite FTA, AfCFTA and international markets.

7) Poor coordination of trade functions coupled by weak capacity of public and private sector Trade Support Institutions to support export promotion activities. The poor coordination of trade functions is demonstrated by a count of Kenya government agencies involved in approving an import and export. In this regard, there are 26 agencies located at Mombasa Port, all which in one way of another are involved in inspecting and/or approving imports and exports through the port; namely: (1) Kenya Ports Authority (2) Kenya Revenue Authority (3) Kenya Railways (4) Kenya Bureau of Standards (5) Kenya Plant Health Inspectorate Service (6) Horticultural Crops Development Authority (7) Pharmacy and Poisons Board (8) Directorate of Veterinary Services (9) Public Health Services (10) Tea Directorate (11) Coffee Directorate (12) National Environmental Management Authority (13) National Bio Safety Authority (14) Pest Control Products Board (15) Sugar Directorate (16) Kenya Dairy Board (17) Radiation Protection Board (18) Anti Counterfeit Agency (19) Kenya Wildlife Service (20) Kenya Police Service (21) Ministry of Foreign Affairs (22) Nursing Council of Kenya (23) Kenya Medical Laboratories, Technicians & Technologists Board (24) Department of Fisheries (25) Directorate of Criminal Investigations (26) National Intelligence Service. While the functions of the agencies depends on the nature and products involved in a trade transaction, the problem is that a lot of time may be spent in the approval process, whether the transaction is an export or import. In the interest of speeding up the approval process, traders are likely to offer bribes, translating to high risk of illegal goods (such as uncustomed, counterfeits, substandard, mis-declared, undervalued and under-invoiced goods) getting entry into the Kenyan market and subsequently overflowing into the wider EAC market, which results into unfair competition with regional producers. This ends adversely affecting the market shares of regional producers and the region's manufacturing base and stability; with subsequent effects on capacity to produce competitively for export markets. Regarding weak public and private sector trade support institutions (TSIs), the challenge is that the TSIs have insufficient financial and technical capacity to undertake targeted export promotion activities, such as potential market analysis, market and product segmentation, trade fairs and exhibitions, building of distribution networks with bulk buyers, and offering and sustaining specialized advisory services to exporters such as bulking of small produce to ensure consistent supplies, and relevant supply chain logistics for regional and international markets.

   It is therefore important that trade functions handled by the numerous agencies involved in approving trade transactions are conducted using a coordinated approach. This entails the need to designate a lead agency to coordinate trade matters, and to continue improving the functions of Partner States' Single Window Systems to enhance knowledge about incoming imports and outgoing exports among the TSIs in order to prepare for timely inspections and related approvals, while ensuring that illegal imports are eliminated from accessing the EAC markets. It is also important to build the capacity of TSIs using a multi-agency approach to ensure their financial and technical needs are met, and to strengthen synergies between TSIs in both public and private sector in application of efficient measures that are supportive of export promotion activities.

8) Producers (farmers and manufacturers) and exporters face poor business and investment environment in their daily business and trade transactions. In this regard, while requisite laws/regulations governing private sector activities exist (such as laws and regulations on investment, exports, business competition, national commerce and labour), they are inefficiently applied by respective National and Local Government Authorities/Agencies (in the case of Kenya by County Governments). In some EAC countries such as Burundi, there is lack of appropriate accompanying regulations to facilitate application of such business laws and regulations. This ends up into arbitrary implementation of the laws/regulations to the detriment of potential business beneficiaries. In addition, business operations are adversely affected by unfriendly policy, legal and regulatory frameworks; poor provision of hard and soft infrastructure; poor provision of utilities (including unreliable and expensive electricity and water); and poor handling of fiscal matters, characterised by multiplicity of high national government tax rates, lengthy period for getting VAT refunds from national governments, non-availability of one stop centres for ease of tax payments in some countries (such as Tanzania), and unpredictability in the number, types and rates of taxes payable to national and local (county) governments. The poor business and investment environment is made worse by high transport costs for EAC landlocked countries such as Burundi, Rwanda and Uganda, where transport costs contribute an average 40% of the cost of the final product due to entire dependence on sea shipment through the ports of Dar es Salaam and Mombasa for international transactions. Longs distances to markets, poor transport logistics, communication and supply chain logistical challenges, and insufficient networking between small producers/suppliers and bulk buyers also limit access to regional (particularly SADC) and international markets (such as EU and USA markets). In addition, high energy costs and frequent power failures (disruptions) in the region forces businesses to invest in backup diesel powered generators, which increases business operating costs due to high cost of diesel; while the alternative solar powered generators are too expensive. These obstacles end up discouraging entry of foreign direct investment into the region and also adversely affect business transactions of domestic/regional entrepreneurs. The end result is that EAC originating products are uncompetitive in national, regional and international markets due to unreliable supplies, poor quality, and high transaction costs which translate to high prices.

It is therefore important to continue implementing the ongoing focused reforms aimed to improve the EAC business and investment climate and trade facilitation measures to ensure reliable supplies, production of high poor quality goods, and reduction of high transaction costs; thus enabling trade competitive goods in national, regional and international markets.

9) Demand-side constraints are also responsible for poor trade performance, including slowdown of the global economy due to a number of factors such as recent trade wars between USA and China, EU, Mexico, Turkey and India. It is noted that the trade wars are have been characterised by increased US tariffs on imports from the largest world economies, and have ended up causing business uncertainty in the entire world economy over the period 2018-2019, in addition to lowering investor confidence and increasing business losses. The International Monetary Fund (IMF) for example indicated in 2019 that the escalation of US-China trade tension had contributed to a "significantly weakened global expansion" in 2018, and that third countries may also be indirectly impacted, especially countries that are important

trading partners for the US or China, or which play key roles in the US/China supply chains, including developing countries which supply manufacturing inputs to China (such as textiles, wood, copper wire, etc), which would face downstream impacts including reduced employment, incomes and government revenue as a direct result of reduced supplies to China. On the other hand, imposition of higher US tariffs on imports from the EU may affect imports of materials sourced from developing countries to manufacture goods for eventual exports to US. The 2020 Brexit and corona virus global pandemic are also likely to contribute to poor trade performance for EAC countries, particularly in terms of disrupting regional and domestic value chains which may have been established with the eventual goal of utilising duty free imports to process goods for exports to regional and international markets.Some of the Partner States' exports to global markets have also experienced export declines over the 2009-2018 period as a result of the 2008 global financial and economic crisis, and the 2010 Euro Zone sovereign debt crisis, both which led to decreased global aggregate demand. In addition, some products such as Tanzania cashew nuts experienced very significant export decline in 2018 due to the government ban on private traders purchases from farmers on account of low prices offered to farmers.

It is important for Partner States to facilitate increased knowledge among producers and exports about global economic and trade developments which end up impacting on business efficiency to enable forward business planning (including expansions and/or downsizing of operations whenever the need arises).

10) EAC businesses lack knowledge on how to apply international commerce terms, which ends up adversely impacting on ability to undertake competitive international trade transactions.Goods knowledge on proper application of INCOTERMS is an absolute requirement for firms venturing into exports, because the terms define trading rules and delivery terms for goods traded across borders. Seller and buyers need to agree on details of a sale in order to prevent future misunderstandings and/or legal disputes related to a trade transaction. INCOTERMS also define responsibilities on cost of transporting goods, insurance, taxes or duties, pick up points, destinations, and responsibility for the goods at each stage. There are 11 INCOTERMS used in international trade transactions in this regard, and when each is applied in commercial invoice, it becomes a binding agreement on purchase and shipping of goods internationally, documentation required for the transaction, and the responsibilities of the seller and the buyer during movement of goods from the seller's premises until formal receipt by the buyer. A small misunderstanding on which INCOTERMs to apply can therefore have a major impact on all aspects of a commercial invoice.

    It is important for EAC to prepare domestic/regional businesses to understand and apply the correct INCOTERMS to enable proper understanding of their responsibilities in international business transactions as part of measures to increase business efficiency and avoidance of unnecessary losses.

11) Businesses lack sufficient knowledge about the content of trade and market access preferences given through key regional and international trade agreements to enable access to regional and international markets. The key agreements in this regard include those governing intra-EAC and intra-COMESA and SADC trade, the EU Economic Partnership Agreements, and AGOA. Poor business knowledge about provisions of the regional and international trade agreements and how to apply such provisions in export transactions end up as obstacles to market access and expansion. The relevant market access provisions in this regard include Rules of

Origin, standards, and SPS[68] measures. Exports to the international markets (notably European Union) have particularly been hindered by high quality standards and SPS measures which act as market entry barriers since EAC producers (farmers and manufacturers) and exporters lack sufficient knowledge and capacity to meet such high standard requirements. An additional obstacle for Burundi is that the country is currently excluded from accessing the lucrative USA market for goods under the AGOA[69] facility, which provides duty-free market access into US for qualifying products originating from designated Sub-Saharan African countries. AGOA extends duty-free preferences previously available under the US Generalised System of Preferences (GSP), while also adding additional tariff lines that were not previously GSP-eligible. Virtually all GSP tariff lines have received duty-free preferences under AGOA. For textiles and apparel covered under HS chapters 50-60 and 63, AGOA provides duty-free access subject to compliance with specific rules of origin if such products originate from and are exported by a '*least developed*' AGOA beneficiary country. Wearing apparel falling under HS chapters 61 and 62 are granted duty-free status within a number of different rules of origin categories, each with their own special classifications. It is notable however that EAC countries have not performed well in utilising the AGOA facility to penetrate the US market on value added products. Except for Kenya for apparel, the rest of the EAC beneficiary countries have performed dismally in utilising AGOA provisions in this regard. This is made difficult by some of the AGOA eligibility criteria, including the requirement that a beneficiary country must be perceived to be making progress towards a market economy, a multiparty system and the rule of law; the elimination of discriminatory barriers to American trade and investment; evidence of measures to protect intellectual property rights, combat corruption, protect human rights and labour standards; and evidence of measures to abolish child labour. Burundi is currently perceived as not meeting these latter areas of AGOA eligibility criteria by US and is therefore excluded from utilising AGOA provisions.

EAC Partner States therefore need to strengthen business knowledge and awareness about provisions of the regional and international trade agreements and how to apply such knowledge in export transactions in order to increase market access and expansion, focusing particularly in facilitating full compliance with international market access requirements (notably quality, SPS, rules of origin and other customs formalities). Partner States also need to implement the EAC AGOA Strategy 2015 –2025, whose theme is to *"harness the power of EA unity to transform doing business with USA".* The Strategy builds on the EAC Development Plan (2011/12 to 2105/16), the EAC Export Promotion Strategy (2013 – 2016) and the EAC Industrialization Policy (2012 to 2032) among other policy blueprints, and takes cognizance of the constraints and challenges experienced by EAC Partner States in doing business with the US. It also identifies existing potentials and capacities that would lead to more diversified and value-added exports to the US while encouraging the inflow of direct investments from the US and other parts of the world. The Strategy is intended to enhance the synergy among the Partner States the ongoing initiatives being pursued under the EAC Common Market Protocol and the numerous ongoing projects and programs under the EAC Customs Union Protocol; which aim to develop EAC into a single destination for investments and single source for

[68] Sanitary and Phyto-Sanitary measures

[69] The United States African Growth and Opportunity Act (AGOA), was signed into law by President Clinton in May 2000 with the objective of expanding U.S. trade and investment with sub-Saharan African countries, and to stimulate economic growth, encourage economic integration, and facilitate sub-Saharan Africa's integration into the global economy. The Act provides substantial trade preferences that allow virtually all marketable goods produced in AGOA-eligible countries to enter the US market duty-free.

exportable goods**.** This wouldincrease capacity of EAC businesses to comply with the AGOA eligibility requirements, thus enable them to exploit the potential benefits provided under the Facility.

12) Inadequate managerial and technical skills and talents in all economic sectors (manufacturing, agriculture, ICT, transport logistics, finance, etc). This bottleneck is more serious for MSMEs[70] as notable by WTO, 2019. In addition, businesses operate under conditions of inadequate availability and access to affordable long-term business finance; and poor business environment (characterised by unfriendly legal and regulatory frameworks, poorly maintained physical infrastructure (roads and rail network); poor access to utilities (inadequate supply and unreliable access to electricity and water); multiplicity of high tax rates; length period of getting VAT refunds; and unpredictable tax regime (types and rates of taxes). Additionally, MSMEs lack technical skills and modern technologies capacity to produce high quality goods and to meet standards set by importers in both regional and international markets (notably European markets), and also lack access to market information and knowledge about international supply chain logistics. These factors have adversely affect ability and capacity to undertake efficient business operations, resulting to EAC's poor rating in international trade competitiveness as articulated in the annual World Bank Ease of Doing Business publications; where only Rwanda emerges as a best case performer. Other key impediments as sited in the World Bank Doing Business publications relate to difficulties in getting construction permits and acquiring business premises; NTBs experienced in international trade transactions and cross border trade; difficulties in enforcing commercial contracts; and cumbersome labour market regulations including work and residence permits for foreign technical experts.

    It is important to address the inadequacies in managerial and technical skills and talents needed by businesses in all economic sectors, and the poor business environment which adversely affects business efficiency and trade competitiveness. It is necessary to address bottlenecks experienced particularly by SMEs in their daily operations, access to modern production technologies, compliance with quality/SPS measures, knowledge bout international supply chain logistics and access to market information.

13) There has been increasing stiff competition between regionally produced and imported goods originating from China for the regional markets, including competition from counterfeits and cheap substandard products. This situation is made worse by the fact that with the onset of the Customs Union, regional manufacturers have increasingly been unable to access the regional market using export promotion schemes like the duty exception, duty remission and the EPZ[71] programmes. These schemes had previously enabled manufacturers to import duty free raw materials and inputs for production of exports targeting the regional market. However under the EAC rules of origin, the final products can no longer qualify as EAC originating unless they meet the local content of value added criteria required under the EAC rules of origin in order to qualify for intra-EAC duty free trade. The Customs Union provisions principally makes the EAC a domestic market, thus translating into loss of previous export markets for regional manufacturers, who have to henceforth compete in the regional market based on competencies in production and supply chain logistics but not on the basis of using duty free imported materials/inputs to process final goods for the regional market. In this regard, after onset of the Customs Union, some

[70] Micro, Small and Medium Enterprises
[71] Export Promotion Zones

countries such as Kenya have suffered relocation/migration of some companies to the regional countries in order to be closer to the market. Relocation has also been catalysed by increased competition from stronger continental suppliers from South Africa, which has necessitated the need to locate production units closer to intended markets in order to save on transport and distribution costs.

It is necessary for Partner States to conclude its regional trade remedies law for use in facilitating the fight against trade malpractices. It is also necessary for Partner States to build knowledge amongst producers and exports (particularly SMEs) about provisions of the duty exemption schemes so that they venture more aggressively into other exports markets while utilising the EAC rules of origin to undertake efficient intra-EAC trade as provided in the EAC Single Customs Territory framework.

14) While developed world economies have well developed industrial sectors which enjoy economies of scale, African countries (EAC included) have not maximised their production potential due to lack of proper uptake of production models like subcontracting and partnership exchange schemes (SPX) and regional value chains. The SPX model entails production of a single item by many players who specialize in production of parts which eventually go into assembly of the final good intended for the market, thus enabling mass production, and maximization of economies of scale and increased firm competitiveness.

On the other hand, formation and strengthening of regional value chains would facilitate access to raw materials/inputs from surplus to deficit areas, and from technology deficient to the more technology endowed regions, thus catalyzing value added production, specialisation and increased earnings to all business actors.

It is important for Partner States to uptake adoption of SPX as a production models aimed to maximize economies of scale and increased firm competitiveness.

15) Poor capacity of public sector institutions to negotiate with third parties during international trade and investment meetings/forums. This is due to inadequate awareness about the content and implications of regional and investment trade protocols, poor preparations before negotiations due to poor national consultations and coordination, and insufficient analytical work prior to the negotiations process. The result is poor trade and investment deals for EAC countries, as highlighted in "Essay in Economics – the Performance of Tanzania in International Trade"[72] (undated). In addition, coordination of international trade functions is not centralized. For instance, negotiations and agreements on EAC in Tanzania are handled by Ministry of Foreign Affairs and International Cooperation while those on SADC are handled by the Ministry of Industry, Trade and Investment which is also responsible for all multilateral trade issues. In Kenya EAC negotiations are coordinated by Ministry of EAC with technical expertise by Ministry of Trade, Industry and Cooperatives; while negotiations on Tripartite FTA, AfCFTA and international trade agreements are handled by Ministry of Foreign Affairs and International Trade. In addition to this uncoordinated trade negotiations approach, the EAC private sector is not adequately involved in regional and international trade negotiations (such as on multilateral trade issues under WTO, EPA, AGOA, and also EAC, COMESA and Tripartite FTA and AfCFTA); due to inadequate financial and human resources to participate in respective negotiation forums. This limits ability to gain experience and adequate awareness about the impacts of regional and international trade and investment issues, and how to access potential benefits provided in such subsequent agreements.

[72]The Performance of Tanzania in International Trade: https://www.ukessays.com/essays/economics/the-performance-of-tanzania-in-international-trade-economics-essay.php

It is important for Partner States to designate lead ministries with responsibility for coordinating trade and investment negotiations, which as a minimum requirement should be mandated to receive technical advice from other competent government ministries, departments and agencies; and also from the private sector. This would lead to coordinated approach to building synergies on trade and investment negotiations between TSIs, efficient implementation of resultant commitments made by Partner States at regional and international levels, and to building adequate awareness in both public and private sector about the content and implications of regional and investment trade protocols so as to facilitate exploitation of potential benefits while implementing mitigation measures to address any foreseen risks.

16) While substantial potential exists to undertake cross border trade in grains and cereals at EAC, Tripartite[73] and also international level, this potential is diluted by several constraints; including:

a) Trade within the Tripartite FTA is constrained by unpredictability of trade policies characterised by prevalence of NTBs such as export bans on grains and cereals which lead to low intra-regional trade.

b) Climate change, which has resulted to occasional droughts and consequent affects in production and exports volatility of most agricultural products including grains and cereals.

c) At the wider African and global level, trade in grains and cereals is limited by unacceptability of commodities/products due to lack of knowledge on how to comply quality standards and SPS measures in the production process. In addition, producers (manufacturers and farmers) have inadequate capacity to comply with traceability requirements demanded in international markets, thus limiting ability to enter into contractual trading arrangements with international bulk buyers.

d) Most EAC grains and cereals traded lack presentable packaging and branding, making it difficult to compete in the regional, continental and international markets

e) Low awareness and uptake of international certification and standards on grains and cereals traded in international markets. In this regard, most SMEs lack international certifications, including bar coding from GS1 or ISO; leading to failure to qualify for entry into international markets.

f) Poor access to affordable finance, with a low percentage of the total commercial bank loans portfolio being dedicated to agriculture (for example in Tanzania it is about 5%), which creates a huge burden on SMEs to compete in the regional, continental and international markets. Most SMEs thus spend their meagre resources in paying rent, salaries, water and electricity instead of developing new products and servicing existing customer orders[74].

g) Most grains and cereals are unaffordable due to high production costs associated with sourcing of raw materials and inputs (including cost of seeds, agricultural chemicals and labour), resulting to high production cost per unit. This bottleneck is made worse by high transport costs which account for between 60% and 90% of the costs of marketing according to the FAO and World Bank estimates (2019). Transport costs for farmers particularly increase due to the informal fees farmers have to pay to avoid delays, overload charges,

[73] EAC, COMESA and SADC Tripartite Free Trade Area
[74] As evidenced by a recent 2019 survey in Kenya conducted by Viffa Consult Ltd.

and other problems experienced during delivery from farm to market. In addition, logistics of moving staple foods across the EAC region is a major challenge according to the USAID East Africa Trade and Investment Hub (June 2019). In this regard, traders struggle to identify logistics companies with haulage space for a specific route, with logistics costs on average constituting about one-third of the cost of a given grain shipment. Logistics cost are high due to the lack of linkages between supply and demand, which often leads to backhaul trucks returning empty from markets to produce areas. To ease challenges associated with transportation and insufficient storage facilities for grains, EAC governments have ongoing interventions to facilitate trade in grains and by-products through construction of storage, drying and warehousing facilities. USAID has also partnered with IBM Labs Africa and Alliance for a Green Revolution in Africa (AGRA) to develop "a modern technology-driven logistics platform", which will link grain traders and transporters in EAC as part of measures to address logistics impediments. Poor compliance with safety and quality standards by farmers as a result of farmers' inability to invest in aflatoxin testing infrastructure and related toxin control measures; poor uptake of modern marketing systems (such as the Warehouse Receipt System and commodity exchanges) necessary to facilitate structured trading in grains and cereals; and poor systems for early diagnosis and warnings against the Maize Lethal Necrosis Disease[75] are additional challenges. Also, efficient flow of staple foods from surplus to deficit areas is impeded by proliferation of NTBs, characterised by ad-hoc changes in government policies and inefficient SPS controls. EAC governments have initiated policy responses to address the NTBs, with the most recent development being adoption of the EAC harmonised Staple Foods Standards gazetted in December 2013, aimed to promote trade in staple foods by eliminating costs associated with compliance with multiple domestic standards. Implementation of these standards however has been made difficult by capacity constraints facing responsible public agencies, and limited awareness of the standards by value chain actors. EAC states have also not harmonised sampling and testing methodologies, which creates potentials for discrepancies in testing and grading results. Elimination of NTBs could facilitate increased cross border trade particularly in maize and cereals, for which Tanzania, Uganda and Rwanda periodically report surplus production that is mostly exported to Kenya which is supply deficient.

It is important therefore important for EAC States to implement relevant interventions to eliminate obstacles which hinder efficient intra-EAC trade in grains and cereals; including policy, regulatory, production, storage and warehousing, crop protection, packaging and branding, access certification, affordable finance, and transport and logistics among key areas where trade obstacles are experienced. Relevant measures are prioritised in the EAC CAADP[76] Compact concluded in Kigali in August 2025. This would contribute to

[75] As noted by the Eastern Africa Grain Council (EAGC)

[76]Comprehensive African Agriculture. CAADP is an Africa-owned and Africa-driven development initiative designed to boost agricultural productivity, increase the quantity and quality of food supply and eradicate extreme poverty and hunger. It aims at achieving the AU/NEPAD pillars that include: (1) Extending the area under sustainable land management and reliable water control systems; (2) Improving rural infrastructure and trade related capacities for market access; (3) Increasing food supply, reducing hunger, and improving responses to food emergency crises; (4) Improving agricultural research, technology dissemination and adoption. The Compact is also aligned with the e AU Malabo Declaration declaration goals on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihood;which include: (1) African countries increase annual funding of agriculture to 10% and sustain annual sector growth in the Agricultural by at least 6%, (2)

improving the region's food security and enable farmers to earn commensurate monetary benefits from their investment in grains and cereals farming.

Agricultural productivity doubles by 2025, (3) Increased African farms resilience to climate change and weather by 30%, (4) Reduced post-harvest losses by 50% by 2025, (5) Intra-African agricultural trade tripled by 2025, (6) Reduced stunting in children by 10% by 2025, and (7) Reduced underweight children to 5% by 2025.CAADP Compact also defines expectations from all stakeholders on their investments and contributions towards successful implementation of the EAC Food Security Action Plan and Climate Change Policy and Master Plan. It also specifies sector policies, investment niches and commitments of stakeholders to align their long term development goals to the agricultural sector programmes.

3 EXPERIENCES OF MATURE REGIONAL ECONOMIC GROUPINGS IN ADMINISTERING REGIONAL TRADE POLICIES

3.1 OVERVIEW OF REGIONAL INTEGRATION AND REGIONAL ECONOMIC COMMUNITIES

Regional Integration refers to process in which countries that mostly share geographical borders, history, language, culture and infrastructure enter into an agreement to cooperate and pursue commonly shared socio economic and political goals based on defined rules. However the objectives of such cooperation agreement has typically taken the form of pursuing commercial interests, wheregreater production and trade are perceived as the means for achieving broader socio-political and security objectives. Regional integration has been organized worldwide either via a supranational union or through intergovernmental decision-making, or a combination of both. In this regard, a supranational union refers to the situation where negotiated power is delegated to a defined authority by governments of member states that enter into the cooperation agreement. Intergovernmental decision making on the other hand leaves the states or national governments as the primary actors in the integration process.

Regionalintegration efforts have often focused on removing barriers to free trade among states that enter into the cooperation agreement; increased free movement of people, labour, goods and capital across national borders; reduced possibilities of regional armed conflicts; and adoption of cohesive regional stances on policy issuessuch as the environment, climate change and migration.Regionalintegration has also focused in facilitating states to expand markets and trade of their producers beyond national borders, attract Foreign Direct Investment (FDI), and increase bargaining power with third parties. Measures to achieve trade and market expansion goals normally incorporates facilitating the free movement of people and goods across borders. The grouping of states which enter into a cooperating agreement so as to pursue commonly shared socio economic and political goals are often referred to as a regional economic community (REC).

Since it is not possible to achieve all goals of aREC at the same time,regional integration is often pursued through five main stages; namely: (i) Free Trade Area, (ii) Customs Union, (iii) Common Market, (iv) Monetary Union, and (v) Political Federation

The Free Trade Area as the first stage of regional integration primarily involves trade integration. The stage entails the reduction and/or elimination of trade barriers (customs tariffs, technical and non-technical barriers) on goods traded between the states that join together, while maintaining tariffs and other trade barriers against the rest of the world (third countries). Trade barriers in this regard mostly cut across rules of origin, technical barriers to trade (or technical standards), and sanitary and phytosanitary standards (SPS).

The Customs Union is the second integration stage and provides for liberalization of intra-regional trade in goods, promotion of efficiency in production through integration of regional value chains, enhancement of domestic, cross-border and foreign investment; and promotion of economic development and industrial diversification. The stage thus entails elimination of tariffs and non-tariff barriers on goods traded amongst REC member countries. In addition, the customs union provides for free movement (free circulation) of goods amongst REC members based on commonly agreed tariff bands and tariff rates, and adoption of a common external tariff against third countries. Also, among other measures the customs union provides for common anti-dumping measures, subsidies and countervailing duties, competition rules, duty drawback regulations, refund and remission of duties and taxes on inputs used to process exports to third countries outside the REC; trade documentation, tariff exemption regimes, strengthened ccustoms co-operation, and harmonised commodity description and coding systems amongst REC members.

The Common Market as the this stage of regional integration encompasses all elements of the Customs Union, while adding mobility of factors of production as a fourth distinguishing characteristic; whose principal features are freedom of movement of goods, capital, persons and labour, services, and the right of establishment and residence.

The Monetary Union encompasses provisions of the Customs Union and Common Market; and also adds common macroeconomic, legal and institutional framework for conducting fiscal policy, operation of a single currency as the legal tender for settlement of payments on all transactions within a REC, cooperation in monetary and financial matters (including development of an exchange rate policy, interest rates policy, monetary and financial policies).

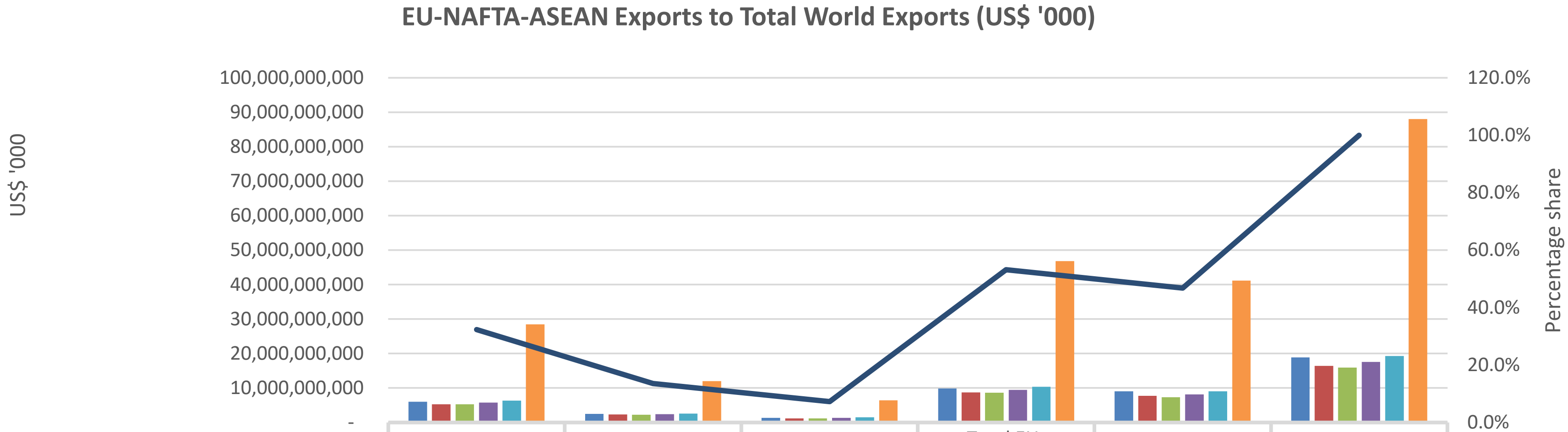
The Political Federation as the last stage of regional integration entails that REC member states adopt similar approaches to their political affairs, regional peace and security and defense matters. None of the world RECs have fully achieved this last stage of regional integration.

3.2 OVERVIEW OF TRADE PERFORMANCE OF MATURE REGIONAL ECONOMIC GROUPINGS

Three well established RECs which have achieved at least the first stage of regional integration (i.e. Free Trade Area)have been used as benchmarks for development of the EAC Regional Trade Policy. These RECs are the European Union (EU), the North America Free Trade Agreement (NAFTA) and the Association of Southeastern Asian Nations (ASEAN). Analysis of global trade (exports and imports) during the period 2014-2018 show that combined,the three RECs contributed significantly to world trade at US$ 46.89 trillion or 53% of total world exports of goods which amounted to US$ 88 trillion during this period as summarised in Figure 11 below. They additionally contributed US$ 50.37 trillion or 57% of total world imports of goods which amounted to US$ 88.93 trillion during the same period as summarised in Figure 12 below.

The EU emerges as the most significant contributor to world exportsamong the three RECs/FTAs, taking 32.4% of the combined world exports during the period 2014-2018, followed by NAFTA at 13.6% and ASEAN at 7.3%. The EU also emerges as the most significant player in world imports, taking 31.5% of combined world imports during the same period, followed by NAFTA at 18.3% and ASEAN at 6.9%. Thus based on their significant importance to world trade, EAC can borrow from experiences of the three RECs/FTAs to understand the role of a common regional trade policy in promoting trade, improving trade competitiveness and economic growth, and in promoting trade-oriented investment.

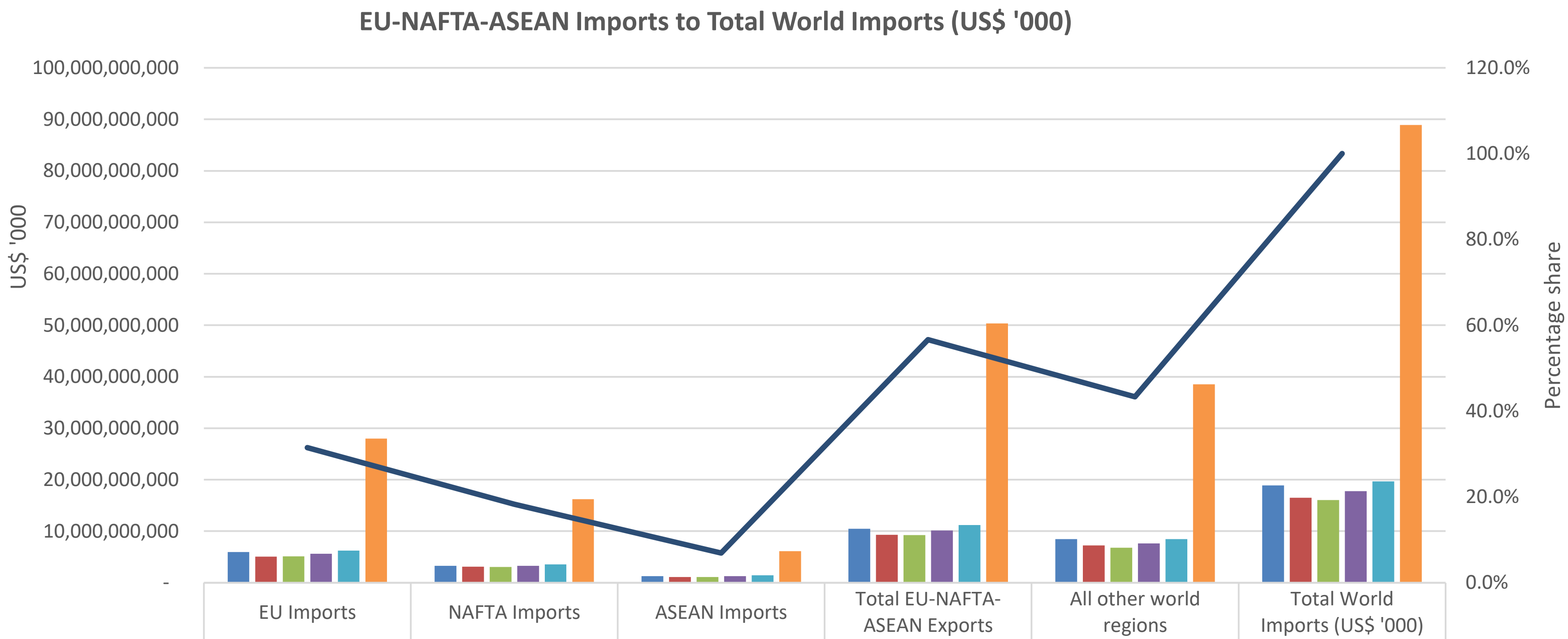
Figure 11: EU-NAFTA-ASEAN exports compared to total world exports 2014-2018 (US$ '000)



	EU Exports	NAFTA Exports	ASEAN Exports	Total EU-NAFTA-ASEAN Exports	All other world regions	Total World Exports (US$ '000)
2014	6,030,225,244	2,491,801,922	1,296,567,990	9,818,595,156	9,060,375,168	18,878,970,324
2015	5,226,859,978	2,291,070,688	1,169,308,750	8,687,239,416	7,712,534,488	16,399,773,904
2016	5,220,917,379	2,215,380,301	1,148,042,784	8,584,340,464	7,297,515,285	15,881,855,749
2017	5,720,177,757	2,376,601,757	1,322,580,343	9,419,359,857	8,131,506,363	17,550,866,220
2018	6,282,754,634	2,567,246,459	1,449,517,305	10,299,518,398	8,985,061,700	19,284,580,098
Total 2014-2018	28,480,934,992	11,942,101,127	6,386,017,172	46,809,053,291	41,186,993,004	87,996,046,295
Percentage share (2014-2018)	32.4%	13.6%	7.3%	53%	47%	100%

Source: Computation from International Trade Center data www.intracen.org

Figure 12: EU-NAFTA-ASEAN imports compared to total world imports 2014-2018 (US$ '000)



	EU Imports	NAFTA Imports	ASEAN Imports	Total EU-NAFTA-ASEAN Exports	All other world regions	Total World Imports (US$ '000)
2014	5,931,415,006	3,273,921,341	1,242,414,853	10,447,751,200	8,452,389,274	18,900,140,474
2015	5,082,702,535	3,128,031,519	1,099,475,848	9,310,209,902	7,213,322,221	16,523,532,123
2016	5,111,298,312	3,039,084,064	1,087,391,353	9,237,773,729	6,803,658,414	16,041,432,143
2017	5,629,892,770	3,259,347,277	1,269,344,375	10,158,584,422	7,636,456,406	17,795,040,828
2018	6,245,770,932	3,536,486,819	1,437,582,167	11,219,839,918	8,445,438,533	19,665,278,451
Total 2014-2018	28,001,079,555	16,236,871,020	6,136,208,596	50,374,159,171	38,551,264,848	88,925,424,019
Percentage share (2014-2018)	31.5%	18.3%	6.9%	57%	43%	100%

Source: Computation from International Trade Center data www.intracen.org

3.3 THEEUROPEAN UNION EXPERIENCE WITH REGIONAL TRADE POLICY

3.3.1 OVERVIEW OF EU

The EU is a unified trade and monetary body currently comprised of 28 European member states, which seeks to attain sustainable development based on balanced economic growth, price stability, highly competitive market economies with full employment and social progress, and environmental protection for all member states.The Union initially started as the European Coal and Steel Community (ECSC) in 1951, when six neighboring countries (West Germany, Belgium, France, Holland/ Netherlands, Italy, and Luxembourg) came together through "The Treaty of Paris", with the aim of creating economic and political stability in Europe after the economic ravages brought about by the Second World War to the region's economies.The European Union as it is referred today was however formally established through the Maastricht Treaty of 1st November 1993 on the basis of three pillars: the European Communities, the Common Foreign and Security Policy (CFSP), and the Police and Judicial Cooperation in Criminal Matters (JHA).

Since its formation through the Paris Treaty of 1951 and through its various progressions, EU membership has expanded to 28 countries, namely: Austria, Belgium Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom which enjoys a common market.

The EU integration process has progressed over the years from an FTA up to the global economic integration standard of a Single Market (or alternatively an Internal Market or Common Market), which guarantees borderless trade amongst its members. The EU Single Market is characterised by free movement of goods, capital, services and labour (the "*four freedoms*") within the territories of member states. It is also characterised byuse of the Euro as a single currency, which was introduced in 2002 toreplace the currencies of individual member states as the medium for conducting intra-EU trade. The Single Market benefits have been extended, with exceptions, to Iceland, Liechtenstein and Norway through the European Economic Area Agreement, and to Switzerland through bilateral treaties with individual EU countries.

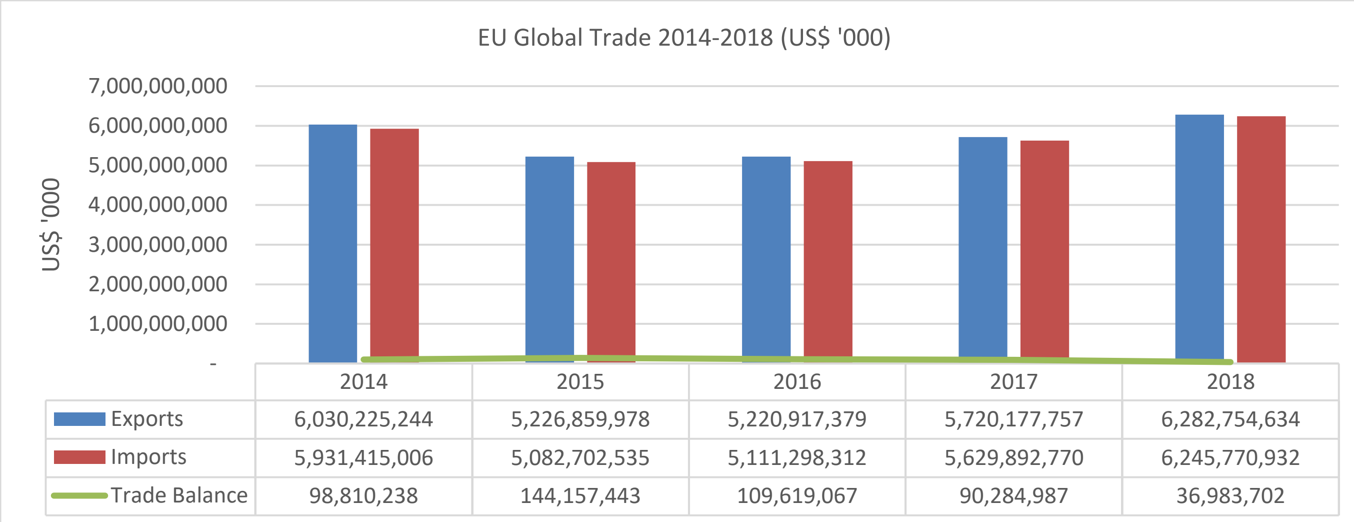
3.3.2 EU GLOBAL TRADE

Total EU exports to the world declined from 6.03 trillion in 2014 to US$ 5.227 trillion in 2015 and further to US$ 5.22 trillion in 2016, and thereafter picked to US$ 5.72 trillion in 2017 to close at US$ 6.283 trillion in 2018. Total imports from the world on the other hand declined from US$ 5.93 trillion in 2014 to US$ 5.083 trillion in 2015 and thereafter increased to US$ 5.111 in 20165, US$ 5.63 trillion in 2017 to close at US$ 6.25 trillion in 2018 as shown in figure 13 below.

Overall the region had a positive trade balance over the period of analysis as shown in Figure 14, although the amounts declined from US$ 98.8 billion in 2014 to US$ 36.98 billion in 2018. Germany was the dominant exporting country as shown in table 16 below, taking 25% of total EU exports between 2014 and 2018, followed Netherlands, France, and Italy with each taking 9%, United Kingdom and Belgium each taking 8%, and Spain (5%) and Poland (4%).

Similar patterns were repeated for imports as shown in table 17 below, with Germany being the dominant importer at 21%, followed by United Kingdom at 12%, France at 11%, Netherlands and Italy each at 8%, Belgium (7%), Spain (6%) and Poland (4%).

Figure 13: EU Global Trade 2014-2018 (US$ '000)



Source: Computation from International Trade Center data www.intracen.org

Table 16: EU Exports to World 2014-2018 (US$ '000)

Exporter	2014	2015	2016	2017	2018	Total 2014-2018	Average Share (%)
Germany	1,498,157,800	1,323,665,116	1,340,752,046	1,446,642,435	1,556,744,351	7,165,961,748	25%
Netherlands	571,347,542	437,329,137	444,867,363	505,941,305	585,622,815	2,545,108,162	9%
France	569,086,275	495,148,752	490,008,030	524,009,722	568,974,863	2,647,227,642	9%
Italy	529,528,733	456,988,626	461,667,625	507,430,236	543,466,795	2,499,082,015	9%
United Kingdom	511,145,443	466,295,683	411,463,356	442,065,707	487,069,299	2,318,039,488	8%
Belgium	472,201,274	397,739,157	398,033,265	429,980,168	466,653,580	2,164,607,444	8%
Spain	318,649,312	278,122,010	281,776,674	319,621,896	328,527,654	1,526,697,546	5%
Poland	214,476,794	194,461,157	196,455,270	221,307,621	261,815,269	1,088,516,111	4%
All other EU members	1,345,632,071	1,177,110,340	1,195,893,750	1,323,178,667	1,483,880,008	6,525,694,836	23%
Total EU 28 members)	6,030,225,244	5,226,859,978	5,220,917,379	5,720,177,757	6,282,754,634	28,480,934,992	100%

Source: Computation from International Trade Center data www.intracen.org

Table 17: EU Imports from World 2014-2018 (US$ '000)

Importer	2,014	2,015	2,016	2017	2018	2014-2018	Average share (%)
Germany	1,214,955,700	1,053,388,444	1,060,672,017	1,167,753,355	1,287,378,667	5,784,148,183	21%
United Kingdom	694,344,323	630,251,058	636,367,936	641,332,436	669,640,211	3,271,935,964	12%
France	667,578,294	562,937,510	559,139,133	608,818,589	660,117,344	3,058,590,870	11%
Netherlands	508,032,877	393,728,344	398,336,339	450,075,698	521,452,417	2,271,625,675	8%
Italy	474,082,559	410,933,398	406,670,670	453,583,034	499,339,662	2,244,609,323	8%
Belgium	452,772,541	371,025,047	372,712,713	406,412,281	450,388,977	2,053,311,559	7%
Spain	350,977,773	305,266,032	302,538,874	350,921,562	376,185,086	1,685,889,327	6%
Poland	216,687,292	189,696,474	188,517,819	217,978,576	267,699,887	1,080,580,048	4%
All other EU members	1,568,670,939	1,355,172,702	1,374,860,630	1,550,995,815	1,781,268,568	7,630,968,654	23%
Total EU 28 members)	5,931,415,006	5,082,702,535	5,111,298,312	5,629,892,770	6,245,770,932	28,001,079,555	100%

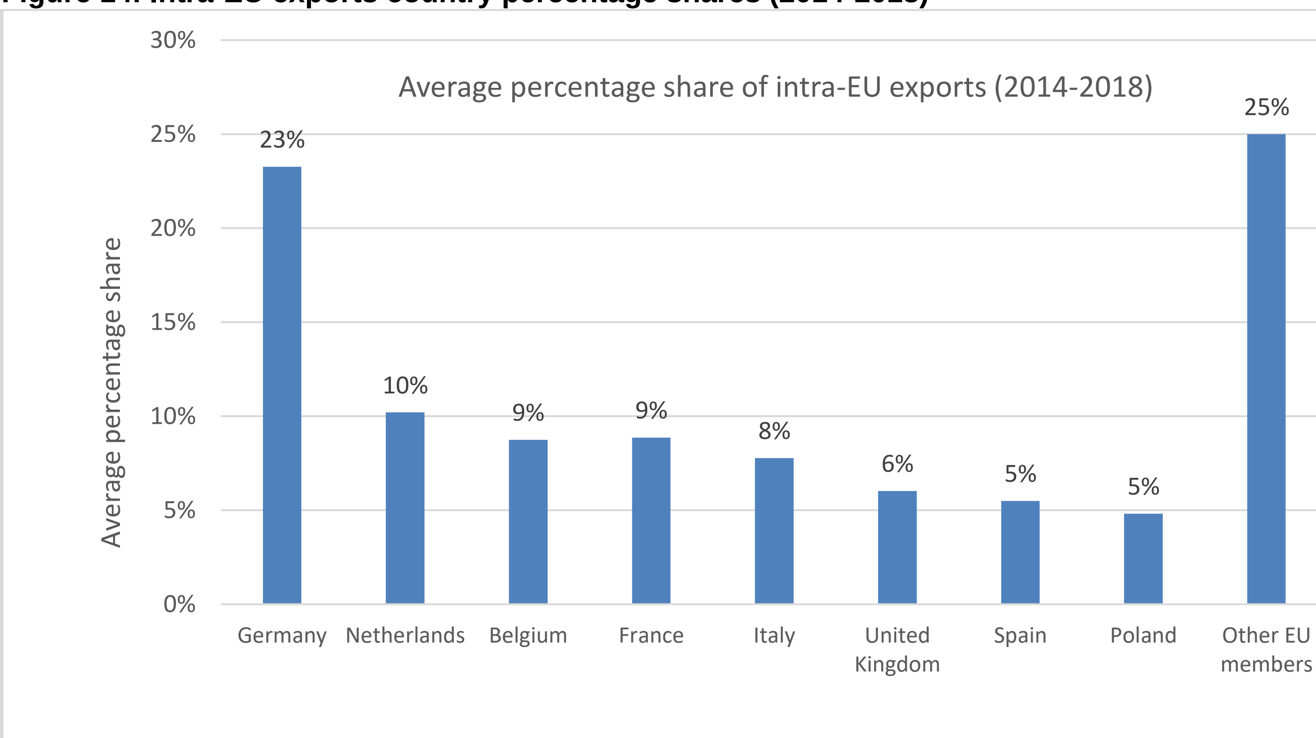
Source: Computation from International Trade Center data www.intracen.org

3.3.3 INTRA-EU TRADE

Total intra-EU exports decreased from US$ 3.63 trillion in 2014 to US$3.12 trillion in 2013, and thereafter picked to 3.17 trillion in 2016, US$ 3.46 trillion in 2017 and to US$ 3.83 trillion in 2018. Overall, intra-EU exports increased by 5.6% over the period 2014-2018. On the other hand, intra-EU imports decreased from US$3.53 trillion in 2014 to US$ 3.045 trillion in 2015, and then rose to US$ 3.09 billion in 2016, US$ 3.37 trillion in 2017 and to US$ 3.72 trillion in 2018. Overall, intra-EU exports increased by 5.6% while imports increased by 5.4% over the period 2014 to 2018.

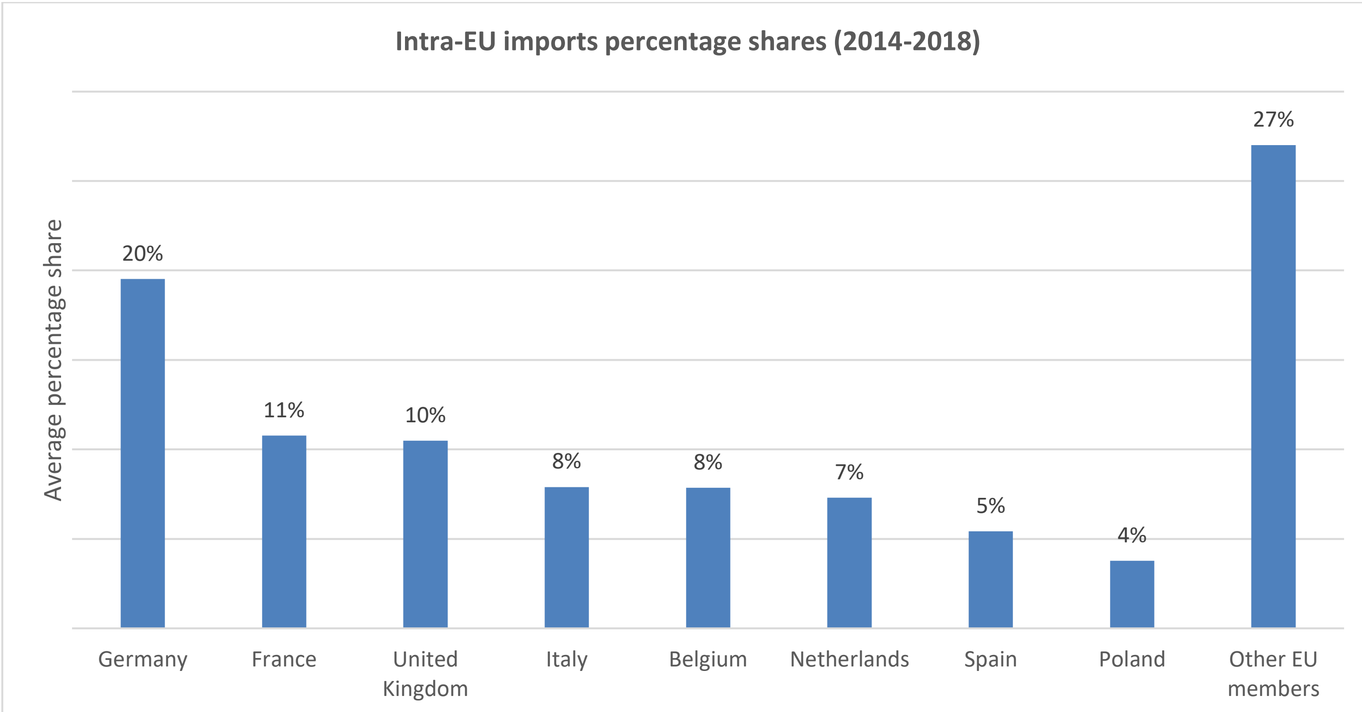
Like in the case of EU global trade, the main players in intra-EU trade during the period 2014-2018 were Germany, France, Netherlands, Belgium, Italy, United Kingdom, Spain and Poland, which combined took 75% of intra-EU exports and 74% of intra-EU imports. Germany is the dominant trade partner in EU trade, taking 23% of intra-EU exports and 20% of intra-EU imports. Figures 14 and 15 below show the shares of EU countries in intra-EU exports and exports during the period 2014-2018, while Tables 17 and 18 shows the value of intra-EU exports and imports respectively during the same period of analysis.

Figure 14: Intra-EU exports country percentage shares (2014-2018)



Source: Computation from International Trade Center data www.intracen.org

Figure 15: Intra-EU imports country percentage shares (2014-2018)



Source: Computation from International Trade Center data www.intracen.org

Table 17: Intra-EU exports (EU 28): 2014-2018 (US$ '000)

Country	2014	2015	2016	2017	2018	Total 2014-2018
Germany	861,123,172	758,474,234	777,682,073	836,390,609	909,105,672	4,142,775,760
Netherlands	415,597,991	311,826,309	318,826,338	356,326,945	413,164,914	1,815,742,497
Belgium	333,975,335	286,212,950	287,908,705	309,770,393	339,915,029	1,557,782,412
France	344,278,976	293,407,671	293,574,841	309,557,311	338,315,745	1,579,134,544
Italy	289,811,936	250,104,127	257,828,786	282,283,980	304,286,417	1,384,315,246
United Kingdom	241,568,561	204,326,281	193,562,604	209,661,642	224,804,267	1,073,923,355
Spain	198,368,973	177,603,989	184,501,089	202,626,539	215,838,942	978,939,532
Poland	164,276,897	153,271,523	155,091,400	174,969,431	210,348,856	857,958,107
Czech Rep.	143,254,793	130,850,205	135,611,368	152,795,057	170,436,165	732,947,588
Austria	114,028,082	98,129,456	98,317,064	109,114,306	122,939,757	542,528,665
Hungary	87,904,725	79,322,188	81,876,372	90,271,874	100,054,440	439,429,599
Sweden	93,813,885	80,020,558	80,566,101	88,237,102	96,462,188	439,099,834
Ireland	65,509,610	64,429,401	64,171,556	67,842,426	83,972,946	345,925,939
Slovakia	72,925,232	64,311,397	66,217,895	72,294,181	80,757,654	356,506,359
Romania	49,435,569	44,527,587	47,521,795	53,448,803	61,265,491	256,199,245
Denmark	63,836,538	52,474,439	53,411,756	55,332,859	58,416,339	283,471,931
Portugal	44,681,650	39,609,914	41,281,252	45,542,650	55,666,925	226,782,391
Finland	41,205,697	34,090,881	32,873,832	39,269,474	43,280,267	190,720,151
Others	120,278,683	106,642,212	109,334,273	121,895,531	138,937,515	597,088,214
Total Intra-EU Exports	3,625,597,622	3,122,993,110	3,170,824,827	3,455,735,582	3,829,032,014	**17,801,271,370**

Source: International Trade Centre Data www.intracen.org

Table 18: Intra-EU Imports (EU 28): 2014-2018 (US$ '000)

Country	2014	2015	2016	2017	2018	Total (2014-2018)

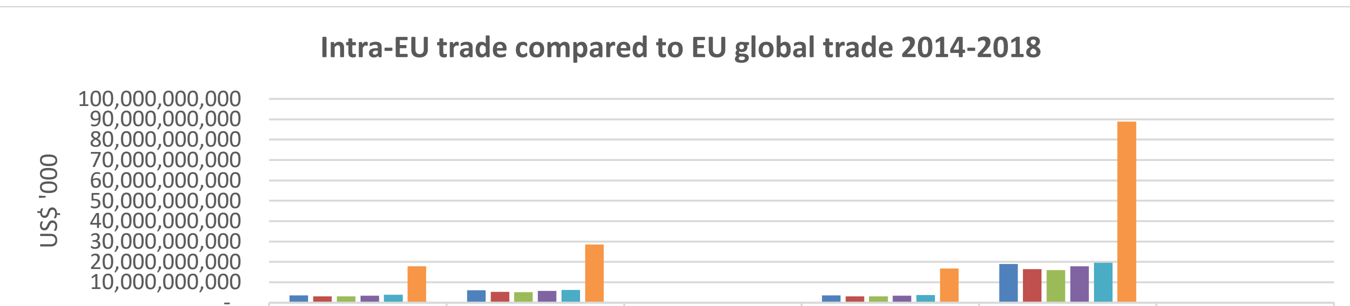
Country	2014	2015	2016	2017	2018	Total (2014-2018)
Germany	700,370,915	588,935,478	611,179,793	650,792,970	721,913,282	3,273,192,438
France	395,638,257	332,326,805	332,510,084	359,513,550	385,333,406	1,805,322,102
United Kingdom	379,268,578	347,485,519	330,606,073	340,678,282	359,753,809	1,757,792,261
Italy	270,326,381	240,681,763	246,783,654	272,571,585	294,421,284	1,324,784,667
Belgium	296,497,573	232,646,968	236,281,862	261,312,574	290,026,185	1,316,765,162
Netherlands	263,049,765	216,683,216	219,201,616	247,580,806	278,177,640	1,224,693,043
Spain	184,188,660	168,286,824	170,511,418	185,014,158	200,023,247	908,024,307
Poland	125,301,629	111,820,643	112,307,585	128,328,852	156,169,741	633,928,450
Austria	120,897,464	102,888,582	106,120,219	116,828,712	129,431,070	576,166,047
Sweden	112,318,880	97,482,124	100,953,353	110,196,772	119,343,292	540,294,421
Czech Rep.	101,901,667	92,327,696	95,823,528	107,372,993	119,122,625	516,548,509
Hungary	78,225,452	69,772,353	71,822,274	80,037,789	88,702,171	388,560,039
Slovakia	62,242,999	57,657,930	60,382,620	66,298,647	75,275,212	321,857,408
Romania	58,480,464	53,785,308	57,329,248	64,457,805	72,843,092	306,895,917
Portugal	58,622,648	51,210,650	52,898,747	60,108,422	72,345,102	295,185,569
Denmark	68,473,816	59,082,564	59,868,581	64,150,686	71,194,446	322,770,093
Ireland	49,568,052	45,803,894	47,107,036	50,485,552	63,490,631	256,455,165
Finland	43,151,564	36,256,906	36,349,888	41,229,423	45,100,893	202,088,674
Others	165,564,657	140,403,805	144,102,021	161,835,770	181,517,300	793,423,553
Total Intra-EU Imports	3,534,089,421	3,045,539,028	3,092,139,600	3,368,795,348	3,724,184,428	**16,764,747,830**

Source: International Trade Centre Data www.intracen.org

3.3.4 INTRA-EU TRADE RELATIVE TO EU GLOBAL TRADE

As shown in Figure 16 below, intra-EU trade is quite significant, with intra-EU exports taking between 60%-61% of EU global exports during the period 2014-2018, while intra-EU imports took an average 19% of EU global imports during the same period.

Figure 16: Intra-EU trade compared with EU global trade 2014-2018



	Total Intra-EU Exports (US$ '000)	Total EU Global Exports (US$ '000)	Share of intra-EU exports to EU global exports (%)	Total Intra-EU Imports (US$ '000)	Total EU Global Imports (US$ '000)	Share of intra-EU imports to EU global imports (%)
2014	3,625,597,622	6,030,225,244	60%	3,534,089,421	18,900,140,47	19%
2015	3,122,993,110	5,226,859,978	60%	3,045,539,028	16,523,532,12	18%
2016	3,170,824,827	5,220,917,379	61%	3,092,139,600	16,041,432,14	19%
2017	3,455,735,582	5,720,177,757	60%	3,368,795,348	17,795,040,82	19%
2018	3,829,032,014	6,282,754,634	61%	3,724,184,428	19,665,278,45	19%
2014-2018	17,801,271,37	28,480,934,99	63%	16,764,747,83	88,925,424,01	19%

Source: Computation from International Trade Center data www.intracen.org

3.3.5 POLICIES AND REGULATIONS GOVERNING INTRA-EU TRADE AND TRADE WITH THIRD COUNTRIES

EU has laid down policies and regulations governing trade between its member states and with third countries as elaborated below.

3.3.5.1 EU Custom Duties and taxes on imports

Goods entering into EU from third countries are subject to customs control before they are released for free circulation within the EU, whereas custom duties are abolished for products originating from amongst EU member states and circulating in the regional trading bloc. The EU has over 600 Tariff Rate Quotas (TRQs), which allow specified products imported from designated regions that have bilateral Free Trade Agreements (FTAs) with EU to enter into the regional market at a lower tariff rate than equivalent products originating from outside such FTA regions. The TRQs specify the maximum quota which can be allowed into EU for a given period (mostly annual). Such FTAs are in line with WTO GATT provisions. Although allowed to benefit from reduced tariffs, imports into EU are subject to internal taxes (VAT and exercise duties) levied by individual EU states

3.3.5.2 EU trading arrangements with third countries

The EU has 69 free trade agreements (FTAs) with third countries worldwide, signed either with individual countries or through their regional trading blocs, whose main aim are to spur European economic growth and jobs creation through increased trade growth and competitiveness. In this regard, on average 31 million European jobs depend on exports, with each additional €1 billion worth of exports estimated to support 14,000 European jobs. Few examples of the FTAs include: The ongoing EU-USA free trade negotiations based on directives given by EU Council in April 2019; The EU-Canada Comprehensive Economic and Trade Agreement (CETA) which provisionally entered into force on 21st September 2017; The ongoing negotiations for an EU-China Comprehensive Agreement on Investment (CAI), The ongoing/or concluded Economic Partnership Agreements (EPAs) between the EU and African, Caribbean and Pacific (ACP) countries.

3.3.5.3 EU Quality standards

The EU overall legislation on quality standards is EU Regulation 1025/2012, which provides the legal basis to use European standards for products and services, identify ICT technical specifications, and to finance the European standardization process. The quality standards are developed through collaboration between EU interested parties such as manufacturers, users, consumers and regulators of a particular material, product, process or services. The broad EU interests on quality standards are specified in seven distinct legislations namely;Food and Feed safety Requirements, Animal Health Requirements, Plant Health Requirements, Public Health Requirements, Product safety Requirements, Technical standardization Requirements, and Packaging Requirements. The EU technical standards aim to maintain consumer confidence in EU and export markets that EU originating goods are safe to use, which consequently ensure market access and maintenance of EU reputation as a producer of safe to use products. Ultimately this confers a competitive advantage over competitors both in EU single market as well as in export markets, in addition to enabling avoidance of import bans in third countries.

3.3.5.4 EU Sanitary and Phytosanitary Standards

EU Sanitary and Phytosanitary Standards (SPS) aim to protect the environment, human, animal and plant health; and are developed and enforced by competent EU authorities. The SPS rules are broken down into specific requirements related to food and feed safety, animal and plant health, trade in endangered species (CITES), and public health requirements.As in the case of quality standards, maintenance of high standards on EU originating agricultural products are intended to maintain consumer confidence in export markets that that the goods are safe to use, thusenabling themarket access and contributing to the reputation of EU as a producer of safe to use goods.

Ultimately, this confersEU originating goods a competitive advantage over competitors in the EU single market as well as in export markets.

3.3.5.5 EU Anti-Dumping, Anti-Subsidies and Safeguard Measures

EU anti-dumping, anti-subsidies and safeguard measures are Trade Remedies Laws that allow EU governments to take remedial and protective actions against trading activities which may be causing material injury to an EU domestic industry. The measuresare in line with WTO GATT[77] provisions, which broadly recognize that although WTO members are required to bind their tariffs, and to apply them equally on goods originating from all trading partners in order to achieve smooth global trade flow in goods, there are exceptions to this rule, where WTO member countries can be allowed to deviate from applying the MFN[78] treatment provision. Such exceptions include:

a) **Anti-dumping measures:**Anti-Dumping measures are provided for in Article VI of GATT, under which a company is considered to be dumping if it exports a product at a price lower than its 'normal value'. In cases where dumping is proofed to be taking place, the affected country is allowed under WTO to introduce anti-dumping measures, which are normally applied by the importing country as an anti-dumping duty on affected products. The measures take the form of:

    i) Ad valorem or value-based duty, calculated on the value of the invoice, with 15% being the most common form of value based duty;
    ii) A specific duty calculated on a parameter other than the value, such as weight, for example €15 per ton; and
    iii) A price undertaking, where the exporter agrees not to sell products in the EU at prices below a minimum amount. If EC agrees to an undertaking, then anti-dumping duties will not be collected on imports.

b) **Anti-subsidy measures**: The WTO Agreement on Subsidies and Countervailing Measures aims to discourage use of subsidies, and to regulate actions countries can take to counter the effects of subsidies. Under the Agreement, a country can use the WTO dispute settlement procedure to seek withdrawal of the subsidy or the removal of its adverse effects. Alternatively, the affected country can launch its own investigation and ultimately charge an extra duty (countervailing duty) on the subsidised imports found to be causing injury to its domestic producers.

c) **Safeguard measures**:GATT allows WTO members to restrict imports of a given product temporarily (or take "safeguard" actions) if a domestic industry producing equivalent products is injured or threatened with injury caused by a surge in imports. The injury must however be proofed to be serious.

3.3.5.6 EU treatment of sensitive products

EU Trade Agreements provide safeguards for EU producers of certain sensitive agricultural products such as dairy products, animal products (e.g. beef), poultry, sugar, fruits and vegetables. The provisions either fully exclude sensitive products from EU tariff cuts or limit the quantity imported. The potential impact of every new trade agreement between EU and third countries on EU agriculture is carefully assessed through impact assessments and sustainability impact assessments before and during the negotiations with third countries in order to indicate products that may be adversely affected through liberalization provisions and which therefore need to be excluded from external competition.

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[77]WTO General Agreement on Trade and Tariffs
[78]WTO Most Favoured Nation treatment

3.3.5.7 Other measures on trade with third countries

Othermeasuresused by EU to ensure full implementation of trade agreements with third countries include:

a) Countervailing measures: These can be applied whenever an investigation by the EC or the investigating authority of an EU member state determines that imported goods are benefiting from subsidies, and that such subsidies result in injury to an EU industry/ies.

b) Domestic consultations: The EU Civil Society Consultation mechanism (Domestic Advisory Group) meets regularly with the European Economic and Social Committee to discuss and make recommendations on the implementation of the Trade and Sustainable Development (TSD) Chapter of any trade agreement with third countries.

c) Civil Society Mechanism: The EU has initiated an approach to modernizing FTAs, which requires that any FTAs will have to contain a fully-fledged TSD chapter in which partners commit to effectively implement labour and environmental standards and agreements. Future FTAs will also incorporate an annex on anti-corruption aimed to fight against bribery and money-laundering. The civil society consultation mechanism which was previously limited to the TSD chapter will also be extended to all provisions of an FTA, thus allowing the civil societies on both sides of an FTA to make their voice heard.

d) Workshops on sensitization, strategizing and opinion taking: The EU organizes workshops to address specific areas of concern, including those on customs cooperation, rules of origin, and trade frauds (e.g. on value, customs tariff, forging of documents, etc).

3.3.6 KEY BENEFITS ARISING FROM EU FTA

As a result of the EU FTAs, EU member states have realized substantial benefits from trading with third countries as well as amongst themselves. These include:

a) Continuous increase and growth in exports
b) Creation of employment opportunities
c) Trade promotion and entry into new markets
d) Access to high quality European products
e) Protection against copies and imitations in trading partner countries
f) Increased awareness of opportunities linked to trade agreements amongst EU companies thus promoting expansion and diversification of SMEs
g) Elimination of technical barriers to trade and an improved business climate
h) Tariff cuts for EU traders on goods imported from third countries with which EU has entered into preferential trade arrangements, some of which are used as raw materials by EU manufacturers
i) Safeguards for EU producers of certain sensitive agricultural products such as dairy products, animal products, fruits and vegetables.

3.3.7 MAIN CHALLENGES OF IMPLEMENTING THE EU FTAs WITH THIRD COUNTRIES

The EU has faced various challenges in implementing its FTAs with third countries, including:

a) Non-compliance with labour and environmental rights provisions, especially in South Korea

b) Lack of transparency in implementing procurement rules, Intellectual Property Rights, protection of Geographical Indications (GIs), ownership, and copyright issues when trading with third countries

c) Regional instability, mainly experienced with the Mediterranean regional partners, making it difficult for the region to attract and retain foreign investors from EU

d) Difficulties in registration and approval of health and agro-chemical products, especially in Mexico, making it difficult for the existing EU-Mexico Global Agreement of 2000 to facilitate EU originating FDI especially in chemical substances and related products

e) Significant trade barriers and restrictive policies remain on imports from third countries, notably technical barriers to trade (TBT), due to enforcement of high EU standardsrelated to health and safety requirements as well as packaging and labeling requirements.

f) Trade war challenges introduced by the current United States administration. The first half of 2018 saw the start of bilateral trade wars between the US and her trading partners, including the EU bloc. Starting with China and later the EU and even the NAFTA[79] members, many US trading partners are today confronted with high import tariffs on selected goods exported to the US. The current US administration has also suspended the negotiated EU-US Transatlantic Trade and Investment Partnership (TTIP), which had been launched in 2013 but ended without conclusion at the end of 2016 after US withdrawal. The frustration in dealing with the current US administration has forced EU to result to the next best option for damage control; namely to defend the international multilateral system and to maintain open and free trade with the rest of the world. At stake however is the fact that US has been and remains EU's main trading partner, but the potential to increase and/or retain this major market is under serious risk.

g) Climate Change and environment, which according to the August 2019 Standard Eurobarometer surveyare among the top concerns at EU and national level of EU member states. In efforts to deal with increases in global average temperaturesand consequent adverse impacts on terrestrial and aquatic ecosystems individual EU member states have increased budgets on global warming mitigation measures, with consequent decreases in budgets allocated for trade promotion and trade facilitation measures at EU regional and national levels of member states.

h) The potential challenges posed by the Brexit, which could cause disruption and severe negative economic impacts particularly for EU SMEs and exporting sectors in agri-food, indigenous manufacturing and tourism, particularly those that have established regional supply chains with UK based suppliers/buyers. While no concrete evidence has yet been established on impacts on Brexit on EU businesses, immediate predictions show EU businesses that source goods from UK will have to go through customs formalities, including payment of third country customs duty, checks for quality, SPS, rules of origin, labelling, and weights and measures among others. With regard to customs duty, since no trade FTA between EU and UK have been concluded, there will be no immediate trade preferences for goods originating from UK after Brexit. This means EU importers of UK originating goods will have to pay EU third country customs tariff, resulting to uncompetitive businesses particularly where regional value chains have already been established with UK businesses on the basis of duty free imports under EU single market provisions.

3.3.8 PLANS BY EU TO DEAL WITH CHALLENGES OF IMPLEMENTING ITS FTA WITH THIRD COUNTRIES

EU has put in place the following measures to deal with challenges of implementing FTAs with third countries:

[79] North America Free Trade Area

a) Establishment of joint committees, sub-committees and bilateral dialogues on trade-related issues to facilitate implementation of Comprehensive Economic and Trade Agreements (CETA) with third countries.

b) Collaboration and consultation with the civil society organizations: CETA has established a Civil Society Forum as a consultation mechanism to deal with Trade and Sustainable Development (TSD) chapters of trade agreements between EU and its trade partner countries, includingoffering advisory opinions on commitments related to multilateral labour and environmental agreements. The EU has also established FTA coordinators, networks and expert groups on trade, which constantly monitor trade obstacles experienced under FTAs.

c) Modernization of customs unions. EU plans to upgrade most FTAs with which it has signed with third parties aimed to make them more responsive to the emerging complex economic dynamics of trading under the multilateral system. Negotiations to upgrade the FTA with Mexico are ongoing, and similar initiatives have also started with Morocco, Tunisia, Turkey and Chile. The FTAs modernization aims to improve their functionality and scope.

d) The EU has pursued two parallel courses of action to deal with current US administration threats; namely (i) Making attempts to negotiate a settlement through the WTO mechanism in order to uphold a rules-based international trading order, and (ii) Strengthening trade ties with like-minded trading partners, including promoting and accelerating new EU trade deals with existing and prospective trading partners.

e) Adoption of the Paris Agreement to help deal with climate change. The European Parliament approved ratification of the Paris Agreement on 4th October 2016, and the EC consequently deposited its instruments of ratification on 5th October 2016, along with several individual EU member states.

3.4 THE NORTH AMERICA FREE TRADE AREA EXPERIENCE

3.4.1 OVERVIEW OF NAFTA

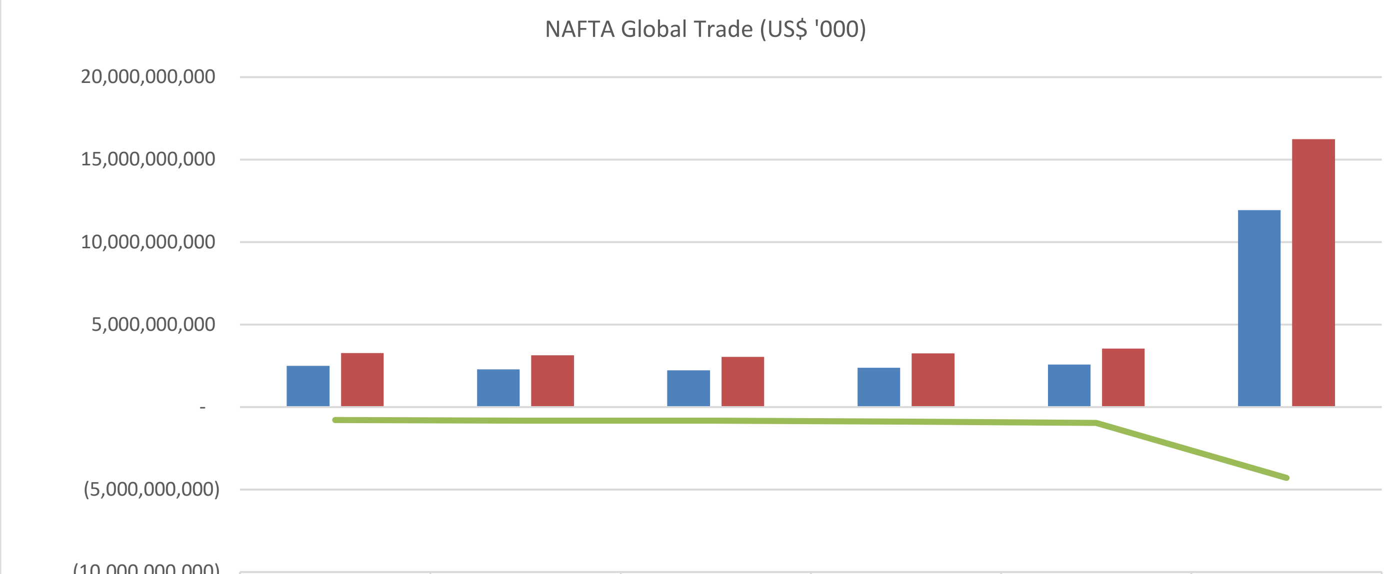
The North American Free Trade Agreement (NAFTA) is a trilateral trade agreement between Canada, Mexico and United States, which was initially started through bilateral trade negotiations between US and Canada, resulting in the US-Canada Free Trade Agreement of January 1989. Mexico later joined the trading bloc in 1994, culminating into NAFTA. On30th September 2018, the three nations agreed to replace NAFTA with the United States-Mexico-Canada Agreement(USMCA),based on concerns raised by US to the effect that NAFTA had not enabled mutual trade gains by the three members states. However, USMCA has not yet come into force, and NAFTA provisions therefore continue to be the guiding framework of trade relations between the three countries, including trade policies and measures.

3.4.2 NAFTA GLOBAL TRADE

NAFTA total exports declined slightly from U$ 2.49 trillion in 2014 to US$ 2.29 trillion in 2015 and further to US$ 2.22 trillion in 2016 and thereafter picked to US$ 2.38 trillion in 2017 and closed at US$ 2.57 trillion in 2018 as shown in figure 17 below. Total NAFTA imports also declined from US$ 3.27 trillion in 2014 to US$ 3.13 trillion in 2015 and further to US$ 3.04 trillion in 2016 before rising to US$ 3.26 trillion in 2017 and further to US$ 3.54 trillion in 2018.

Overall, NAFTA had a negative trade balance throughout the period of analysis, rising from US$ 782.12 billion in 2014 to US$ 969.24 billion in 2018. The USA contributed the largest share of the trading bloc's total trade with the world during the period 2014-2018. In this regard, as shown in Table 19 below, USA contributed an average 65% of total exports by the region and 74% of total imports, followed by Canada at 18% of total exports and 13% of total imports, and Mexico at 17% of total exports and 13% of total imports.

Figure 17: NAFTA Global Trade 2014-2018 (US'000)



	2014	2015	2016	2017	2018	Total 2014-2018
Exports	2,491,801,922	2,291,070,688	2,215,380,301	2,376,601,757	2,567,246,459	11,942,101,127
Imports	3,273,921,341	3,128,031,519	3,039,084,064	3,259,347,277	3,536,486,819	16,236,871,020
Trade Balance	(782,119,419)	(836,960,831)	(823,703,763)	(882,745,520)	(969,240,360)	(4,294,769,893)

Source: Computation from International Trade Center data www.intracen.org

Table 19: Total NAFTA Global Trade 2014-2018 (US$ '000)

Country	2014	2015	2016	2017	2018	Total 2014-2018	Average share (%)
NAFTA EXPORTS (US$ '000)							
United States	1,619,742,900	1,501,845,864	1,451,459,684	1,546,462,344	1,665,992,032	7,785,502,824	65%
Canada	475,177,176	408,697,324	390,020,604	420,688,035	450,722,776	2,145,305,915	18%
Mexico	396,881,846	380,527,500	373,900,013	409,451,378	450,531,651	2,011,292,388	17%
Total NAFTA Exports (US$ '000)	2,491,801,922	2,291,070,688	2,215,380,301	2,376,601,757	2,567,246,459	11,942,101,127	100%
NAFTA IMPORTS (US$ '000)							
United States	2,410,855,500	2,313,424,569	2,249,113,117	2,406,362,556	2,612,379,157	11,992,134,899	74%
Canada	463,088,977	419,374,729	402,906,596	432,615,608	459,839,192	2,177,825,102	13%
Mexico	399,976,864	395,232,221	387,064,351	420,369,113	464,268,470	2,066,911,019	13%
Total NAFTA imports (US$ '000)	3,273,921,341	3,128,031,519	3,039,084,064	3,259,347,277	3,536,486,819	16,236,871,020	100%

Source: Computation from International Trade Center data www.intracen.org

3.4.3 INTRA-NAFTA TRADE

Intra-NAFTA exports decreased from US$ 1.25 trillion in 2014 to US$ 1.16 trillion in 2015 and further to US$ 1.11 trillion in 2016 and thereafter increased to US$ 1.19 trillion in 2017 and to 1.27 trillion in 2018. On the other hand, intra-NAFTA imports declined from US$ 1.14 trillion in 2014 to US$ 1.05 trillion in 2015 and further to US$ 1.01 trillion in 2016 and thereafter rose to US$ 1.08 trillion in 2017 and further to US$ 1.17 trillion in 2018.

Like in the case of NAFTA global trade, the US dominated intra-NAFTA trade as shown in table 20 below, taking 44% of total intra-NAFTA exports and 57% of intra-NAFTA imports; followed by

Canada at 28% of intra-NAFTA exports and 24% of intra-NAFTA imports. Mexico trailed with 28% intra-NAFTA exports and 19% of intra-NAFTA imports.

Table 20: Intra-NAFTA trade (US$ '000)

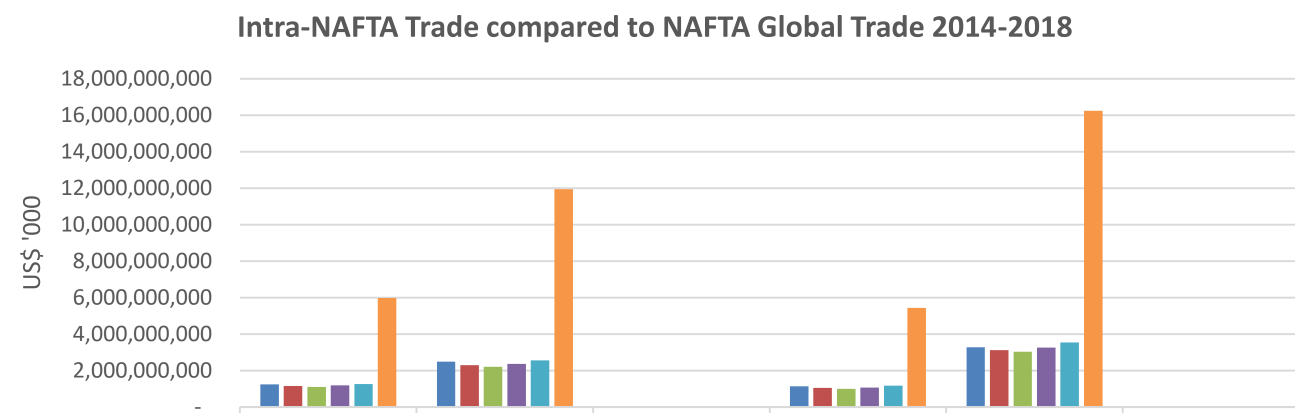
Country	2014	2015	2016	2017	2018	Total 2014-2018	Average share (%)
INTRA-NAFTA EXPORTS (US$ '000)							
USA	552,618,561	516,327,535	496,963,299	525,957,288	565,211,289	2,657,077,972	44%
Canada	329,395,228	319,731,393	313,294,633	338,734,430	358,667,050	1,659,822,734	28%
Mexico	370,070,557	318,705,256	303,264,462	325,119,142	344,576,759	1,661,736,176	28%
TOTAL intra-NAFTA exports	1,252,084,346	1,154,764,184	1,113,522,394	1,189,810,860	1,268,455,098	5,978,636,882	100%
INTRA-NAFTA IMPORTS (US$ '000)							
USA	651,027,584	601,124,525	580,404,943	621,976,209	675,408,320	3,129,941,581	57%
Canada	281,212,446	250,669,235	238,241,216	252,528,681	266,920,553	1,289,572,131	24%
Mexico	205,902,479	197,249,348	189,640,634	204,779,991	227,053,871	1,024,626,323	19%
Total Intra-NAFTA imports (US$ '000)	1,138,142,509	1,049,043,108	1,008,286,793	1,079,284,881	1,169,382,744	5,444,140,035	100%

Source: Computation from International Trade Center data www.intracen.org

3.4.4 INTRA-NAFTA TRADE RELATIVE TO NAFTA GLOBAL TRADE

Intra-NAFTA trade compared with global NAFTA trade is quite significant as shown in Figure 18 below. In this respect, intra-NAFTA exports took an average 50% of NAFTA global trade during the period 2014-2018 while imports took between 33% and 35% of global NAFTA imports during the period. This means NAFTA countries trade significantly with each other, and that goods originating from amongst NAFTA countries are heavily consumed in the region.

Figure 18: Intra-NAFTA trade compared with NAFTA global trade



	Total intra-NAFTA Exports (US$ '000)	Total NAFTA global exports (US$ '000)	Share of intra-NAFTA expots to global-NAFTA exports (%)	Total intra-NAFTA Imports (US$ '000)	Total NAFTA global imports (US$ '000)	Share of intra-NAFTA impots to global-NAFTA imports (%)
2014	1,252,084,346	2,491,801,922	50%	1,138,142,509	3,273,921,341	35%
2015	1,154,764,184	2,291,070,688	50%	1,049,043,108	3,128,031,519	34%
2016	1,113,522,394	2,215,380,301	50%	1,008,286,793	3,039,084,064	33%
2017	1,189,810,860	2,376,601,757	50%	1,079,284,881	3,259,347,277	33%
2018	1,268,455,098	2,567,246,459	49%	1,169,382,744	3,536,486,819	33%
Total 2014-2018	5,978,636,882	11,942,101,12	50%	5,444,140,035	16,236,871,02	34%

Source: Computation from International Trade Center data www.intracen.org

3.4.5 POLICIES AND REGULATIONS GOVERNING INTRA-NAFTA TRADE AND TRADE WITH THIRD COUNTRIES

NAFTA has established clear trade policies and regulations between its member states and with third countries as summarised below.

3.4.5.1 NAFTA Custom duties

NAFTA was principally created to eliminate tariff barriers and investment restrictions on agricultural and manufacturing products, and services. Before NAFTA, tariffs of 30% or higher applied on Mexico imports of goods from US. There were also long delays caused by customs and other agencies' related paperwork. NAFTA addressed this by phasing out tariffs over a 15-year period. Approximately 50% of the tariffs were abolished immediately the agreement took effect in 1994, while the remaining tariffs were targeted for gradual elimination over the next 15 years. NAFTA has laid down customs policy measures which it applies under the NAFTA National Treatment and market access provisions on goods.The newly renegotiated USMCA which is yet to come into force is expected to give even better customs regulations for the three trading partners. For the services sector, specific services targeted for liberalisation by NAFTA are construction, engineering, accounting, advertising, consulting/management, architecture, health-care management, commercial education, and tourism. The new USMCA concluded in September 2018 which will come into effect after completion of transitional procedures and ratification by the three partner states is rated as a better and modernized trade agreement than NAFTA, which is expected to mutually benefit North American workers, farmers, ranchers, and businesses. It is expected that the agreement will create more balanced and reciprocal trade, and will provide support to high-paying jobs by using trade rules to drive higher wages (for example by requiring that 40-45%t of auto content be made by workers earning at least $16 per hour). The USMCA aims to:

a) Create a better level playing field for businesses, including improved rules of origin for automobiles, trucks and other products.
b) Improve disciplines in dealing with currency manipulation.
c) Benefit farmers, ranchers, and agribusinesses by modernizing and strengthening food and agriculture trade in North America.
d) Support creation of 21st Century economies in North America by protecting intellectual property rights in addition to improving opportunities for trade in services in the region.
e) Contain new chapters covering digital trade, anticorruption, and good regulatory practices, as well as a chapter devoted to ensuring that SMEs[80]benefit from the Agreement.
f) Create stronger rules of origin than those under NAFTA and the Trans-Pacific Partnership (TPP) agreement, including rules for assembled automobiles and automobile parts, and other industrial products such as chemicals, steel-intensive products, glass, and optical fiber.
g) Establish procedures for streamlining certification and verification of rules of origin, aimedto promote strong enforcement; including new cooperation and enforcement provisions to prevent duty evasion.
h) Help to ensure only producers of goods traded between the partner states using sufficient and significant North American parts and materials receive preferential tariff benefits.
i) Contain new commitments on easier market access between the partner states

3.4.5.2 NAFTA trading arrangement with third countries

NAFTA partners have individual trade deals with non-members, notably the European Union, with agreements with which it has the following agreements; some of which are under negotiation:

a) The EU-USA Agreement(*under negotiation*):Based on EU negotiating directives obtained in April 2019, the EU Council approved two mandates in April 2019 for an agreement with US, namely: (1) the elimination of tariffs for industrial goods, and (2) conformity assessment procedures.
b) The EU-Canada Agreement: Based on EU negotiating directives obtained in April 2009, the European Commission in July 2016 agreed to develop draft proposals on conclusion of the EU-Canada Comprehensive Economic and Trade Agreement (CETA), which was adopted in October 2016 and consented to by the European Parliament in February 2017. In September 2017, the agreement provisionally became operational, but will enter into full force when all EU Member States parliaments have ratified the Agreement.
c) EU Trade with Mexico: The initial EU and Mexico was the EU-Mexico Global Agreement which entered into force in 2000, which however was criticized on reasons of obstructing EU originating FDI into Mexico. Renewed negotiations started for a revised agreement in 2016, and a political agreement was reached in April 2018. Technical issues on bilateral trade and investment between the two partners were resolved and the revised agreement including the full legal text was finalized at the end of 2018.

3.4.5.3 NAFTA Quality standards

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[80] Small and Medium Enterprises

The NAFTA Rules of Origin outline rules on quality standards in order for a good to be considered NAFTA originating such as: The purification rule, Mixtures and blends rule, Change in particle size rule, Standards material rule, Biotechnological rule and Separation prohibition rule.

3.4.5.4 NAFTA's Sanitary and Phytosanitary Standards

NAFTA provisions onSanitary and Phytosanitary Standards (SPS) closely resemble the WTO agreement on the application of SPS measures. Each of the 3 NAFTA parties retain their rights to implement and maintain SPS measures required to protect human, animal or plant life, including measures that may be more stringent than international standards, subject to certain agreed rules and the obligations to base national measures on scientific principles, taking into account geographical conditions and basing measures on a risk assessment appropriate to the circumstances.

3.4.5.5 Dumping and Safeguard Measures applied by NAFTA

NAFTA largely aligns its antidumping and countervailing duties to the WTO provisions on Trade Remedies, notably, the creation of bi-national panels that review antidumping determinations made by national authorities. Safeguard measures can be broadly categorized into two areas:

a) Global safeguards: These provisions allow preferential trade areas to exclude some countries from global safeguard actions that have received considerable attention.
b) Bilateral safeguards: There are two types of bilateral safeguards: (i) transition safeguards and (ii) special safeguards. Transition safeguards are designed to mitigate the costs incurred as industries adjust to preferential tariffs, and are often imposed during the transition period. Special safeguards are provisions for products or sectors that are considered politically sensitive.

3.4.5.6 NAFTA Treatment of Sensitive Products

NAFTA accords special treatment to various products considered sensitive such as: meat and edible meat offal, fish and crustaceans, molluscs and other aquatic invertebrates, dairy produce, birds' eggs, natural honey, edible products of animal origin, products of animal origin, live trees, bulbs, roots; cut flowers and ornamental foliage, edible fruit and nuts; peel of citrus fruit or melons, coffee, tea, maté and spices among others.

3.4.6 ECONOMIC BENEFITS ACCRUED BY NAFTA MEMBER STATES.

Since coming into force in 1994, NAFTA has facilitated trade integration between the three member states, which has resulted into the following benefits:

a) Tariff elimination for qualifying products. Before NAFTA, US tariffs on Mexican originating products were on average 30% or higher, while Mexican tariffs on US originating imports were as high as 75% or 250% higher US tariffs on Mexican products. In additionlong delays were experienced in clearing US originating goods in Mexico due tocumbersome paperwork. NAFTA addressed these challenges by phasing out tariffs over a 15 years period, including tariffs on sensitive goods. Approximately 50% of the tariffs were abolished immediately the agreement took effect, and the remaining tariffs were targeted for gradual elimination over a period of 15 years from 1994.

b) Booming trade: Available figures[81] show that intra-NAFTA exports doubled from US$633.37 billion in 2001 to US$1.27 trillion in 2018. This has boosted economic growth, profits, and jobs for all three countries.

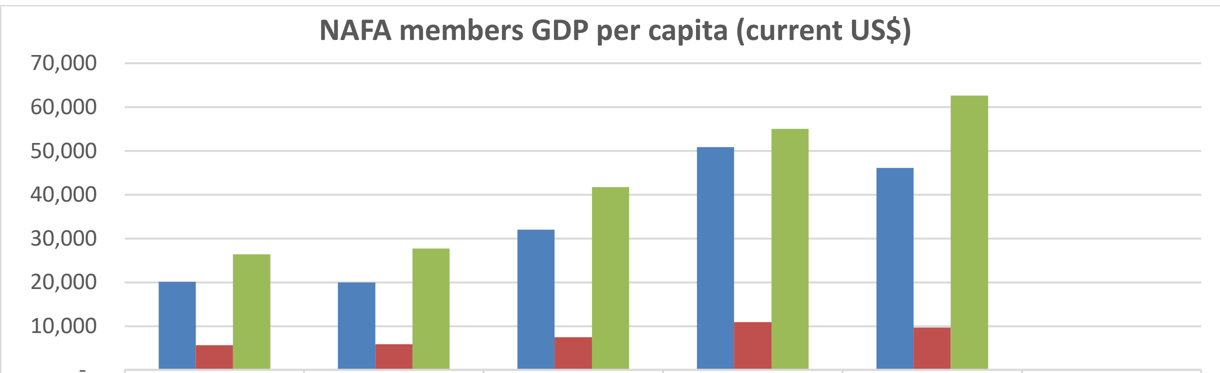
[81] International Trade Centre data www.intracen.org

c) Lower consumer prices brought about by the lower tariffs: Lower tariffs on goods traded between NAFTA countries has overtime reduced import prices, thus lessening the risk of inflation and allowing the Federal Reserves of the three countries to keep interest rates low. This has especially been important for prices of oil, machinery and medicines, all which contribute substantially to the region's import bill and are important to meeting economic and social needs of the region.

d) Increased Economic Growth

NAFTA has boosted economic growth for the three partner states. In this regard, as shown in Figure 19 below, in 1993 prior to signing of NAFTA, the US real per capita GDP stood at US$ 26,387, Canada at US$ 20,121 and Mexico at US$ 5,650. On the year of signing of NAFTA, the GDP per capital for the three countries had dropped, but thereafter increased substantially to close at US$ 62,641 GDP per capita for US in 2018 (or by 126%), US$ 46,125 GDP per capita for Canada (or by 131%) and US$ 9,698 GDP per capita for Mexico (or by 66%). This implies all the three countries have recorded tremendous GDP per capita growth over the NAFTA implementation period, although Canada and Mexico experienced a decline in their 2018 GDP per capita from the 2014 record; and notwithstanding the fact that Mexico's output per person before entry of NAFTA was and is still much lower than that of US and Canada.

Figure 19: GDP per capita (current US$) for NAFTA countries 1993-2018



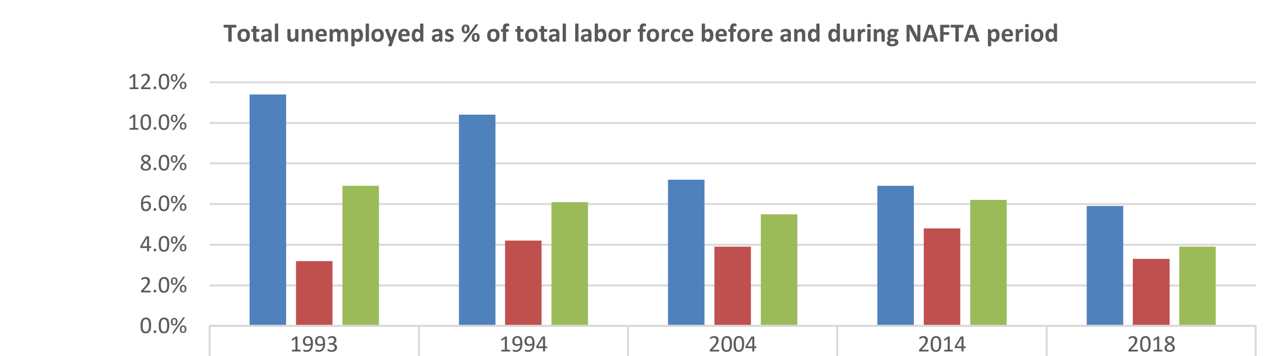
	1993	1994	2004	2014	2018	GDP growth rate between 1994-2018
CAN	20,121	19,935	32,034	50,836	46,125	131%
MEX	5,650	5,854	7,484	10,922	9,698	66%
USA	26,387	27,695	41,713	55,033	62,641	126%

Source: World Bank data www.worldbank.org

After entry into force, NAFTA's immediate aim was to increase cross-border commerce amongst the three North American countries, and in that respect, it undoubtedly succeeded by lowering or eliminating tariffs and reducing some NTBs (such as trade barriers associated with previous Mexican local-content requirements). The reduced tariffs and NTBs have spurred trade and investment, with most of the trade increase benefiting US as shown in table 20 above.

When NAFTA was signed in 1994, there was much hope of increased and good-paying jobs. This has largely come true, since at the end of 2018, the unemployment rate in US stood at 3.9%, Canada at 5.9% and Mexico at 3.3%, lower than the 6.9% unemployment rate recorded at the end of 1993 in US and11.4% in Canada, although in Mexico the unemployment rate was slightly lower in 1993. However over the NAFTA implementation period, the overall unemployment in the region declined as shown in Figure 20 below, which is credited to the cross border supply chains created through NAFTA for various economic sectors (manufacturing with notably of automobile parts, agriculture and services).

Figure 20: Total unemployment in NAFTA before and during NAFTA period (1993-2018)



	1993	1994	2004	2014	2018
Canada	11.4%	10.4%	7.2%	6.9%	5.9%
Mexico	3.2%	4.2%	3.9%	4.8%	3.3%
United States	6.9%	6.1%	5.5%	6.2%	3.9%

Source: World Bank data www.worldbank.org

e) NAFTA has been credited with helping US manufacturing industries, especially the US automobile industry, to become more globally competitive through the development of regional supply chains. Carmakers therefore do not have to move their entire operations to Mexico or Canada, they can straddle the border by outsourcing parts under subcontracting arrangements. Most cars made in North America additionally now have parts sourced from all three countries. This has increased the regional automobile industry competitiveness, which has contributed to enabling the industry to fend off competition from Japanese imports. Mexico for example exports more cars to the US than Japan. By 2020, Mexico targets to manufacture 25% of all North American cars due to preferential trading arrangements brought by NAFTA. Similar regional supply chains that apply for automobile industry also are true for many other manufactured products and also for agriculture and services sectors. In this regard, Mexico is today the top export destination for US beef, rice, soybean meal, corn sweeteners, apples, and beans; and also petroleum oils. A 2011 working paper by the Hong Kong Institute for Monetary Research for example estimates that a US import from Mexico already contains 40% of US content, while the corresponding figure for Canada stands at 25%. These benefits have been made possible by the elimination of previously high tariffs applicable on goods traded between the three countries. Increased Foreign Direct Investment: Since 1994 after NAFTA was enacted, combined US FDI to Canada and Mexico has more than tripled to US$500.9 billion. Combined Canadian and Mexican FDI into the US on the other hand has grown from US$219.2 billion in 2007 to US$471.1 billion in 2017. The FDI has benefited mostly manufacturing (notably the automobile industry), insurance, and banking companies, and has consequently boosted business profits in the three countries.

f) Reduced Government spendingand increased participation by private companies: NAFTA has enabled firms in member countries to bid on government contracts, which has created a level-playing field for all companies in the region.

g) Establishment of regional standards. The three NAFTA countries agreed to toughen health, safety, and industrial standards by using the highest existing standards on goods traded between the three member states (which were always US or Canadian). In effect, reference to national standards could no longer be used as a barrier to free trade. This speeded upthe process of export-product inspections and certifications.

h) Protection of goods and services produced by NAFTA companies and manufacturers: Intellectual Property Rights by NAFTA has assisted in protecting new products, businesses and services from infringement by counterfeits and piracy, thus reducing foreign investors' risk by guaranteeing them the same legal rights as local investors. Through NAFTA, investors can make legal claims against any of the three governments should they nationalizes industries or take their property through compulsory acquisition.

i) Use of supplementary agreements. To ease concerns that Mexico's low wage scale would cause US companies to shift production to Mexico, and to ensure that Mexico's increasing industrialization would not lead to rampant pollution, special side agreements were included in NAFTA. Under those agreements, the three countries agreed to establish commissions to handle labor and environmental issues. The commissions have the power to impose steep fines against any of the three governments that failed to impose its laws consistently. Environmental and labor groups from both the United States and Canada, however, have repeatedly charged that the regulations and guidelines detailed in these supplemental agreements have not been enforced.

j) Some small businesses were affected directly by NAFTA. Before the coming into force of NAFTA, US larger firmshad an advantage over small ones because the large companies could afford to build and maintain overseas offices and/or manufacturing plants in Mexico and Canada, thereby avoiding many trade restrictions on imports into the latter two countries. In addition, pre-NAFTA laws stipulated that US service providers wanting to do business in Mexico had to establish a physical presence in the latter country, which was too expensive for small firms. The effect was that US small firms could not access the Mexican market. NAFTA leveled the playing field by letting US small firms export to Mexico at the same cost as the large firms by eliminating the requirement that a business had to establish a physical presence in Mexico in order to do business in the latter country. The lifting of these restrictions meant that vast new markets were suddenly open to US businesses that had previously done business only in the US.

3.4.7 CHALLENGES EXPERIENCED BY NAFTA IN IMPLEMENTING THEIR FTAS

3.4.7.1 Transatlantic trade disputes

In June 2018, the US took advantage of Section 232 of its 1962 Trade Expansion Act to impose new tariffs on imports of steel and aluminum from the EU. This section authorizes the US President to adjust imports of goods or materials from other countries through tariffs or other means if such imports are of sufficient quantity to threaten national security. This action was taken by EU as a trade provocation, and EU consequently reacted by imposing compensating tariffs, claiming that the US tariffs could not be justified on national security grounds. Thehigher EU tariffs have consequences for all NAFTA countries as US exporters to EU cannot continue outsourcing the same amount of inputs and raw materials from Canada and Mexico as before, hence threatening NAFTA businesses with downsizing and job losses.

3.4.7.2 Restrained Political Relations between US and Mexico

Both USA and Mexico went through a change in political leadership in 2016 and 2018, with the new leaders being quite critical of each other’s trade policies. This has created trade tensions between the two countries, especially after the US announcement that the US would build a wall across the US-Mexican border to be funded by Mexico through punitive tariffs on Mexican imports starting in June 2019, if Mexico did not halt the flow of illegal immigration into US, which largely originate from Central America and through Mexico. This ultimatum was perceived as a big foreign policy threat for Mexico and a challenge for Mexican security forces who were already struggling to combat migrant flows and to fight high levels of gang violence and homicide. Mexico's economy, which is heavily reliant on exports to the US (estimated at about 80% of total exports), immediately shrank in the first quarter of 2019. There have been fears of continued economic struggle if the proposed US tariffs were to be implemented, since the tariffs could be expected to reach as high as 25%. The threat also rattled companies across North America, including automakers, electronics (e.g. refrigerators) and agricultural firms, which have built supply chains across Mexico, the US and Canada.US industry groups also feared the US proposal would hurt not only Mexico but also American businesses, farmers and consumers who were already struggling with similar US-China trade disputes.

While the two threats of US-Mexico border wall and high tariffs on Mexico originating imports into US were finally abandoned, they demonstrate the great risk that NAFTA faces as it seeks to strengthen trade relationships between the three partner states.

3.4.7.3 Threats to growth of motor vehicle industry

In May 2018, the US President ordered a new investigation into whether car imports threaten US national security, and that if the investigation was in the affirmative, he would impose new tariffs on auto imports at 25% of value. This action was perceived as a cause of substantial business harm because it would affect competitiveness of worldwide suppliers and producers of automobiles and automobile parts, such as those originating from Germany and even Mexico.

3.4.7.4 Potential for embarrassing discrepancies in current account data

US statistics show the bilateral EU-US current account has been in balance since 2008. Eurostat statistics on the other hand indicate that there is a large current account surplus in favour of EU, which puts the EU into a strategic disadvantage due to the potential threat of trade wars with US. Clarifying the facts should be a top priority for both the EU and the US before entering into new trade negotiations.

3.4.8 PLANS BY NAFTA TO DEAL WITH THE FTA CHALLENGES

NAFTA has established proposals and measures to address the trade related challenges, notably:

a) Strengthening the longstanding and strong economic cooperation that has developed over the NAFTA period particularly on trade and investment pillars. The USMCA is an effort in this direction as it will support mutually beneficial trade for the three member states, leading to more stable, freer and fairer markets and to robust economic growth in the NAFTA region.
b) Preserving and expanding regional trade and production by further incentivizing the production and sourcing of goods and materials from within the region.
c) Enhancing and promoting the competitiveness of regional exports and firms in global markets, and conditions of fair competition in the region.
d) Supporting the growth and development of MSMEs[82] by enhancing their ability to participate in and benefit from the opportunities created by the new USMCA Agreement.
e) Eliminating obstacles to international trade which are more trade-restrictive than necessary; and promoting high levels of environmental protection through effective enforcement of environmental laws, enhanced environmental cooperation, and sustainable development.

[82]Micro, small and medium-sized enterprises

3.5 THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS

3.5.1 OVERVIEW OF ASEAN

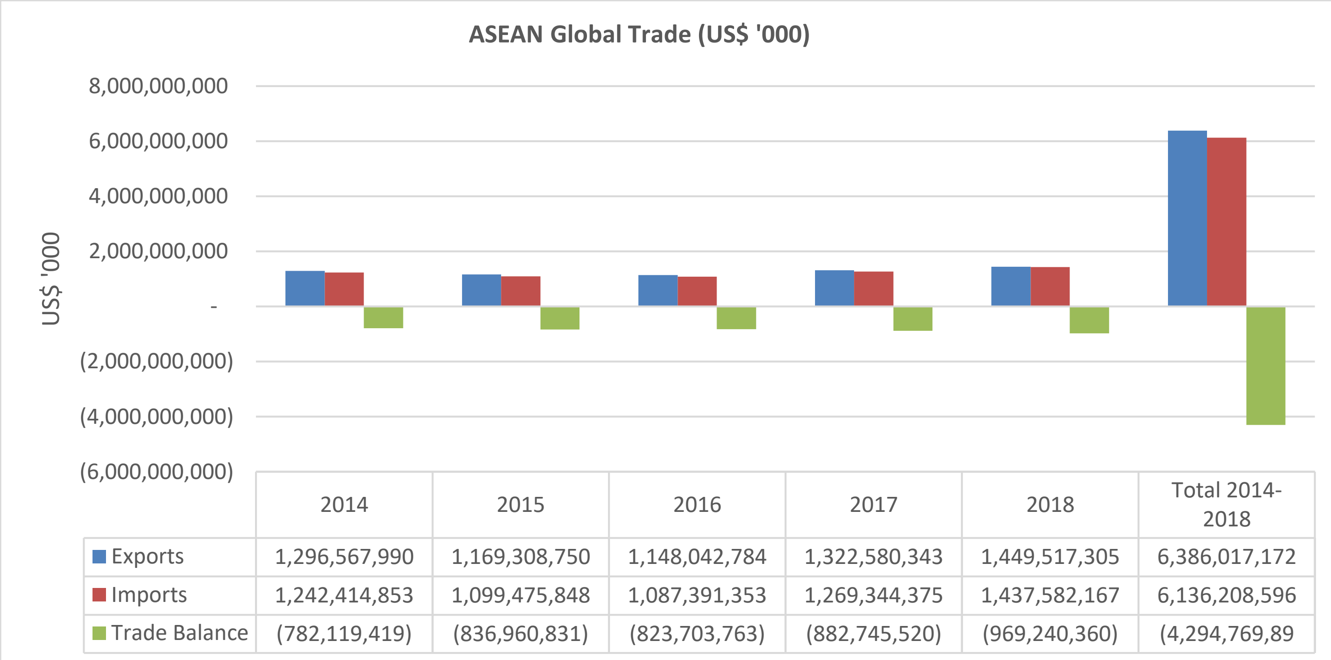
The Association of Southeast Asian Nations (ASEAN) was established in 1967, while the ASEAN Free Trade Area (AFTA) came into force in January 1992.The agreement provides for elimination of import quotas and significant reduction of import tariffs among the ten (10) signatory countries located in Southeastern part of Asia namely: Brunei Darussalam, Cambodia, Indonesia, Laos Pdr, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. The principle aim of ASEAN FTA is to promote economic growth, political and security cooperation among the member states.

3.5.2 ASEAN GLOBAL TRADE

Total ASEAN exports to the world declined slightly from US$ 1.3 trillion in 2014 to US$ 1.17 trillion in 2015 and further to US$ 1.15 trillion in 2016, and thereafter increased to US$ 1.32 trillion in 2017 and to US$ 1.45 trillion in 2018 as shown in figure 21 below. Total ASEA imports on the other hand declined from US$ 1.24 trillion in 2014 to US$ 1.1 trillion in 2015 and further to US$ 1.09 trillion in 2016. Thereafter imports increased to US$ 1.27 trillion in 2017 and further to US$ 1.44 trillion in 2018.

The region therefore experienced a negative trade balance through the period 2014-2018; growing from US$ (-ve) 7.82 billion in 2014 to (-ve) US$ 9.69 billion in 2018.

Figure 21: ASEAN Global Trade 2014-2018 (US$ '000)



Source: Computation from International Trade Center data www.intracen.org

3.5.3 INTRA-ASEAN TRADE

As shown in Table 21 below, total intra-ASEAN exports declined from US$ 327.65 billion in 2014 to US$ 282.94 billion in 2015 and further to US$ 271.74 billion in 2016, and thereafter grew to US$ 305.36 billion in 2017 and further to US$ 341.8 billion in 2018. Intra-ASEAN imports on the other hand declined from US$ 278.08 billion in 2014 to US$ 247.1 billion in 2015 and further to US$ 240.19 billion in 2015, and thereafter picked to US$ 285.77 billion in 2017 and further to US$ 321.35 billion in 2018.

As shown in figure 22 below, the main beneficiaries of intra-ASEAN exports during the period 2014-2018 were Singapore which took 36% of goods traded between ASEAN member states, Malaysia which took 20%, Thailand (19%), and Indonesia (12%). All other six member states combined took the balance of 13%.

A similar pattern of beneficiaries of intra-ASEAN imports is evident as shown in figure 23 below, with the main beneficiaries being Singapore which took 26%, Malaysia (18%), Thailand (16%), and Indonesia (15%), while all the other six countries took the balance of 25%.

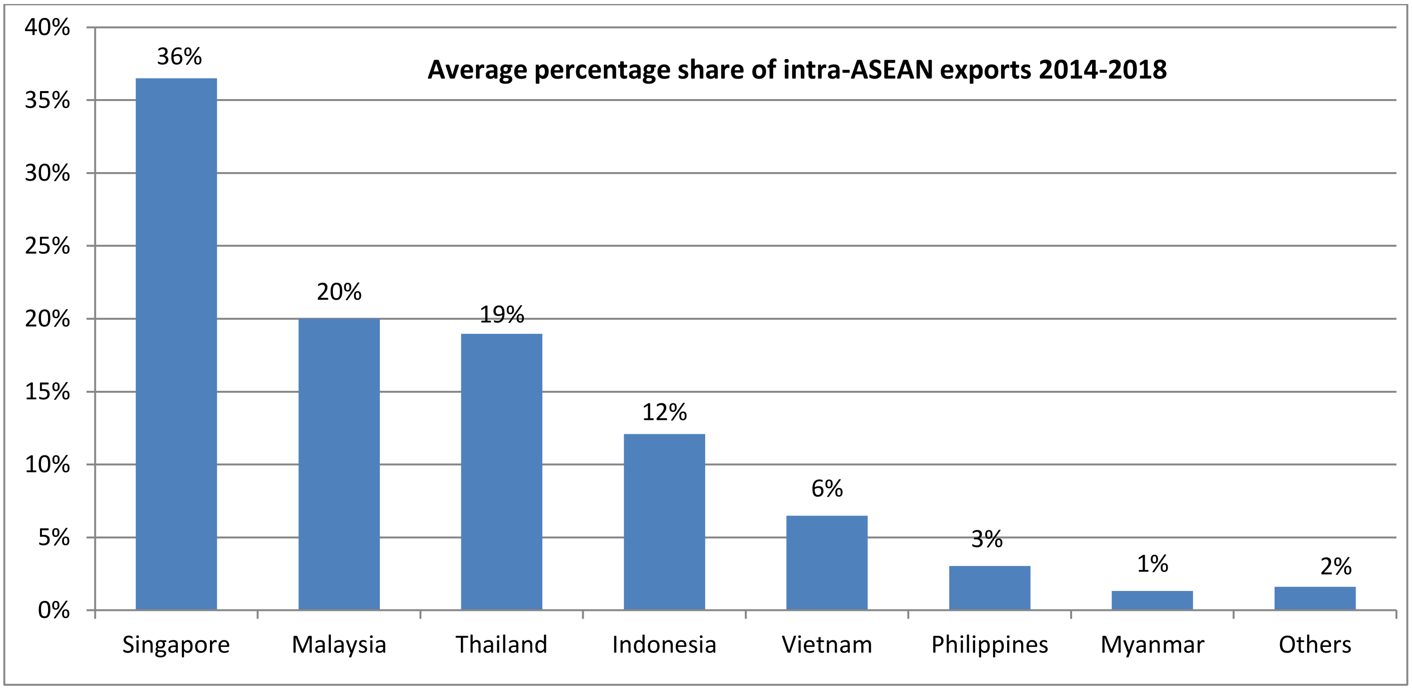
Table 21: Intra-ASEAN trade 2014-2018 (US$ '000)

Country	2014	2015	2016	2017	2018	Total 2014-2018
Intra-ASEAN Exports for all products: 2014-2018 (US$ '000)						
Singapore	130,187,299	107,820,166	99,434,160	108,078,732	121,827,004	567,347,361
Malaysia	65,273,441	56,292,291	55,655,276	62,869,272	70,675,459	310,765,739
Thailand	59,425,652	54,224,580	54,089,555	59,382,176	67,700,294	294,822,257
Indonesia	39,695,195	33,576,993	33,202,854	39,323,687	42,148,009	187,946,738
Vietnam	19,106,768	18,195,135	17,449,167	21,680,243	24,476,640	100,907,953
Philippines	9,211,243	8,536,878	8,400,633	10,128,521	10,771,412	47,048,687
Myanmar	4,750,450	4,289,181	3,511,373	3,892,406	4,198,039	20,641,449
Others (Cambodia, Lao and Brunei)	33,068,461	31,021,194	29,361,173	35,701,170	39,446,091	24,974,471
Total Intra-ASEAN Exports	**327,650,048**	**282,935,224**	**271,743,018**	**305,355,037**	**341,796,857**	**1,554,454,655**
Intra-ASEAN Imports for all products: 2014-2018 (US$ '000)						
Singapore	75,770,074	64,860,576	62,682,274	70,940,049	78,445,356	352,698,329

Country	2014	2015	2016	2017	2018	Total 2014-2018
Malaysia	53,767,309	46,824,067	41,421,144	50,003,459	55,529,552	247,545,531
Thailand	43,294,300	40,915,161	39,826,851	45,245,953	49,204,737	218,487,002
Indonesia	50,903,584	38,912,770	34,817,277	39,299,719	46,013,852	209,947,202
Vietnam	22,918,500	23,759,280	24,085,902	28,363,288	31,707,766	130,834,736
Philippines	16,158,755	17,042,208	22,494,822	26,607,533	28,664,156	110,967,474
Cambodia	2,915,612	3,592,281	4,605,807	11,843,282	17,028,061	39,985,043
Myanmar	7,095,390	7,025,941	5,909,630	7,619,917	8,670,341	36,321,219
Lao & Brunei (combined)	5,252,298	4,167,652	4,344,514	5,844,052	6,081,453	25,689,969
Total Intra-ASEAN Imports	**278,075,822**	**247,099,936**	**240,188,221**	**285,767,252**	**321,345,274**	**1,372,476,505**

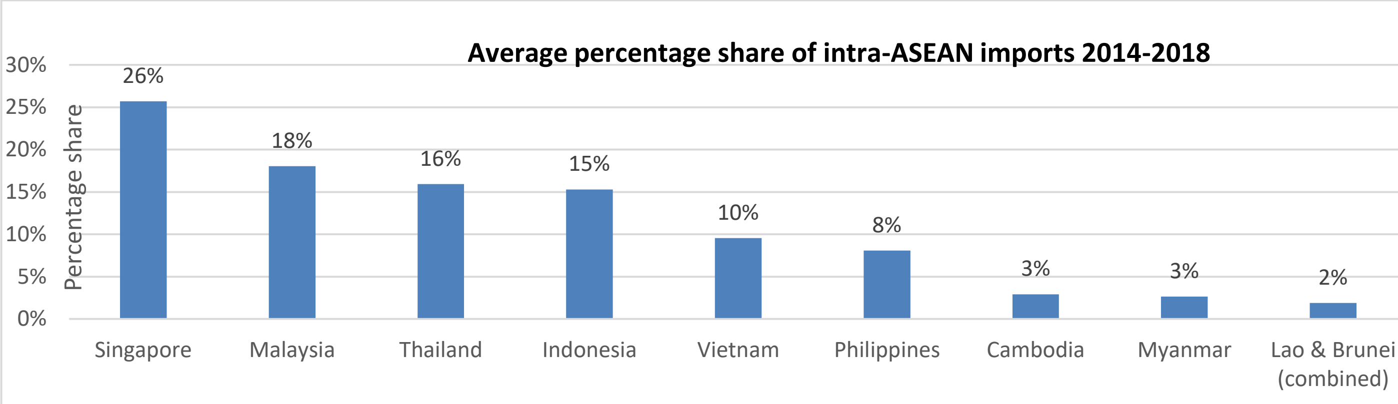
Source: Computation from International Trade Center data www.intracen.org

Figure 22: Intra-ASEAN exports



Source: Computation from International Trade Center data www.intracen.org

Figure 23: Intra-ASEAN Imports

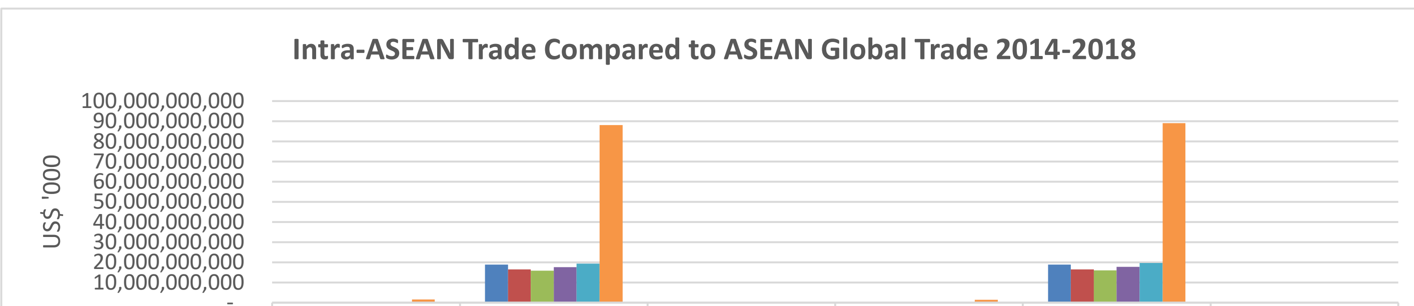


Source: Computation from International Trade Center data www.intracen.org

3.5.4 INTRA-SEAN TRADE COMPARED TO GLOBAL ASEAN TRADE

Intra-ASEAN trade has gone through cyclical fluctuations as shown in table 21 above, decreasing between 2014 and 2016 and picking up again steadily between 2016 and 2018. On the other hand, total intra-ASEAN trade is very small, taking less than 2% of global ASEAN trade (both exports and imports) as shown in Figure 24 below. This means ASEAN originating goods are consumed more in other countries than within the region, which makes them vulnerable to any international shocks such as trade wars, unforeseen hikes in oil prices, political crises and currency fluctuations that could happen without notice amongst the region's trading partners. During the 34th ASEAN summit held in Bangkok on 22nd June 2019, concerns were raised over the sluggish and small value of intra-ASEAN trade compared to global ASEAN trade.

Figure 24: Intra-ASEAN trade Compared to global ASEAN trade 2014-2018



	Total intra-ASEAN Exports (US$ '000)	Total ASEAN Exports to World (US$ '000)	Share of intra-ASEAN exports to total exports to world (%)	Total intra-ASEN imports (US$ '000)	Total ASEAN Imports from World (US$ '000)	Share of intra-ASEAN imports to total imports from world (%)
2014	327,650,048	18,878,970,324	1.7%	278,075,822	18,900,140,474	1.5%
2015	282,935,224	16,399,773,904	1.7%	247,099,936	16,523,532,123	1.5%
2016	271,743,018	15,881,855,749	1.7%	240,188,221	16,041,432,143	1.5%
2017	305,355,037	17,550,866,220	1.7%	285,767,252	17,795,040,828	1.6%
2018	341,796,857	19,284,580,098	1.8%	321,345,274	19,665,278,451	1.6%
Total 2014-2018	1,554,454,655	87,996,046,295	1.8%	1,372,476,505	88,925,424,019	1.5%

Source: Computation from International Trade Center data www.intracen.org

3.5.5 POLICIES AND REGULATIONS GOVERNING INTRA-ASEAN TRADE AND TRADE WITH THIRD COUNTRIES

Intra-ASEAN trade is governed by the ASEAN Trade in Goods Agreement (ATIGA), which covers all goods traded between ASEAN countries, with only a few exceptions which are allowed in cases where trade restrictions are deemed necessary to protect public morals; human, animal, or plant life and health; or to preserve national cultural treasures. The ASEAN trade policies are elaborated below.

3.5.5.1 ASEAN custom duties and taxes on imports

ASEAN has made efforts to create a single market and production base through progressive reduction of trade barriers, with the eventual aim of capitalizing on each country's strengths and to promote free export and import activities within the region without having to deal with different trade rules, customs procedures and high taxes.This is aimed to reduce unnecessary trading costs which are ultimately passed on to the consumer. In January 2010, ASEAN became a full free-trade area, with duties on most products abolished. However some tariffs remain on staples which is intended to encourage local producers to continue production for local markets. According to the ASEAN Community Progress Monitoring System 2017 on Tariff Liberalization, pursuant to the commitments made in the Common Effective Preferential Tariff (CEPT) Scheme of the ASEAN Free Trade Area (AFTA) agreed in 1992, and later in the ASEAN Trade in Goods Agreement (ATIGA) in 2010, ASEAN continues to make progress in integrating into the global economy through FTAs and Comprehensive Economic Partnerships (CEPs), as reflected in the liberalization of tariffs on extra-ASEAN imports from its FTA Partners. According to the ASEAN Rules of Origin, if the goods are "originating" (with a 40% ASEAN value content), they can be treated as locally produced and therefore duty free. In case the goods do not qualify as "originating", normal rates of duty continue to apply.

3.5.5.2 Application of Information and Communication Technology (ICT) in trade

ASEAN countries have invested heavily on Information and Communication Technology (ICT) to help curb production efficiencies and promote honesty of producers and traders. Two of the ICT systems in place are:

a) ASEAN e-Customs and an ASEAN Single Window (ASW)
b) Regional Transit System to handle mostly with custom clearance

3.5.5.3 ASEAN Quality Standards

ASEAN prioritizes regulatory excellence by setting up a harmonized set of standards and regulations to ensure seamless trade and investment flows within the region. The Master Plan on ASEAN Connectivity (MPAC) 2025 has been established to support the harmonization of standards and development of mutual recognition agreements, in addition to addressing technical regulations in ASEAN Member States. To promote transparency and support the region's trade growth, MPAC 2025 has adopted the "develop quantification and benchmarking approach", aimed to encourage producers in member states to achieve production excellence, and to adopt good regulatory practices to address non-tariff measures (NTMs).

3.5.5.4 ASEAN Sanitary and Phytosanitary Standards

The ASEAN Community Vision 2025 and specifically the ASEAN Socio-Cultural Community (ASCC) Blueprint 2025 on Conservation and Sustainable Management of Biodiversity and Natural Resources requires ASEAN member states to commit themselves to strategic measures aimed to "promote cooperation in protection, restoration and sustainable use of coastal and marine environment, and to respond and deal with the risk of environmental pollution, threats to marine ecosystem and coastal environment by respecting ecologically sensitive areas".

3.5.5.5 ASEAN Dumping and Safeguard Measures

Anti-dumping duties can be imposed once an investigation demonstrates evidence of the following situations: A product is being dumped into a domestic market;Injury is experienced by a domestic industry that produces a like product; or a causal link exists between the dumped product and material injury.

Safeguards on the other hand focus on application of transitional and/or provisional safeguard measures to mitigate the negative impact of sudden import surges in the domestic industry's market, which can cause serious injury or threat to cause serious injury to domestic producers of like products.

3.5.5.6 ASEAN trading arrangements with third countries

ASEAN countries have individual trade arrangements with the EU, which are based on bilateral FTA negotiations, such as negotiations between EU and Singapore/ Malaysia launched in 2010, negotiations between EU and Vietnam launched in June 2012, negotiations between EU and Thailand launched in March 2013, and negotiations between EU and Philippines/ Indonesia launched in 2016. The parameters of a future ASEAN-EU agreement were launched in March 2017 and discussions on implementation arrangements are ongoing. The EU can be considered as the main trading partner for the ASEAN as a group and also for individual member states. Other major ASEAN trading partners are China, Australia, India, US, South Korea and Japan

3.5.5.7 ASEAN Subsidies on selected Exports

In 2015, ASEAN exempted animal and animal products, vegetable products, foodstuffs, mineral products, and wood and wood products from tariff cuts in efforts to protect domestic producers from foreign competition. The region however reduced tariffs on chemicals and allied products, plastic and rubber, textiles, metals, machinery/electrical and transportation equipment.

3.5.5.8 Other measures for promoting Intra-ASEAN trade

Other measures considered important in promoting Intra-ASEAN trade are dispute resolution measures, and anti-subsidies and countervailing measures; in addition to identifying products that ASEAN countries can import from amongst themselves.

3.5.6 ECONOMIC BENEFITS ACCRUED BY ASEAN MEMBER STATES

The key benefits that have emerged from implementation of the ASEAN FTA include:

a) Tariff cuts and elimination: By the end of 2015, six of the more developed ASEAN members had implemented tariff cuts on nearly 8,000 items; namely Malaysia, Indonesia, Singapore, Philippines, Brunei and Thailand. The ASEAN common effective preferential tariff (CEPT) on intra-ASEAN trade has in effect fallen to 0-5% for all products since the coming into force of the agreement, including products previously deferred on countries' sensitive and highly sensitive lists. The elimination of tariffs is expected to:reduce product price reductions throughout the ASEAN region, encourage higher market competition, facilitate ASEAN products to gain access in the regional market, and generate higher potential for exports and imports in the long term.

b) With the lowering of trade barriers, movement of people, ideas, business expansion and capital across borders has become easier. In addition, the ASEAN Economic Community is expected to attract new FDI, enabling the region’s 584 million population to gain as new jobs will be created.

c) ASEAN countries have prioritised social development, and millions of people across the region have already been lifted out of poverty through the region’s remarkable high economic growth. More than 100 million people are estimated to have joined ASEAN’s workforce since mid-1990s, and an additional 59 million are expected to join the labour force by 2030.

d) ASEAN countries have adopted new technologies in business processes; with Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam being on course to run digitalized economies by 2025.
e) Some ASEAN countries have already joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), one of the largest Free Trade Agreements in the world accounting for almost 13.5% of global GDP. The Agreement brings together Australia, Brunei, Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam; offering these countries investment access and freer trade. The integration of Brunei, Darussalam, Singapore and Vietnam into CPTPP will enable the entire ASEAN region to benefit from multiplier effects that emerge from these investment and trade opportunities; Vietnam's GDP expected for example to be boosted by 2% over the next decade as a result of new trading opportunities created by the CPTPP Agreement.
f) The Asian Development Bank estimates that at least US$60 billion will be spent each year on improvement of current infrastructure and on new infrastructure projects, which will benefit the financial sector through PPPs[83] investment in infrastructure.
g) ASEAN countries have strengthened and widened the use of Qualifications Reference Framework to facilitate cross border movement of skilled labour between member countries. Additionally, the move towards a Single Aviation Market continues, which will allow airlines to operate freely throughout the ASEAN region, thus creating better connectivity, enhancing competition, and increasing the range of air transport services.
h) The developing ASEAN Economic Community (AEC) provides an opportunity to create a seamless intra-regional market and to build an integrated manufacturing and production base in the region.

3.5.7 CHALLENGES EXPERIENCED DURING IMPLEMENTATION OF ASEAN TRADEPOLICIES

3.5.7.1 Creation of a level playing field

ASEAN nations have been struggling to create a level playing field in the following areas:

a) Regulations on consumer protection, health and safety of goods produced and sold in the region,
b) Alignment of national standards to relevant international standards, and
c) Implementation of mutual recognition arrangements between Member States. Work on this area has progressed the furthest in the cosmetics sector.

3.5.7.2 Prioritization of trade with third countries rather than intra-ASEAN trade

There have been concerns over sluggish intra-ASEAN trade, with intra-ASEAN exports and imports taking only an average 2% of total ASEAN trade, which implies the bulk of goods produced by ASEAN states are consumed more in export markets rather than in ASEAN markets. Thus the ASEAN trade integration process has a long way to go in achieving trade integration of member states.

3.5.7.3 Instability, civil and border wars

The ASEAN economic integration experiences constant instability due to political upheavals in bordering countries such as Syria. ASEAN member states are also enmeshed in territorial disputes with external powers, with China claiming territories in the South China Sea, which overlaps with

[83] Public-Private Partnerships

competing claims by Brunei, Darussalam, Malaysia, Philippines and Viet Nam. These potential instabilities are a threat to the expressed aspiration of increased trade and investment for the region.

3.5.7.4 Governance challenges for businesses

ASEAN region faces governance challenges which affect business operations, including:

a) Entrenched individual interests and widespread corruption, which is undermining the region's business environment particularly for small enterprises.
b) Consumers in the region are price-sensitive and demanding, resulting in local businesses realizing low profit margins and being forced to pay low labour costs in order to compete with formidable foreign rivals competing for ASEAN markets.

3.5.8 PLANS BY ASEAN FTA TO DEAL WITH TRADE RELATED CHALLENGES

ASEAN has proposed to apply the following measures in efforts to address challenges related to intra-ASEAN trade and trade relationships with third countries:

a) Encouraging strengthened trade and investment related dialogue amongst member states and with third countries. This is the most significant tool being employed by ASEAN in efforts to combat its trade related challenges such as tariff hikes in target markets, non-conformity to trading rules, and terrorism among others.
b) Continued investment in technology, focusing particularly on:
    - Incorporating majority of the youthful and digitized population within the ASEAN region in trade and investment activities
    - Replacing the human malice which has been prevalent during determination and levying of customs duties and penalty measures

a) Conclusion of bilateral trade agreements with major trading partners in order to expand trade potentials within the region and in markets of global trading partners.

d) Cooperation in the field of energy security, climate change/environment and minerals amongst ASEAN states.

e) Promotion of socio-cultural cooperation through: improved education and people-to-people contacts, improvement of public health, and women empowerment.

f) Follow up mechanisms, including constructive efforts to ensure implementation of trade promotion plans and measures agreed upon by member states.
g) Deepened security cooperation (including crisis management and conflict prevention, as well as capacity building).

The detailed analysis of the experiences of mature regional economic groupings in administering their regional trade policies is presented as **<u>Annex 1</u>** to this report.

3.6 LESSONS FROM MATURE REGIONAL ECONOMIC GROUPINGS IN ADMINISTERING REGIONAL TRADE POLICY

The experiences of EU, NAFTA and ASEAN show that their regional trade policies areenshrined in the Single Market/ Common Market provisions, which specify clear trade priorities and related measures to facilitate implementation of trade commitments made by the REC members. Development and implementation of the EAC Regional Trade Policy should therefore prioritize agreement on RTP priorities (provisions)as summarised in Table 22 below, whichinclude the need to define:

a) Scope of EAC Regional Trade Policy.
b) Scheduling of EAC partner states tariff elimination commitments at EAC and multilateral (WTO) level.
c) Feasible and clear measures for promoting increased intra-regional trade
d) Measures to protect domestic industries from unfair competitionand trade malpractices based on WTO provisions. Measures should includeanti-dumping, anti-subsidies, safeguards, and actions to deal with trade malpractices (counterfeits, un-customed, under-invoiced/ undervalued goods); and the need for a harmonised import valuation system.
e) Measures to protect IPRs from infringement based on WTO TRIPS provisions
f) Trade relationships and modalities of collaboration between EAC as a Customs Unionwithother RECs(FTAs) and other third party trading partners.
g) Measures for improving participation of EAC businesses and civil society in intra-EAC,African level, and global trading activities.
h) RTP implementation modalities, including responsibilities and commitments at regional and national levels.

Table 22: Summary of Provisions of a Regional Trade Policy as applied in mature RECs

No.	RTP Themes	RTP Theme Priorities
1	Scope of EAC Regional Trade Policy	EAC Regional Trade Policy Priorities are spelt out in the earlier RTP study report developed in 2015 and approved by EAC Sectoral Council on Trade Industry Finance and Investment (SCTIFI) on 26th February 2016; namely: • Harmonisation of partner states' approaches on market access at regional and international level, focusing specifically on trade in goods • Spell out procedures for stays of application, remissions and other exemptions; and sunset clause to phase out such exemptions • Review of the CET bands and rates • Harmonised export and investment promotion approaches • Harmonisation of partner states negotiating positions at multilateral level to avoid regulatory divergences • Development of regional approach on application of safeguards, anti-dumping and countervailing measures • Development of institutional framework for (i) administering safeguards, anti-dumping and countervailing measures as part of trade remedies for protecting regional producers; (ii) facilitating CET reviews; (iii) monitoring tariff elimination commitments at regional and multilateral levels; (iv) leading FTA negotiations with third parties; (v) defining and coordinating implementation of export and investment promotion measures.
2	Scheduling of EAC partner states tariff elimination commitments at	• Develop a plan for phased tariff elimination process on goods traded between partner states of a REC (FTA) with target dates to achieve commitments by each partner state.

No.	RTP Themes	RTP Theme Priorities
	EAC and multilateral (WTO) level.	• Provide a longer period to achieve tariffs elimination commitments for weaker economies of a REC. • Plan for tariff elimination by a REC should make reference to GATT provisions, particularly MFN[84] and NTR[85] provisions; and also commitments made by WTO members on tariff bindings (i.e. commitments on tariff ceilings for specified products).
3	Measures for increasing intra-regional trade, responsibilities and commitments at regional and national levels	• Set defined targets to achieve increased intra-regional trade relative to global trade (i.e. target dates for achieving defined percentages for both intra-regional exports and imports relative to global exports/imports) • Specify measures to facilitate achievement of defined targets for increased intra-regional trade relative to global trade. • Specify plan for harmonisation of quality standards, SPS, collaboration between trade support institutions (TSI), roles of TSIs, and trade support measures. • Specify plans for harmonisation of conformity assessment procedures (e.g. inspection and certification on quality standards and SPS) • Specify plan and target dates for elimination of all identified trade obstacles (NTBs) and measures to facilitate the elimination process (institutional, financial, human/technical needs and implementation arrangements incl. monitoring)
4	Application of WTO provisions to protect EAC domestic industries from unfair competition and trade malpractices	• Develop harmonised anti-dumping, safeguards, and anti-subsidy measures based on relevant WTO provisions to protect struggling industries which may suffer injury from competition with foreign imports of like/equivalent products. The measures should be applied by an affected partner state only after sufficient evidence of injury to domestic industries is provided through an investigation as provided for under relevant WTO provisions • Develop harmonised measures to address other trade malpractices (counterfeits, un-customed, under-invoiced/ undervalued goods) based on provisions of WTO anti-dumping, anti-subsidy and safeguards agreements. • Prioritise sensitive products to be exempted from intra-regional duty free provisions and from competition with third country imports. The categorization of such products should be based on specific socio-economic and/or political considerations, aimed to protect specific domestic producers from regional/foreign competition during a defined transition period. Such products could include animal and animal products, vegetable products, foodstuffs (e.g. staples and cereals), mineral products, and wood and wood products among others depending on the situation of each REC member country. • Use WTO dispute settlement mechanism and peer pressure whenever there are deviations from integration commitments (e.g. on customs tariffs, mutual recognition of quality and SPS standards), since WTO does not provide legal mechanism to settle trade disputes.
5	Application of WTO TRIPs provisions to	• Develop harmonised IPR laws based on WTO TRIPS[86] Agreement, aimed to protect intellectual rights of regional creators in the areas of: (i) patents and trademarks,

[84] The WTO “Most-Favoured-Nation” (“MFN”) treatment rule requires WTO Members to accord the most favourable tariff and regulatory treatment to products of other WTO Member at the time of import or export of “like products”. Under the rule, if a WTO Member A agrees during trade negotiations with country B to reduce the tariff on a specified product, this same “tariff rate” must also be applied on imports from all other WTO Members. In other words, if a country gives favourable tariff treatment to one country, it must give the same treatment to all WTO Members. Developing countries who are members of a REC are however exempted from the rule.

[85] The WTO National treatment rule (GATT Article III) stands alongside MFN treatment as one of the central principles of the WTO Agreements. Under the rule, WTO Members must not accord discriminatory treatment between imports and “like” domestic products (with the exception of the imposition of tariffs, which is a border measure). The rule prevents countries from taking discriminatory measures on imports and from offsetting the effects of tariffs through non-tariff measures.

[86] Agreement on Trade-Related Aspects of Intellectual Property Rights

No.	RTP Themes	RTP Theme Priorities
	protect EAC domestic industries from infringement of IPR	(ii) utility models, (iii) industrial designs, and (iv) technology innovations (including traditional knowledge) from infringement; and to boost the monetary gains of the rights holders from their creations
6	Modalities of collaboration between EAC Common Market and other RECs (FTAs) and other third party trading partners	• Develop an EAC harmonised approach for negotiations with third parties in matters related to trade and investment • Develop a criteria for harmonising Partner States overlapping membership to different RECs • Develop a criteria for harmonising Partner States' applications for stay of application from CET, remissions and exemptions from CET; aimed at enabling Partner States to meet their social and poverty alleviation goals while preserving the CET • Specify criteria for a sunset clause (end date) for phasing out stays of application from CET, remissions and exemptions from CET
7	Measures to improve participation of EAC businesses and civil society in intra-EAC, African continental and global trading activities	• Promote regional value chains based on analysis of comparative advantages of each Partner State in production of specified goods and services (manufactured, agricultural, natural resources, service categories, EAC ports). • Undertake a critical analysis of EAC high growth sectors with potential for establishing/strengthening regional value/supply chains, and weak points in the value chain which need to be addressed through technical assistance (including product innovation, manufacturing expertise, standards improvements, marketing improvements, managerial and technical skills enhancements for SMEs, networking between producers and buyers, improved supply chain logistics, etc). This would incorporate critical assessment of economic contributions of key sectors identified through national/regional stakeholders such as regional and national manufacturers associations and regional/national chambers of commerce.
8	Implementation arrangements for the EAC RTP	• Specify responsibilities and modalities for implementingRTP strategy at national and regional levels (the latter to include EAC policy making organs). • Identify funding sources to facilitate implementation of the RTP strategy, based on clear modalities of implementing the envisaged EAC Trade Development Facility (as per the TORs) • Design anoutreach programme for raising awareness amongst regional actors on the importance of a common external trade policy

4 CRITERIA TO ENSURE EAC PARTNER STATES USE A HARMONIZED REGIONAL APPROACH IN THEIR EXTERNAL TRADE RELATIONS

During consultations with stakeholders between September 2019 and February 2020, a number of proposals emerge as priorities that need to be considered as part of an EAC strategy for regional trade promotion and also during negotiations on trade and investment with third parties at the regional, continental and global levels. The strategy will aim to resolve contradictions of overlapping membership by Partner States to Multiple RECs, thus ensuring the region applies similar export promotion approaches and import measures (including tariffs and import procedures). Such a harmonised strategy will incorporate the following priorities which are important to trade and investment promotion:

i) Full implementation of the Tripartite FTA[87] Agreement provisions; including harmonization of customs procedures, transit procedures, tariff liberalization, Rules of Origin, and quality standards and SPS measures.
ii) Application of a regionally harmonised trade remedies law, products'quality certification procedures, standards testing systems, quality assurance and conformity procedures.
iii) Implementation of priority programs on trade and transport facilitation;aimed to lower the cost of doing business and to improve competitiveness of products originating from the EAC region.
iv) Implementation of a harmonised governance system to be applied in inter-EAC trade and investment cooperation with third parties. The system should be founded on a clear legal and institutional framework comprising: Summit of the Heads of State; Council of EAC Ministers; Sectoral Ministerial Committee on Trade, Finance, Investment; Technical Committee on Finance (including Customs), Trade, Investment, Economic Affairs,and Home/Internal Affairs; Technical Committee on infrastructure; Technical Committee on legal affairs, and any other Ministerial Committees that the Council of Ministers may establish.
v) Implementation ofall EAC Common Market provisions on the four freedoms[88], and the two rights[89]. In addition, the Community will need to identify and implement mechanisms for handlingcross border disputes and trade spillovers, increase resources to strengthen weak public institutions and administration of long land borders where trade diversion and entry of uncustomed goods take place; and improve infrastructural and communication links across the region.
vi) Creation of strong supranational institutions with mandate to enforce and boost compliance with cross border trade rules and procedures.
vii) Give demonstrated commitment to leading the process of the envisaged merger of the three Tripartite RECs into a single entity in the long run; which entails EAC Partner States should participate and present harmonised positions in all Tripartite meetings under the Customs Union umbrella.
viii) Give full commitment to leading the process of the envisaged African Continental Free Trade Area (AfCFTA), and to implement provisions the AfCFTA aimed in integrating the African member states into one Continental Economic Community. This entails EAC Partner States should participate and present harmonised positions in all Tripartite meetings under the Customs Union umbrella.

As part of demonstrating commitment to effective implementation of the above strategy priorities, it may be necessary that EAC Partner States sign a written undertaking to the effect that any

[87]COMESA-EAC-SADC FTA
[88] Free movement of goods, services, labour and capital
[89] The right of establishment and residence

concluded commitment on trade and investment arrived through a process of negotiations between an EAC Partner State and third parties will translate into a commitment made on behalf of all EAC Partner States as members of a Customs Union. This will ensure that potential benefits which emerge as a result of such concluded negotiations will automatically translate into mutual benefits for the entire EAC region.

5 PROPOSED HARMONIZED REGIONAL STRATEGY TO TAKE ADVANTAGE OF THE WTO TRIPS AGREEMENT

5.1 PROVISIONS OF THE WTO TRIPS AGREEMENT

The WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS)Agreement came into effect on 1 January 1995, and is to-date the most comprehensive multilateral agreement governing intellectual property rights. Its main goals are to reduce distortions and impediments to international trade, promote effective and adequate protection of intellectual property rights, and ensure that measures and procedures used by countries to enforce intellectual property rights do not themselves become barriers to legitimate trade. The TRIPS Agreement goals additionally aim to contribute to the promotion of technological innovation, transfer and dissemination of technology, and to promote mutual advantage for producers and users of technological knowledge in a manner that is conducive to social and economic welfare. The agreement recognizes the rights of WTO member countries to adopt measures on reasons of public health and other public interest, and to prevent the abuse of intellectual property rights.

The TRIPS Agreement covers seven (7) areas of intellectual property rights, namely: (i) Copyrights and related rights, (ii) Trademarks, (iii) Geographical Indications, (iv) Industrial designs, (v) Patents, (vi) Layout designs of integrated circuits, and (vii) Undisclosed and/or Confidential Information. These areas are elaborated below.

a) **Copyrights and Related Rights**: These are exclusive rights given to the creator of a creative work. The categories of works that can be protected by copyright laws include paintings, literary works, live performances, photographs, movies and computer software. A country's laws targeting protection of copyrights should thus provide for terms of protection (duration of protection) and the limitations or exceptions for certain cases which may not conflict with a normal exploitation of the work, or which may not unreasonably prejudice the legitimate interests of the copyright holder.

b) **Trademarks:** These include signs or combination of signs that are capable of distinguishing a good or service of one undertaking from those of other undertakings. Such signs may include personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs. Where signs are not inherently capable of distinguishing the relevant good or service, WTO members are allowed to design features which can be used to distinguish the product or service from those of other undertakings. The owner of a registered trademark must be granted the exclusive right to prevent all third parties who do not have the owner's consent from using identical or similar signs for goods or services in the course of their trade, which are identical or similar to those in respect of which the trademark is registered; if such use is likely to result in confusion. A country's laws on trademarks should in summary outline: the rights conferred by the trademark, limited exceptions to the rights conferred, terms of protection (initial registration, duration of protection and renewal of registration), necessity to maintain a registration, and the conditions on the licensing of a trademark.

   Cancellation of a trademark on the grounds of non-use is not allowed before three years of uninterrupted non-use has elapsed, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances which may arise to merit cancellation of a trademark, such as import restrictions or other government restrictions, are however recognized as valid reasons of non-use. Use of a trademark by another person while it is still in the control of its owner are nevertheless recognized as use of the trademark, which thus allows maintenance of the registration. It is further required that use of the trademark in the course of trade should not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form, or use of the trademark in a manner which may be detrimental to its capability to distinguish the goods or services from those of other parties.

c) **Geographical Indications**: These are indications which identify a good as originating in the territory, region or locality of a country. In this regard, a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin. This definition thus specifies that the quality, reputation or other characteristics of a good can each be a sufficient basis for eligibility as a geographical indication, where they are essentially attributable to the geographical origin of the good. WTO members are thus required to provide the legal means for interested parties to prevent the use or presentation of a good that indicates or suggests that it originates in a geographical area other its true place of origin. This is because such use or presentation may end up misleading the public (or consumers) as to the true geographical origin, resulting to unfair competition between the good in question and others that compete for a similar market. The registration of a trademark which uses a geographical indication in a way that misleads the public as to the true place of origin must be invalidated through legislation or at the request of an interested party. A country's laws should thus outline goods targeted under geographical indications for purpose of protecting prone areas (such as wines and spirits, certain foods (e.g. staples), works of art, etc) and provisions for exceptions. Interested parties (countries and/or producers) for example must have the legal means to identify wines categorized under a geographical indication from other wines not originating in the place indicated by the geographical indication. This applies even where the public is not being misled and there is no unfair competition.

d) **Industrial Designs**: WTO members are required to provide for the protection of independently created industrial designs that are new or original. Such designs should significantly differ from known designs or combinations of known design features. The required protection should not extend to designs which are dictated essentially by technical or functional considerations. Special provision for textile sector is also incorporated in industrial designs, aimed at taking into account the short life cycle and sheer number of new designs for the sector. Thus even though there is short life of such designs, they are still given protection in order to take into account the cost of design, examination and/or marketing. Each WTO member is also required to ensure that measures for securing protection are clearly laid down in an industrial design law or copyright law, so that the owner of a protected industrial design can prevent third parties from making, selling or importing articles bearing or embodying a design which is already protected in law. The Agreements requires Members to grant the owner of a protected industrial design the right to prevent third parties not having the owner's consent from making, selling or importing articles bearing or embodying a design which is a copy of the protected design, if the action of third parties are undertaken for commercial purposes.Members are however allowed to provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design.The duration of protection is at least 10 years.

e) **Patents**: These include any inventions (products or processes) in all fields of technology, provided that the inventions are new or involve an inventive step, and are capable of industrial application (whether such products are imported or locally produced). Patents and patent rights should be available and enjoyable without discrimination as to the place of invention, whether the products are imported or locally produced. A patent confers exclusive rights to the owner in the making, using, offering for sale, selling, importing, and the transfer by succession of the invented product of process. WTO members however are required to exclude the following areas from patents:

   i) Inventions and the commercial exploitation of patented products which are considered dangerous to public morality; including patents considered dangerous to human, animal or plant life or health; or which may cause serious prejudice to the environment.
   ii) Diagnostic, therapeutic and surgical methods for the treatment of humans or animals.
   iii) Plants and animals other than micro-organisms and biological processes produced through non-biological and microbiological processes

   However, any country excluding plant varieties from patent protection must provide an effective system of protecting human, animal or plant life or health and the environment. The term of protection should not be less than 20 years from the date of application.

   As provided for in the TRIPS agreement, a country's law on patents should provide conditions on patents applicants, exceptions to rights conferred by the patent, provisions for use of the patent, revocation of a patent, terms of protection, and the burden of proof that the process to obtain an identical product is different from the patented process. WTO members are also required to ensure applicants for a patent disclose the invention in a manner that is sufficiently clear and complete, and which distinguishes from the process of obtaining an identical product.

   Compulsory licensing and government use without the authorization of the right holder are allowed, but should aim at protecting the legitimate interests of the right holder.

1. **Layout Designs (Topographies) of Integrated Circuits**: The TRIPS Agreement requires member countries to protect the layout-designs of integrated circuits in accordance with the provisions of the Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty), negotiated under the auspices of WIPO in 1989. These provisions deal with inter alia, the definitions of "integrated circuit" and "layout-design (topography)", requirements for protection, exclusive rights, and limitations, as well as exploitation, registration and disclosure of integratedcircuits. An "integrated circuit" refers to a product, in its final form or an intermediate form, in which the elements are integrally formed with intension of performing an electronic function. A "layout-design (topography)" on the other hand refers to the three-dimensional disposition of the elements of an integrated circuit which is intended for manufacture of an integrated circuit. The obligation to protect layout-designs applies to such layout-designs that are the result of a creators' own intellectual effort and are not commonplace among creators of layout-designs and manufacturers of integrated circuits at the time of their creation. The exclusive rights include the right of reproduction and the right of importation, sale and distribution for commercial purposes.

   In addition to requiring Member countries to protect the layout-designs of integrated circuits in accordance with the IPIC Treaty, the TRIPS Agreement builds on four points; including: term of protection (ten years), the applicability of the protection, the treatment of innocent infringers, and compulsory or non-voluntary licensing of a layout-design or its use by the government without the authorization of the right holder.

2. **Protection of Undisclosed/Confidential Information**: The TRIPS Agreement requires undisclosed information such as trade secrets or know-how to benefit from protection. WTO members are thus required to protect undisclosed information (including data submitted to governments or government agencies, trade secrets and test data) if such information has commercial value but is secret. Persons are therefore allowed to prevent information lawfully within their control from being disclosed to, acquired by, or used by third parties without their consent if such information is considered secret and used for commercial purposes. The Agreement also contains provisions on undisclosed test data whose submission is required by governments as a condition of approving the marketing of pharmaceutical or agricultural chemical products. In such a situation the Member government concerned must protect the data against unfair commercial use. In addition, Members must protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data is protected against unfair commercial use.

In addition the TRIPS Agreement covers three additional areas of interest to intellectual property rights holders, namely:

a) **Control of anti-competitive practices in contractual licenses**: The Agreement recognizes that some licensing practices or conditions related to intellectual property rights which restrain competition may have adverse effects on trade and/or may impede the transfer and dissemination of technology. Member countries are therefore required to adopt appropriate measures to prevent or control practices in the licensing of intellectual property rights which are abusive and anti-competitive. The Agreement provides for a mechanism whereby a country seeking to take action against such abusive and anti-competitive practices may enter into consultations with the affected country and exchange publicly available non-confidential information relevant to the abusive and anti-competitive practice, subject to domestic law and to the conclusion of mutually satisfactory agreements related to safeguarding of confidential information. Similarly, a country whose companies may be affected by actions related to prevention or control of abusive and anti-competitive practices imposed by another Member can enter into consultations with that Member through their country government.

b) **Most Favoured Nation (MFN) Clause and National Treatment Rule (NTR)**: The Agreement provides for inclusion of the MFN and NTR principles in their IPR laws. The MFN requires that with regard to the protection of intellectual property, any advantage, favor, privilege or immunity granted by a WTO Member country to the nationals of another country should be accorded unconditionally to the nationals of all other WTO Members. The NTR on the other hand requires that each WTO Member should accord nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property, subject to specified and clearly explained exceptions, for example those related to judicial and administrative procedures.

c) **Acquisition and/or maintenance of IPRs**: The Agreement provides that procedural difficulties experienced in acquiring or maintaining IPRs should not nullify the substantive benefits that should flow from the Agreement to IRP holders. The obligations under the Agreement apply equally to all WTO member countries, but developing countries are given special transition arrangements in the form of a longer period to apply the provisions, for example where a developing country may not have laws to provide product patent protection for pharmaceuticals.

The TRIPS Agreement contains three main features that apply acrossall subject areas under intellectual property rights, namely:

a) **Standards**: For each of the main areas of intellectual property covered, the Agreement sets out minimum standards of protection to be provided by each WTO member country. Each of the main elements of protection covers the subject-matter to be protected, the rights to be conferred, permissible exceptions to those rights, and the minimum duration of protection. The Agreement requires that the substantive obligations of the main conventions of WIPO[90], the Paris Convention for the Protection of Industrial Property (Paris Convention), and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) must be complied with. With the exception of the provisions of the Berne Convention on moral rights, all provisions of the Paris and Berne conventions are incorporated under Agreement. The TRIPS Agreement is thus alternatively referred to as the Berne and Paris-plus agreement.

b) **Enforcement**: This covers provisions on domestic procedures and remedies for the enforcement of intellectual property rights. The Agreement lays down certain general principles applicable to all IPR enforcement procedures, and provisions on civil and administrative procedures, remedies, provisional measures, border measures, and criminal procedures. These principles and provisions specify the procedures and remedies that can be applied so that IP right holders can effectively enforce their rights.

c) **Dispute settlement**: The Agreement provides that any disputes between WTO members on IPRs should be dealt with through the WTO's dispute settlement procedures.

Broadly, the TRIPS Agreement is a minimum standards agreement, which allows WTO members to provide more extensive protection of intellectual property if they so wish. Members are thus given freedom to determine the appropriate method of implementing the provisions of the Agreement within their own legal system and practice.

EAC Partner States' experiences with application of IPRs are elaborated below.

5.2 BURUNDI EXPERIENCE WITH INTELLECTUAL PROPERTY RIGHTS

Burundi has put in place the necessarylegal framework on IPRs in order to meet the obligations of the WTO TRIPS. In this regard:

a) Law n° 1/021 of 30thDecember 2005 on Intellectual Protection aims to protect the rights on literary and artistic works; including authors and traditional creators.
b) Law N° 1/13 of 28thJuly 2009 on Industrial Protection covers the organization and the protection of innovations, patent, utility model, industrial designs,layout designs for integrated circuits, handicrafts and distinctive signs; and certificates on these processes.

The objective of the two laws is to protect intellectual innovations, stimulate innovations, and contribute to the dissemination of knowledge. It also intends to enable Burundian inventors, businesses and creators to prevent unauthorized exploitation of their creations. In addition to the two laws, the Government has enacted the following Regulations/Ministerial Enforcement Orders, which specify requirements to be fulfilled by the inventors while making requests for protection, applications for protection certificates:

a) Regulation n° 540/2042 dated on 24th December 2012 on Terms of filling and Registration of industrial designs;
b) Regulation n° 540/2043 dated on 24th December 2012 on Terms of filling and registration of invention patents;

[90] World Intellectual Property Office

c) Regulation n° 540/2046 dated 24th December 2012 on Terms of Filling and Registration of product bands, service marks, collective marks, trade names and certification signs;
d) Regulation n° 540/2047 dated on 24th December 2012 on Modalities of deposit and registration of Geographical indications.
e) Regulation n° 540/750/1582 dated on 14th September 2011 on Fees for Services rendered in respect of industrial protection.

Regarding the institutional framework for enforcing the IPRs, the Burundian Office of Author Rights and Neighbouring Rights (OBDEA)[91], and the Directorate of Industrial Protection (in the Ministry of Trade, Industry and Tourism) are mandated to oversee implementation of Law n° 1/021 (and Law N° 1/13 respectively. Implementation of both laws has been hampered by a number of constraints, including:

a) Limited number of staff at OBDEA and the Directorate of Industrial Protection,inadequate trainings on technical skills in order for staff to effectively monitor incidences of IP infringements andcompliance with the legal and regulatory framework, and enforce corrective measures.
b) Poor sensitization of the IPR laws targeting potential beneficiaries. However, some campaigns have been undertaken with the aim of encouraging inventors and creators to register and acquire certificates of registration of their intellectual properties. So far, a number of certificates have been issued, namely: 609 for author rights; 369 for Patents; 86 for Industrial designs; and 9241 for trademarks.

5.3 RWANDA EXPERIENCE WITH INTELLECTUAL PROPERTY RIGHTS

Rwanda has established the legal framework on Intellectual Property through Law N° 31/2009 of 26/10/2009, whose overall aim is to promote protection of intellectual property rights. The specific objectives of the law according to the Ministry of Trade and Industry (MINICOM) are:

a) To contribute to the promotion of technological innovation and the transfer and dissemination of technology to producers and users of technological knowledge in a manner that is conducive to social-economic welfare of the population in order to ensure balanced rights.
b) To create a fair and equitable commercial environment through the reduction and prevention of distortions and impediments to free trade, and to set up the principles, rules and disciplines on trade in counterfeit goods.

In addition to the law, the Government of Rwanda has facilitated artists to in set up an organization for collective management of their intellectual property rights. The IPR law in this regard provides that; "*the use and management of copyrights; and rights of performers, phonogram producers of broadcasting organizations shall be entrusted to one or many private companies of collective management of copyrights and related rights.*" In addition,the Rwandan Society of Authors (RSAU) is already registered under the Rwanda Development Board (No.1538 /10/NYR). Sensitization campaigns have also been carried out to motivate creators and inventors at different levels to get their properties registered. So far the following certificates have been granted by the Office of the Registrar General: 232 Patents of invention, 45 Industrial designs, 7025 trademarks, and 291 Copyrights.

According to the Rwanda Standards Board (RSB), there have been incidents of substandard products traded in the domestic market, especially locally originating products. The commonly

[91]Office Burundais des Droits d'Auteurs et Droits Voisins

affected sectors are food products, and the creative industry (especially music and film industry). However, both MINICOM and RSB confirm that there are no serious reported cases on infringement of IPRs, but there is need to undertake sensitization of the public so that affected parties can inform relevant authorities about such incidences.

Beyond the borders, Rwanda is interested with the regional and international integration in the field of intellectual property. Rwanda has in this respect signed up for membership to the Africa Regional Intellectual Property Organization (ARIPO). Furthermore, the ratification laws authorizing Rwanda to become a member of The Madrid Agreement, The Hague Agreement and the Patent Cooperation Treaty (PCT) have been approved and are already published in Official gazette.

According to the RDB, there is still much to be done in regard to introducing detailed obligations to facilitate enforcement of the minimum IPR standards. For Rwanda to fully exploit the potential advantages of the WTO TRIPS agreement, the following measures should therefore be considered for implementation:

a) **Monitoring infringements:** There is a need to put in place measures to monitor infringements of IPRs with a view of protecting the IP owners. This is will prevent free riders from benefitingin theworks of the original innovators, inventors and creators (such as brands, design, original works and invention) without following proper legal procedures and processes. Some of the steps that need to be taken to effectively monitor IPRs are: market surveillance specially among competitors of goods, sensitizing innovators to constantly search for pending and granted IP applications which are listed in the IP gazette (available on the RDB website as well as the Official Gazette), and monitoring through the internet and social media sites for any online IPR infringements.

b) **Reporting the infringements:** There is a need to have a centralized place or system for reporting of IPR infringements. Generally, there are different types of infringements depending on the type of intellectual property rights one holds. Example of such infringements include:
   - Onindustrial property (patents, utility models, and industrial designs), infringement occurs through unauthorized manufacture, sale and use of the protected innovations.
   - On trademarks, there are two types of infringements: (i) Counterfeiting/Piracy occurs where one knowingly manufactures, distributes or sells goods that bear trademark without the permission of the owner, or the trademark has been illegally copied; and (ii) Use of a mark on goods that is confusingly similar to that of a registered trademark.
   - On copyrights, infringement comprises unauthorized reproduction/copying, distributing and selling of copyright protected works. Copyright infringement is most rampant in the musical and audiovisual works; whichhas further been amplified with the onset of the digital and internet era which has allowed for unlawful reproduction and distribution of original works by multiple users.

c) **Ensuring effective enforcement:** Generally, copyright and related rights present a unique case of IP management and enforcement. This is because it is impractical for copyright owners such as musicians, authors and artists to individually manage their IP rights. An artist in this case cannot reach every single radio or television station to negotiate for licenses and royalties for the use of their works. On the other hand, it is also not practical for all users to seek permission from every single artist for the use of every copyrighted work. In light of these challenges, there is a need to create and put in place measures and/or systems through which all IPR related issues can effectively be addressed.

d) **Awareness public campaigns:**Awareness campaigns should widely be carried at the national level to ensure effective public involvement and awareness on the need for IPR protection. This is important because while IP owners have a primary role in monitoring the use of their rights, IP rights still need a supportive ecosystem in order to thrive. In this regard, there is need for the Government to conduct awareness campaigns for the general public focusing on the fundamental principles of respect for IPR holders.

e) **The need for regional level measures on IPRs**: For the EAC to fully take advantage of the WTO TRIPS agreement, the following measures should be considered and implemented as part of an EAC Regional Law:

   i) Compliance with international norms: There is a need to ensure compliance with the relevant international norms and legal frameworks on IPRs as provided by the TRIPS Agreement. The EAC law in this respect should incorporate three main features:standards, enforcement and dispute settlement.
   ii) Regional harmonization: There is a need to harmonize relevant measures, laws and regulations at the regional level; including: publication systems, examination systems, timeframes, awareness campaigns, reporting and enforcement mechanisms, infrastructure development and capacity building.
   iii) Emerging issues: There is a need to consider emerging issues, such as: IPRs in the digital economy given the rise in online businesses; protection of traditional knowledge, genetic resources and traditional cultural expressions; and geographical indications for products that owe their uniqueness to a given geographical area.

5.4 KENYA EXPERIENCE WITH INTELLECTUAL PROPERTY RIGHTS

In Kenya, relevant laws on intellectual property rights and copyrights are implemented by the Kenya Intellectual Property Institute (KIPI) and the Kenya Copyrights Board (KECOBO) respectively as elaborated below.

Industrial Property Rights IPRsare protected under the Industrial Property Act 2001, which is administered by the Kenya Industrial Property Institute (KIPI), a government parastatal established on 2nd May 2002 under the Ministry of Industry, Trade and Cooperatives, which took over from the former Kenya Industrial Property Office (KIPO). The KIPI mandate is to protect and promote industrial property rights, foster innovation for sustainable industrial development in Kenya and to implement the Trademarks Act Cap 506 which deals with registration of trade and service marks. Its core functions are to:

a) Administer industrial property rights;
b) Provide technological information to the public;
c) Promote inventiveness and innovativeness in Kenya; and
d) Provide training on industrial property.

The Industrial Property Act specifically protects four elements of intellectual property rights namely: (i) patents and trademarks, (ii) utility models, (iii) industrial designs, and (iv)Technovations (which also incorporates traditional knowledge). The Act also provides for registration of technology transfer agreements and licenses.

The Kenya IPR Act lays great emphasis on Invention, which refers to a solution to a specific problem in the field of technology, or a new and useful art (whether producing a physical effect or not), process, machine, manufacture or composition of matter, or any new and useful improvement that is capable of being used or applied in trade or industry. An invention may therefore relate to a product or a process, and therefore when properly protected and applied contributes to fueling technological progress and economic strength of any nation by promoting trade and stimulating innovative activities. Thus without patent protection, many people might not take the risks or invest their time and money to devise and perfect new products. There have been perceptions in Kenya that many innovators would have benefited greatly if Kenyan products such as the *kiondo*[92], Maasai *shuka*[93] (kikoy), and even certain vaccines used to treat livestock diseases had patented. There have also been allegations that the *kiondo* innovation was 'stolen' by Japanese, but this has been disapproved because *kiondo* is a basket which as a product or even its design cannot be protected. Nevertheless, Kenya needs to locally protect the process of making the *kiondo* (according to KIPI) and to commercialize the product and other cultural products whose production processes have been passed over generations as part of traditional knowledge. This would enable new innovative products that are based on traditional knowledge to become available in the national, regional and global markets on a wider scale; thus enabling the creators to produce them commercially and to realise monetary benefits.

New technology invented in the following areas can be included in patents protection:

a) Human Necessities: Agriculture, foodstuff, personal or domestic articles, health and amusements.
b) Performing operations and transportation: separating, mixing, shaping, printing and transportation.
c) Chemistry and metallurgy.
d) Textiles and paper.
e) Fixed Construction: building, earth moving machinery, and mining.
f) Mechanical engineering, lighting, heating, weapons, blasting including engines, pumps and engineering in general
g) Physics: instruments and nucleonic.
h) Electricity

However the following are not regarded as inventions and are excluded from patent protection:

a) Discoveries or findings that are products or processes of nature where mankind has not participated in their creation (including, plants and microorganisms).
b) Scientific and mathematical methods and theories.
c) Schemes e.g. investment, methods of bookkeeping or insurance schemes.
d) Business methods e.g. credit or stock methods
e) Rules for playing games (although the games equipment are patentable).
f) Methods for treatment of human or animal body by surgery or therapy, as well as diagnostic methods; excluding products for use in any of those methods, such as substances, compositions or apparatus;
g) Public Health related methods used for the prevention or treatment of any diseases designated as a serious health hazard or as a life threatening disease.
h) Mere presentation of information.
i) Non-functional details of shape, configuration, pattern or ornamentation
j) Inventions related to plant varieties
k) Inventions and the commercial exploitation of patented products which are considered dangerous to public morality; including patents that may be dangerous to human, animal or plant life or health, or the environment.

[92] Traditional Kenyan hand-woven handbags made from sisal and leather trimmings which is popularly used by women to carry light loads.
[93] A textile wrap that appears in bright colors popularly used by Maasai community

In efforts to facilitate implementation of the IPR Act, and particularly provisions on patents and trademarks, service mark and/or a distinguishing guise, Kenya enacted the supportive Trademarks Act (2001), which aims to distinguish good or service of one person, organization, industrial or a commercial enterprise from those of other parties when the good or service is offered for sale. Kenya has also joined membership of African Regional Industrial Property Office (ARIPO); a regional organization of 12 African countries that assists inventors wishing to protect their inventions at continental level[94]. In this regard, if an applicant files for invention protection in Kenya, the provisions of the protection are designated in all the other ARIPO member countries. Kenya is also a member of the World Intellectual Property Organization (WIPO), which at global level administers the Patent Cooperation Treaty (PCT).Kenyaalso acceded to the 1978 International Union for the Protection of New Varieties of Plants (UPOV) Convention in 1999.

Registration of a trade mark is direct evidence of exclusive ownership of the mark in Kenya, which helps to keep off potential infringers who may be tempted to ride on the goodwill of the original owner of the mark. It enables the mark owner to protect his/her rights more easily in case someone else challenges the origin of such a mark. The law puts the burden of proving any ownership rights in a dispute on the challenger. The process of registration requires thorough checks for conflicting trademarks, thus avoiding infringement of trademark rights and ensuring a good or service has a unique mark that does not resemble those of any other parties. Registration of a trademark is not mandatory although KIPI advises businesses to register trade marks on their goods/services since registration is direct evidence of one's ownership and enables a business to more easily protect their rights should someone challenge them. Using a mark for a certain length of time can also establish ownership of a trademark through Common Law, based on the provision that the burden is on the challenger of the registered trade mark to prove ownership should a dispute arise. Use of an unregistered trade mark can also lead to lengthy and expensive legal disputes over who has the right to use the mark. A registered trade mark is also a valuable asset for business expansion especially through licensing franchises.

From early 2000, a new trade malpractice emerged in protecting IPRs in the form of competition from counterfeited goods, where original trademarks have been infringed through copying and imitations. In efforts to deal with this challenge, Kenya enacted the Anti-Counterfeit Act No. 13 of 2008. This law prohibit trade in counterfeit goods, and also established the Anti-Counterfeit Authority (ACA) to enforce its provisions. It specifically prohibits the manufacture, production, packaging, re-packaging and labelling of any protected goods in Kenya through imitations that are identical or substantially similar copies of the protected goods. However, enforcement of this law has been beset with a lot of challenges. In this regard, during the process of the RTP development, consulted public and private sector stakeholders pointed out that there has been negative and almost outright hostility towards ACA by both buyers (consumers) and sellers (traders); who perceive the agency as an inhibitor and interferer in matters related to trade and consumer freedom, rather than a promoter of fair trade. This negative attitude may be attributed to lack of public understanding and appreciation of the legal mandate given to ACA. This is exacerbated by ACA’s tendency to target the wrong parties, such as retail traders and customers of counterfeited goods. In many instances, traders and consumers are arrested if founddealing with or purchasing counterfeits by ACA officers. Consequently, subsequent legal prosecution may lead to jail terms and monetary charges by courts. This gives rise to the perception that the ‘real perpetrators’, namely the counterfeiters and large scale importers and distributers of counterfeit goods are hardly ever netted by the Agency; leaving them to continue with this trade malpractice. Such counterfeiters often sell the goods to unsuspecting or ignorant retail traders, who end up bearing

[94] The 12 ARIPO members are namely Kenya, Zimbabwe, Gambia, Ghana, Lesotho, Botswana, Somalia, Sudan, Tanzania, Uganda, Swaziland, Malawi and Zambia.

the burden of the trade in counterfeits, while often they don't know the origin of goods and therefore cannot assist in the fight against the malpractice.

Copyrights on the other hand are protected through the Copyright Act 2001, which is applicable on music, arts, literary works, publishing works, films broadcasting and the digital environment among others. The law recognizes that new digital services are gaining momentum around the world, thus offering radio and TV listeners, film viewers and lovers of artistic works unprecedented opportunities to discover new artistic and literary works of their choice. Thus as global levels of internet and mobile phone penetration increases, worldwide access to artistic works is expanding, but which unfortunately denies creators of such works the opportunity to gain monetary benefits. However, subscription-based streaming model has the potential to ensure users of artistic works pay the creators competitive remuneration, thus guaranteeing sustainability of the artistic creative industry. However this model can only work effectively if domestic laws covering subscriptions for use of creative arts are comprehensive and strictly enforced. Thus the current loopholes which allow users of artistic works to choose content from various sources (such as YouTube, broadcasting and other media) ends up denying the creators and developers of their rightful monetary benefits in form of royalties.

KECOBO has taken note of these challenges byintroducing legislation through which the rights holders are also entitled to royalties from transmissions made in radio and television and public performances. Three categories of rights holders can claim royalties in this respect, namely:

a) Composers, authors and publishers (copyright)
b) Performers (related right)
c) Producers of sound recordings (related right)

To protect and promote the rights of owners of creative arts (performers and creators of crafts, film makers, song writers, dramatists, creators of radio and television programs, etc), KECOBO organizes arts festivals as a platform for display of artistic works. Festival managers and organisers of such events are required to strategically manage the copyright and related rights of the creative artists, since without appropriate and effective copyright and related rights management, the owners of creative arts often become vulnerable to illicit exploitation, which ends up demotivating them. The festivals have increasingly become arenas that allow freedom of expression on a wide range of cultural, religious, social and political issues and diversity. In certain cases, the festivals have been used to promote peaceful coexistence among communities. Balancing between defending this public good and protecting individual property rights in arts festivals however is not always easy; and thus in an effort to create a balance, the copyright law provides for exemptions and limitations; whichwhile applied in the public interest allows the public to perform any of the artistic acts exclusively reserved for the copyright owner without requiring authorisation for fair dealing. This exception allows the public to use the artistic works for scientific research, private use, criticism or review, and/or reporting of current events subject to acknowledgement of the source.

The Kenya copyright law further acknowledges that while exclusive rights are conferred to the author of the protected work, such rights are not intended to stop others from using or from being inspired by the general idea behind the protected works. This means the copyright law protects the way the creator of the original work has expressed the idea but not the idea itself. In addition, the Kenya copyright law allows performers in arts festivals the right to control the recording, dissemination of performances, and to exploit such performance for commercial gains; including the right to broadcast the performance, communicate the performance to the public, rent the original and copies of fixed performances to the public for commercial purposes. To ensure that that the arts festival copyright policy is effective, organisers are encouraged to establish written contracts with all parties involved in the festival; based on recognition that effective contracts can be used as a means of sealing commercial deals. Such parties include members of the public that may patronise the festival, photographers, audio and videos recorders, journalists, and festival performers and exhibitors.

Kenya also has enacted the Seed and Plant Varieties Act (1975), which is administered by the Kenya Health Plant Inspectorate Services (KEPHIS). KEPHIS was established in 1996 to regulate importation and exportation of plant materials and the trade in bio-safety control organisms. This Act is to a large extent in conformity with the requirements of the 1978 International Convention for the Protection of Plant Varieties (UPOV), of which KEPHIS is the liaison office in Kenya. Part of the mandate of KEPHIS is to examine, approve and register new varieties of plants and seeds. A Plant Breeders Rights office was created in 1997 under KEPHIS to handle matters related to plant breeders' rights.

In summary, Kenya has established various IPRs related laws; namely:

- The Industrial Property Act 2001 Industrial Property Act 2001; which aims to protect patents and trademarks, utility models, industrial designs, and technovations (including traditional knowledge).
- The Trademarks Act Cap 506); which aims to protect trademarks, service marks, certification marks, and distinguishing guises.
- The Counterfeit Act No. 13 of 2008, which prohibits and seeks to combat counterfeiting trade in Kenya. The Act is administered by the Anti-Counterfeit Agency (ACA). Whereas IPR related laws may be seen as protecting inventions/creators against counterfeits, these laws were not deemed adequate at the time of enacting the Counterfeit Act, which further provides for severe penalties for those convicted of promoting counterfeit trade. In addition, the Act empowers state agents to search premises and seize counterfeit goods. In this respect, the Customs and Excise Department supports ACA functions by seizing counterfeit goods at the point of entry into Kenya.
- The Copyright Act 2001, which protects creative arts including music, arts, literary works, publishing works, films broadcasting and the digital services.
- The Seeds and Plant Varieties Act of 1975 (revised in 1978 and 1991), which deals with seed and plant certification. The Act protectsnew plant varieties in Kenya through Plant Breeders' Rights (PBRs). In this respect, the UPOV Convention recognises that plants and seeds are not patentable but allows states to provide for special forms of protection for such material on behalf of plant breeders for 25 years. This Act also recognizes a farmer's privilege to save and re-use seed of the protected variety.

Despite the establishment of the legal framework with clear mandate on the fight against infringement of IPRs, and the supportive institutional framework to support enforcement of the laws, infringement of IPRscontinues to be key challenges which haveadverse impacts on IP holders, particularly manufacturers whose business viability has suffered through declining sales and market shares.Additionally, owners of creative arts such as musicians and film owners have continued to suffer infringement of their IP rights even though the relevant law to protect their creations exist. In this regard:

a) Key products which have been adversely affected by competition from counterfeits include alcohol & beverages, batteries, cement, cosmetics, electrical and electronic items, footwear, glass products, motor vehicle assembly, milk powder, paper and paper products, pharmaceutical products, cosmetics, plastics, printing products (toners and cartridges), textiles and garments, stationery, steel products, wines and spirits.

b) Stakeholders (particularly manufacturers) clearly point out that broadly,they are quite aware of the policy and legislative measures that the Government of Kenya has put in place to address and manage various issues related to IPRs in accordance with the WTO established frameworks for the same.They are also aware that Kenya has met the required obligations under the WTO TRIPs Agreement by establishing laws and regulations, while others are in the process of being worked on, including measures on border controls for use by Government Agencies. However, the legislative frameworks have not helped much in fighting the infringement of their IP rights, especially with the onslaught from counterfeits.

In light of the above challenges, Kenya needs to:

a) Sensitize stakeholders on existing legislative and administrative obligations under national and international laws and their implications to Kenyan businesses, creative arts, and general trade.

b) Learnfrom the Champions on how to deal with counterfeits, and to adopt and adapt technology in production of cheaper goods, which may be one of the key factors thatdrive consumers to opt for consumption of counterfeit goods. Several countries (such as India and China) that are currently world leaders in the manufacture and marketing of generic medicines and other pharmaceutical products, agricultural and industrial machinery, electrical and electronic domestic and commercial applianceshave utilised modern technology to produce cheaper goods in efforts to meet their consumers' needs.

NB: an ongoing Kenya baseline survey that aims to measure the level, magnitude, prevalence and impact of trade in counterfeits and other illicit goods will shed more light on which specific products and sectors have been adversely affected, the forms of such effects (including declines in sales and market shares), and the measures which Kenya should take in order to effectively deal with these vices.

5.5 TANZANIA EXPERIENCE WITH INTELLECTUAL PROPERTY RIGHTS

The Intellectual Property Rights laws in Tanzania are covered under distinct legislation for each form of Intellectual Property. The laws broadly aim at safeguarding intellectual creators and other producers of intellectual goods and services by granting them certain time-limited rights to own their creations. The laws also control the use, reference and possession of those creations. These rights however do not apply to the physical object in which the creation may be embodied but apply only to the intellectual creation itself. The laws are:

a) Copyrights are regulated by the Copyright and Neighbouring Rights Act, which is administered by the Copyright Society of Tanzania (COSOTA). Copyright protection covers works of authors, who could either be Tanzania nationals or residents. The law also provides for remedies in case of copyright infringement. Where there is an imminent danger of a copyright infringement or continued breach of a copyright, the proprietor is required to apply for injunctive orders in a court of law. Tanzania ratified the Berne Convention for protection of literal and Artistic works which became effective on the 25th July, 1994. To this end, copyrights in Tanzania are territorial in the sense that all works done in the country and those that are first published in Tanzania enjoy protection under the law notwithstanding the nationality of the authors. The law also provides for exceptions on protection of copyrights and related rights including folklore; and further for protection of performers' rights.

b) Trademarks are governed by the Trade and Service Marks Act, administered by the Business Registration and Licensing Agency (BRELA). The Act applies on goods and services that beartrademarks. Both Tanzania and Zanzibar apply International Classification of Goods and Services (Nice Classification) as provided by WIPO[95].

[95] World Intellectual Property Organization. The Nice Agreement for the registration of marks was established at the Nice Diplomatic Conference, on June 15, 1957, and was revised at Stockholm, in 1967, and at Geneva, in 1977.

c) Patents are protected under the Patent (Registration) Act.17. A patent in this case may be registered for inventions (other than a discovery, scientific theory, mathematical method, aesthetic creation, computer program or presentation of information) after meeting specified requirements relating to novelty, utility and inventiveness. An invention is considered new if it is not anticipated by prior art. A utility model must not be made available to the public through a written description in Tanzania before filing for protection, and cannot form part of the patent and application, unless the national phase of its application in Tanzania has been properly entered into (and an English translation of the international application has been filed). The law further provides that some inventions may be excluded from being patented for the purpose of protecting public order or morality, life, health and environment; and that diagnostic, therapeutic and surgical methods for treatment of humans or animals, plants, animals and the biological processes usedin their productions are not patentable.

d) For Designs, there is no system for registration of designs in Tanzania. However, the country has ratified the 1979 Agreement on Creation of African Regional Industrial Property Organization (effective for Tanzania as from 12 October 1983); and the Protocol on Patent and Industrial Designs within the Framework of African Region Industrial Property Organization (the Harare Protocol), 1982) (effective for Tanzania as from 01 September 1999). Despite this statutory limitation, the Patents (Registration) Act has provisions which recognize designs registered in the United Kingdom. Accordingly, designs can be protected in Tanzania even by registration in the United Kingdom. The Patents (Registration) Act provides that rights and privileges of proprietors of designs registered in the United Kingdom are extended to Tanzania and Zanzibar during the term of design registration.

Despite the existence of laws on protection of IPRs and the institutional framework to enforce them, there have been widespread trade in counterfeited goods, which normally infringe on IPRs through imitations and copying. According to the Confederation of Tanzania Industries (2018), counterfeiting is a growing challenge in Tanzania and a wide range of sectors and products have been adversely affected by competition from counterfeits and infringements of IPRs. Themain counterfeited products in this regard include electrical products, motor vehicles spare parts, building materials, mobile phones, TV set, clothing, medicaments/pharmaceuticals, toothpaste, mosquito coils, razor blades, salts, corn oil, engine oil, aerosols, brake fluids, tooth brushes, toilet soap, detergents, CDs, DVDs and baby formula among others.

Thus Tanzania needs to learn from international best practices (like China and India) on how to deal with unjustified competition which her domestic manufacturers and genuine importers are facing counterfeits. The country should in this respect adopt and adapt modern technology in production of cheaper goods, which may be one of the key factors that drive consumers to opt for consumption of counterfeit goods. Tanzania also needs to put in place sensitization measures to enable the public to differentiate between counterfeits and genuinely manufactured goods including IPRs as some of the counterfeited goods could be substandard and dangerous to human, animal and plant health and the environment.

5.6 UGANDA EXPERIENCE WITH INTELLECTUAL PROPERTY RIGHTS

Based on the WTO TRIPS Agreement standards for setting of IPRs laws by WTO member countries, Uganda has used provisions of the Agreement to modernize its legal framework on IPRs protection. Uganda has also joined membership of the Paris Convention for the Protection of Industrial Property, the Convention establishing the World Intellectual Property Organization

(WIPO), the Patent Cooperation Treaty, and the Nairobi Treaty[96]. It is also a member of the African Regional Intellectual Property Organization (ARIPO). The Uganda Registration Services Bureau (URSB) is the main competent authority in the area of IPR protection. The country has enacted various legislations to enhance IPRprotection, including:

a) The Industrial Property Act, 2014 (replacing the Patents Act, 1993). The legislation covers patents, utility models, industrial designs, and tech-innovations. Under the Act, inventions, products or processes which are applicable to industrial activities may be protected. In the event of infringement, the IP rights holder can file a case in the High Court for damages, an injunction (including border measures), and/or other remedies. The Industrial Property Act also contains provisions on the enforcement of patent rights.

b) The Trademarks Act, 2010 provides for the registration of trademarks that meet the criterion of uniqueness for goods or services. The Act provides for penalties for offences such as the falsifying and/or counterfeiting of trademarks, the alteration of entries in the register, and the unlawful removal of a registered trade mark. A person whose rights are infringed may seek civil remedies. The Act further provides for the appointment of inspectors who assist in enforcement of its provisions in collaboration with the police.

c) The Geographic Indications Act, 2013 protectsGeographic Indications (GIs). Provisions regarding remedies against violations are similar to those under trademarks.

d) The Trade Secrets Protection Act, 2009 protects trade secrets or undisclosed information in commercial transactions and other related matters. In the occurrence of improper disclosure, acquisition or the use of a trade secret, the High Court can order an injunction, a grant of damages, and an account of profits or an adjustment order.

e) The Copyright and Neighbouring Rights Act, 2006 protects literary, scientific, and artistic intellectual works. These include audio-visual works, computer programs, electronic data banks, and derivative works for example translations. In the event of infringements of copyright or neighbouring rights, the offender is punished through court of law either through monetary fines or imprisonment.

f) The Plant Varieties Act, 2014aims to protect plant varieties andto promote appropriate mechanisms for fair and equitable sharing of benefits as a result of the use of plant varieties, knowledge and technologies. The act also provides suitable institutional mechanisms for the effective implementation and enforcement of the rights of breeders, and promotes increases in the productivity, profitability, stability and sustainability of cropping systems through yield enhancement and maintenance of plant varieties and the supply of good quality seed or planting material to farmers in order to strengthen the food security of the nation.

Uganda however has not established therelevant legislation to provide protection of layout design of integrated circuits, and does not have any provisions on parallel imports.

The Uganda National Bureau of Standards (UNBS), Uganda Revenue Authority (URA), and Uganda Police Force (UPF) are responsible for enforcing the laws on IPRs. In 2016, the Uganda Registration Services Bureau (URSB), in cooperation with the Uganda Private sector Foundation (PSF) instituted the Intellectual Property Enforcement Unit, whose mandate is to enforce the law against trademark counterfeiting and copyright piracy. The Commercial Court is tasked with hearing cases on IPRs infringements, including grievances by artists and musicians in Uganda's

[96]The Nairobi Treaty provided protection to the five interlaced rings of Olympic symbol against use for commercial purposes (in advertisements, on goods, as a mark, etc.) without the authorization of the International Olympic Committee.

Performing Arts Rights Society. However, enforcement efforts are weak due to financial constraints. The IPR laws also require that proceeds from IPR related penalties should be used as a fund to compensate those who have lost through importation of counterfeits.

Of note is that the TRIPS Agreement doesnot oblige member countries to enforce the TRIPS Agreement in a manner which is different from enforcement of their national law in general. In this regard, TRIPs requires that member countries' enforcement procedures must "*not be unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays*". This implies that there is no requirement to deploy resources for enforcement of IPR laws; a weakness which could have triggered the increased challenge of trade in counterfeit goods.

Trade Related Intellectual Property Rights **(**TRIPs) Agreement incorporates certain flexibilities which give developing and least-developed countries the right to use TRIPS-compatible norms in a manner that enables them to pursue their own public policies. These flexibilities are generally with regard to enhancing access to pharmaceutical products or protection of their biodiversity as well as establishing macroeconomic and institutional conditions that support economic development. There are a number of measures which Uganda needs to undertake to enable exploitation of the potential advantages of the TRIPS Agreement centered on the flexibilities provided for in the agreement, which include:

a) Compulsory licence whereby public authorities authorize use of a patent-protected invention by the government or third parties without the consent of the patent holder;
b) Parallel import in which companies are allowed to charge lower prices for a medicine in one country than in another, taking into account a range of market factors;and
c) Bolar provision/regular exception which permits the use of a patented invention without authorization from the patent owner in order to obtain marketing approval of a generic product before the patent expires.

There is also need to raise awareness and capacity building for agencies to know of the availability of TRIPs flexibilities in order to apply them to benefit consumers. This is because the TRIPS agreement is complex and likely to be misinterpreted and misunderstood by the public.

Although all sectors in Uganda have experienced some adverse effects of competition from counterfeits, the health and agriculture sectors are more pronounced. A study by the International Growth Center (Bold, T*et. al.* (2015))[i] investigated the factors which contribute to low agricultural output and found out that fertilizers traded on the Ugandan market were lacking 30% of nutrients, while hybrid maize seed contained less than 50% authentic seeds. Also, according to World Health Organisation (WHO (2017)[97], up to one-third of anti-malarial drugs are fake (Uganda has the world's highest malaria incidence at 478 cases per 1,000 people per year). In addition, a survey by Stockholm University, and Harvard University showed that approximately 36.8 % of drug outlets sampled in Uganda sell fake artemisinin-based combination therapy (ACT) for the treatment of malaria where 19.4% of all anti-malarial drugs failed the authenticity test (Martina Bjorkman-Nyqvist et. al. (2013).[ii]

Other products which are adversely affected include; Food and beverages, toiletries, watches, perfumes, medicines, cosmetics and lightening creams, toys, iron sheets, electrical products, mattresses, weighing scales, paints, diapers, sanitary towels, steel bars, cigarettes, medical instruments, vehicle parts, veterinary drugs, drugs for humans, motor oil, condoms, computers, mobile phones, refrigerators and agro-inputs among others. Uganda has had cases of fake rice and eggs on the market reported in the press. The textile and leather subsector has had tough

[97]WHO (2017) A study on the Public Health and Socio economic impact of substandard and falsified medical products. Geneva: World Health Organization.

time owing to the imports of used clothing and leather products. The innovations by the two main textile companies have been wiped away by stiff competition from imported second hand materials and extremely cheap apparel made from synthetic materials. This has kept the cotton textile/apparel sector behind its potential

According to the New Vision Newspaper, Friday, November 22, 2019. *"In 2017, 232 metric tonnes of counterfeit goods worth Ush1.7b were seized by UNBS and 48 metric tons of substandard goods worth about 950 million were destroyed between July and December 2017"*[98].Furthermore, *according to the* Monitor Newspaper, Wednesday, August 1, 2018 *"A report by Uganda's national standards agency for 2017 and 2018 indicated that more than 54% of goods on the market are fake."*[iii]

5.7 IMPLICATIONS OF WTO TRIPS AGREEMENT FOR EAC COUNTRIES

Partner States' experiences with IPRs shows that:

1) Currently, IPR laws, institutional enforcement frameworks and mechanisms are not yet harmonized in the EAC, although efforts are underway to assist EAC Partner States to implement the WTO TRIPS Agreement with a view to promoting copyright and cultural industries, traditional knowledge, geographical indications, and technology transfer99. A regional IP Protocol and Policy were adopted by the Council of Ministers in 2013 to maximize the benefits of TRIPS flexibilities. An EAC Anti-Counterfeit Bill is also being drafted to provide the legal framework for EAC to deal with counterfeit goods. However, the protection of IPR remains a challenge in all EAC Partner States; and apart from Kenya, the other Partner States have not establishedthe legal and institutional frameworks on protection against counterfeit trade. It is therefore necessary that each Partner State concludes its national counterfeit law for subsequent harmonisation into the regional law.
2) The EAC Secretariat is in the process of undertaking consultations with a view to developing an IPR agenda to support Partner States in the implementation of the TRIPS Agreement. At the same time, Partner States have pursued initiatives aimed to make the best use of the TRIPS flexibilities. For example, through the Technical Committee on TRIPS and Access to Medicines (TECTAM), a regional IP Protocol and Policy on the Utilization of Public Health Related WTO-TRIPS Flexibilities was adopted by the Council of Ministers in 2013. This particular initiative is geared towards facilitating production of essential medicines, which is a priority trade agenda for Partner States. This initiative has improved the regulation of the region's pharmaceutical industry and aided in the promotion of domestic production for a number of essential medicines (UNCTAD 2016). To ensure the initiative achieves the intended purpose of facilitating access to essential medicines by the EAC public, it should be widely publicized in the region. Further, the initiative should incorporate the priority standards on African traditional medicines developed by the ARSO Technical Harmonisation Committee (THC 13)100.
3) Each Partner State has established clear legal and related institutional framework to facilitate implementation of IPRs related challenges. However despite the existence of this structure, each country has been facing challenges related especially to competition from counterfeited goods and piracy. It is therefore necessary that the EAC harmonised law which would enable Partner States to take advantage of the TRIPs Agreement should

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[98] The New Vision Newspaper, November 22, 2019 https//www.newvision.co.ug/new-vision/news/1486435/combating-counterfeits

[99]WTO: Joint Trade Review – Burundi, Kenya, Rwanda, Tanzania and Uganda, 2019

[100] ARSO (*African Organization for Standardisation*) is in charge of developing and/or adoption of relevant international standards for goods and for developing standards that suite the needs of the African market.

incorporate measures to deal with counterfeits and piracy, which adversely affects IP holders of goods and services and the creative arts industry.

4) While each Partner State has clear legal and institutional framework for enforcement of IPR related laws, the public (including IPR holders) is inadequately unaware about the content and implications of such laws (such as in the case of Burundi), and how to report cases of infringement. This could be part of the reasons why there has been almost outright hostility by the public (particularly buyers/consumers and sellers/traders) towards agencies mandated to enforce the laws aimed to fight trade in counterfeits (as in the case of Kenya), where such agencies are regarded as inhibitors and interferers in matters related to trade and consumer freedom, rather than promoters of fair trade. This explains why trade in counterfeits has flourished despite the existence of clear legal and institutional framework to fight the menace. It is therefore necessary that an outreach programme is developed to inform the public about protection of IPRs coverage and the positive implications for the IP holders. Such a programme should be supported with effective elaboration materials and establishment of an EAC Trade Support Web-portal to promote knowledge on IPR targeting various sectors and the wider public.

5) As global levels of internet and mobile phone penetration increases, worldwide access to artistic works is expanding, but unfortunately this positive development has led to denial ofartistic creators of the opportunity to gain monetary benefits from their creations. It therefore seems necessary that EAC widely adopts and implements subscription-based streaming model where royalties are legally payable. Application of the model has the potential to ensure users of artistic works pay the creators competitive remuneration, thus guaranteeing sustainability and morale to continue participating in the artistic creative industry. This model would work effectively if domestic laws covering subscriptions for use of creative arts are comprehensive and strictly enforced. The current loopholes which allow users of artistic works to choose content from various sources (such as YouTube, broadcasting and other media) should thus be amended to require payment of user-based subscriptions or royalties to ensure the creators and developers gain the rightful monetary benefits from their creations.

6) Although the CMP explicitly requires Partner States to cooperate and coordinate on administration of IPRs laws; a similar requirement as in other trade and integration obligations and agreements; the EAC countries have different levels of intellectual property (IP) protection. This implies that EAC needs to harmonise Partner States laws into a regional law, which should as a minimum incorporate all provisions of the TRIPs Agreement; including:

   i) Protection of Copyrights and Related Rights
   ii) Protection of Trademarks
   iii) Protection of Geographical Indications
   iv) Protection of Industrial Designs
   v) Protection of Patents
   vi) Protection of Layout Designs (Topographies) of Integrated Circuits
   vii) Protection of Undisclosed/Confidential Information
   viii) Control of anti-competitive practices in contractual licenses
   ix) Inclusion of the Most Favoured Nation (MFN) Clause and National Treatment Rule (NTR) principles in the design of national IPR laws
   x) Taking account of procedural difficulties experienced in acquiring or maintaining IPR, which as per TRIPs Agreement should not nullify the substantive benefits that should flow from the Agreement to IRP holders:
   xi) Utilising the three main features required in the design of laws, namely: Standards, Enforcement, and Dispute settlement

In addition, the regional harmonised law on IPRs should incorporate effective measures to deal with counterfeits and piracy; including monitoring of all imports into the region, cross border trade, and creative arts. The main aim should be to detect and take timely action on cases of infringements to registered IPRs, counterfeited and pirated goods.

7) Despite all Partner States being party to WIPO, the overall participation in and implantation of WIPO-administered treaties is varied across the region as illustrated in table 23below.

Table 23: Entry year of EAC countries to selected international IP treaties

Convention	Burundi	Kenya	Rwanda	Tanzania	Uganda
Berne Convention for the Protection of Literary and Artistic Works	2016	1993	1984	1994	N/A.
International Convention for the Protection of New Varieties of Plants	N/A.	1993	N/A.	2015	N/A.
Madrid Agreement concerning the International Registration of Marks	N/A.	1998	N/A.	N/A.	N/A.
Paris Convention for the Protection of Industrial Property	1977	1965	1984	1963	1965
Patent Cooperation Treaty	N/A.	1994	2011	1999	1995
Phonograms Convention	N/A.	1976	N/A.	N/A.	N/A.
WIPO Copyright Treaty	2016	N/A.	N/A.	N/A.	N/A.

N/A: Not applicable;
Source: WIPO online information.

Regionally, Kenya, Rwanda, Tanzania and Uganda are members of the African Regional Intellectual Property Organization (ARIPO), while Burundi has observer status.[101] Within the ARIPO membership, patents and designs are protected for a period of 20 years through the necessary implementation regulations based on the Harare Protocol, which provides administrative instructions for implementing the Protocol on Patents and Industrial Designs within the Framework of ARIPO; including online filing of industrial property applications, online payment of applicable fees, sending and receiving of notifications, and general tracking of applications. In addition, Uganda and Tanzania are also parties to the Banjul Protocol (on the protection of trademarks); while Tanzania is thus far the only EAC Partner State to have signed the Arusha Protocol for the Protection of New Varieties of Plants, aimed to provide Partner States with a regional protection system for the varieties of plants that they develop.

At the same time, counterfeiting and piracy of trademarks and copyrights remains serious challenges across the region. On the ground, the awareness, respect and implementation of IPR protection still has a long way to go. In this regard, while there are numerous efforts across Partner States to address pirated and counterfeited and IPR non-compliant products; these efforts have only culminated in the seizure of non-compliant products as provided for by the EAC Policy on Anti-Counterfeiting (EAC Anti-Counterfeit Bill 2013); but not in eliminating the counterfeits menace. IPR holders therefore continue to suffer loss of business. Therefore,the proposed EAC harmonized regional strategy to take advantage of the WTO TRIPS Agreement should aim to:

a) Design and implement effective measures to address the counterfeit trade as a key priority for promoting development of EAC industry. The strategy should emphasize that it a serious criminal offense to trade in counterfeited goods by requiring allocation of sufficient

[101] ARIPO was established in 1976 under the Lusaka Agreement to promote, harmonize and develop IP systems in African countries.

resources for enforcement of the existing national laws, and building capacity of enforcement agencies to detect any IPR infringements.

b) Encourage all Partner States to join the membership of ARIPO, WIPO and other international IPR treaties as summarised in table 23 above; and to implement the IPR commitments required from such treaties and memberships.

6 PROPOSED EAC REGIONAL MODEL LAW ON TRADE REMEDIES

In developing an EAC Regional Model Law that can be utilised to design national laws forBurundi, Rwanda, Uganda and Tanzania, it is important to take into account the WTO provisions on Anti-dumping measures, Countervailing measures and Safeguard measures; all which are intended to allow governments to take remedial and protective actions against trading activities which are causing or which have potential to cause material injury to a domestic industry.

6.1 WTO Provisions on Dumping Measures

Dumping according to Article VI of the WTO GATTrefers to the introduction of a product into the commerce of a country at an export price that is less than its normal value in the country of origin. Acompany is therefore considered to be dumping if it exports a product at a price lower than the comparable price of a like/equivalent product which is destined for consumption in the home market of the exporting company. Antidumping measures are applied in the form of a duty which is equal to or less than the margin of dumping of the imported goods alleged to be dumped.

6.2 WTO Provisions on Countervailing Measures

Countervailing Measures are applied in the form of special duties (or countervailing duties) levied on imports for the purpose of offsetting any subsidies give directly or indirectly upon the manufacture, production or export of any merchandise. Such duties are applied in an amount equal to or less than the amount of subsidy given to goods imported by the affected country. The WTO Agreement on Subsidies and Countervailing Measures aim to discourage the use of subsidies, and to regulate the actions countries can take to counter the effects of subsidies.

6.3 WTO Provisions on Safeguard Measures

Safeguard Measures are temporary impositions of a tariff or quantitative restrictions or other necessary permissible measures applied with the principal aim of preventing or remedying serious injury to a domestic industry, and to facilitate adjustments of the concerned industry. The GATT allows WTO members to restrict imports of a given product temporarily (or take "safeguard" actions) if a domestic industry producing an equivalent product is injured or threatened with injury caused by a surge in imports. The injury must however be proofed to be serious, while safeguard measures applied must have time limit (a "sunset clause") after which they should be phased out. The period during which the mandated Agency/Office of the importing country is required to take action by imposing a safeguard measure is normally set as 60 days.

For anti-dumping, countervailing and safeguard measures to be applied, an investigation must be carried out on the alleged dumping or import of subsidized goods, aimed to provide evidence of increased imports that have caused or threaten to cause serious injury to domestic industry. Such application may be made by the manufacturer of a like product. The law backing such measures should categorically provide for appointment of investigating officers, response to investigation by those approached by the officers for information, power to enter and search under a warrant for products alleged to be causing injury, provision for legal representation of culprits, validation of information and ways of handling uncooperative and/or misleading information/informants.

6.4 The Kenyan experience with Trade Remedies

In EAC, only Kenya has developed a Trade Remedies Law, through the Trade Remedies Act, which was enacted on 21st July 2017 and came into force on 16th August 2017. The Act provides for the establishment of the Kenya Trade Remedies Agency to investigate and impose anti-dumping, countervailing and trade safeguard measures. The specific functions of the Trade Remedies Agency are to:

a) Investigate and evaluate allegations of dumping and subsidization of imported products in Kenya;

b) Investigate and evaluate requests, and adjudicate procedures for application of safeguard measures on any product imported in Kenya;
c) Advice the government through the Cabinet Secretary on the results and recommendations of its investigations;
d) Initiate and conduct public awareness and the training of stakeholders on trade remedies; and
e) Publish and disseminate manuals, codes, guidelines, and decisions relating to its functions

Specifically, the Act provides for imposition of anti-dumping, countervailing and safeguard measures. The law defines anti-dumping, countervailing and safeguard measures as follows:

a) Countervailing measures means a special duty levied for the purpose of offsetting any subsidy bestowed, directly, or indirectly, upon the manufacture, production or export of any merchandise. The Cabinet Secretary is in a case of subsidized goods imported in Kenya, issues a countervailing duty in an amount equal to or less than the amount of subsidy on the imported goods.

b) Dumping means the introduction of a product into the commerce of the country at an export price that is less than its normal value. The dumping margin means the difference between the export price and the normal value as it results from the comparison of the two. The Cabinet Secretary is expected to impose, in the case of goods dumped in Kenya, an anti-dumping duty in an amount equal to or less than the margin of dumping of the imported goods.

c) Safeguard measures means the temporary imposition of a tariff or quantitative restrictions or other necessary permissible measures to prevent or remedy serious injury and to facilitate adjustments of the concerned industry;

The Act also provides for the following types of investigations:

a) Investigations on alleged cases of dumping or subsidized imports in Kenya.
b) Investigationson alleged imports that have caused or which threaten to cause serious injury to an industry in Kenya.

Investigation officers are appointed by the Trade Remedies Agency Board with mandate to carry out investigations. Such officers are given powers to enter and search under warrant any premises that may be undertaking trade in alleged dumped and/or subsidised goods.

The Kenya Trade Remedies Agency has powers to obtain information and/or direct any person to provide any information relating to an investigation or evaluation. A written request for such information sets out the grounds for the investigation and restricts the Agency from disclosing any confidential information. The Act also creates offences for disclosure of information that has been declared confidential, persons who may hinder, obstruct or unduly influence an investigation; any person who fails to appear before an investigation; and any person who may refuse to produce books, documents or any other items that can be used as evidence in an ongoing investigation.

Based on the WTO provisions and Kenya's experience in enactment of the Trade Remedies Law, the EAC Regional Trade Remedies Law and national laws for Burundi, Rwanda, Tanzania and Uganda should take into consideration the following issues:

a) The definition, terms and conditions of the regional and national laws should in line with the provisions of WTO Agreements on Anti-dumping measures, Countervailing measures, and Safeguard measures.

b) The lawsshould provide for mechanisms of intergovernmental and inter-departmental relations, and relations between different trade stakeholders (public and private sector)

c) The management of the bodies/ agencies responsible for implementation of the regional and the national laws should target members from amongst special groups such as business community, consumers, universities and research institutions. The justification for this inclusion is that these groups should be involved in decision making, aimed at encouraging access to real-time information on goods which may be dumped into the EAC national markets and/or subsidised in the countries of origin. Such goods have high potential to consequently overflow into neighboring partner states under the disguise of EAC originating goods or through the region's porous borders. Involvement of the categorized stakeholders would also ensure anti-dumping and countervailing measures are not entirely governmental driven, thus ensuring ownership of enforced measures by stakeholders (particularly private sector producers and consumers) who bear the primary adverse effects of dumping and/or sale of subsidised goods. In addition, involvement of universities and research institutions would ensure effective investigations are conducted on alleged cases of dumping and subsidised goods in order to provide evidence based information necessary for enactment of required counter-measures.

d) To ensure balance between the interests of producers, traders/ and consumers, anti-dumping, anti-subsidy and countervailing measures should be introduced based on specific public interest tests. This is because application for these measures may not always be balanced especially when they are applied purely to protect domestic producers who use subsidised imports as inputsin their processing of final products. A mandatory public interest test would be a good way of balancing interestsof producers against those of consumers before imposing safeguard measures. This would entail inclusion of a detailed legal clause within the regional and national laws that ensuresany applied safeguard measures are in the public interest. A sunset clause to phase out the measures should also be incorporated in any applied measures to ensure tracking of whether the objectives of imposing the measures are being met as required by the WTO provisions.

e) Although the WTO Anti-dumping Agreement provides that the imposed anti-dumping duty should be less than the dumping margin, some cases may merit imposition of higher that the dumping margin. This would be justified by the fact that a higher anti-dumping duty than the dumping margin would ease the harm already caused to domestic/regional producers during the lifespan of a dumped product.

f) Sufficient public participation should be accorded in line with the regional and national values and in line with WTO requirements in order to allow adequate time for the public to study any proposed safeguard measures. This would ensure ownership and sustainability of the measures during their lifespan.

6.5 Experiences of EAC Partner States with issues related to Trade Malpractices

EAC Partner States experiences with cases on dumping, subsidies, and protection of domestic industries through countervailing measures show that:

6.5.1 Burundi Experience

Burundi does not have a national trade remedies law and regulation on anti-dumping, countervailing and safeguard measures. However, Law n° 1/06 of 25th March 2010 provides the legal framework to deal with issues related to competition and pricing. Specifically the law specifies obligations for producers, traders, service providers and all other intermediaries involved in trade, aimed to prevent any anti-competitive practices and to ensure transactions ensure fairness and transparent pricing as part of measures in the fight against restrictive practices. Thus the Competition law is the one that provides the closest measures on anti-dumping, subsidies and protection of domestic industries through countervailing measures.

The law specifies anti-dumping as practices which restrict competition. Such practices "consistof an undertaking or group of foreign undertakings selling products or services in Burundi at prices lower than those applied in the territories from which they originate". The law also provides for offenses and sanctions related to infringement of competition requirements;including punishment ofoffenders in accordance with the provisions of the country's Criminal Code.

The Competition law provides some of the institutional framework elements to guide its enforcement, namely:

a) It mandates the Ministry of Trade toprovide supervision in matters related to fair competition, including undertaking sectoral studies, restoring competition in case of distortions, and identifying any practices contrary to fair competition;

b) It establishes an Independent Competition Commission comprising 9 members selected from amongstthe public sector, private sector and civil society; with the mandate toadvice on matters related to competition, resolving disputes, and deciding on necessary sanctions. The Commission acts as the focal point of the COMESA and EAC Competition Commissions.

However the law has not establishedadefined institution to manage the implementation process, since the Competition Commission is a governance but not a management organ, while the Ministry of Trade only provides supervision but not implementation roles. The implementation organ was expected at the time the Competition Commission was established. In addressing emerging cases which merit application of trade remedies, Burundi therefore proposes:

a) The need for a legally defined organto drive implementation of the Competition law.

b) Thatformulation of a national law on Trade Remedies should apply provisions of the WTO Anti-dumping Agreement as the reference point for application of international best practices to deal with cases related to dumping, subsidies and safeguards (through countervailing measures).

c) The need to adopt the Kenyan Trade Remedies law in formulating the Burundi Trade Remedies law, paying particular attention to establishment of an Authority with similar powers as the Kenya Trade Remedies Agency. This would facilitate effective management of reported cases on dumping, subsidies, and application of countervailing measures to protect domestic industries against imports that cause or threaten to cause injury. The authority should be mandated to investigate and impose measures and penalties on cases related to dumping, subsidies and safeguards (through countervailing measures) whenever evidence is provided to justify the need for such actions.

6.5.2 Rwanda Experience

Currently, Rwanda does not have a consolidated law or a specific legal framework on trade remedies; which would enable actions against imports which are causing material injury to domestic industries, such as anti-dumping, anti-subsidies, andsafeguards/ countervailing duties. Measures that wouldenable the country to respond to trade related malpractices are therefore based on relevant trade agreements and protocols with third countries, as well as relevant domestic laws and regulations. However, with continued trade liberalization policies and increased trading partners (regionally and multilaterally), it has been recommended that there is a need for a legal framework that provides appropriate measures on cases related to dumping, subsidies and safeguards. Rwanda therefore needs to enact a national Trade Remedies Law in accordance to the international best practices as provided by the WTO.

6.5.3 Kenya Experience

As elaborated in section 6.4, Kenya has enacted its Trade Remedies Act No. 32 of 2017, which also established the Kenya Trade Remedies Agency (KTRA) to investigate and evaluate Anti-Dumping, Countervailing and cases that require protection of domestic industry through Trade Safeguard Measures. The law also mandates KTRA to conduct public awareness and training of stakeholders on n trade remedies. However the Agency faces a number of institutional deficiencies and external threats which hinder effective discharge of its mandated roles; including:

a) Low technical and professional capacity for intelligence gathering, analysis and evaluation of the size of the market of imported goods which can be categorised as dumped, subsidised, under invoiced, smuggled and uncustomed, and other importedconsignments which cause or threaten to injury to domestic industries. KTRA also lacks capacity to identify and document the perpetrators; the products and economic sectors most affected, and the various technologies and strategies which the perpetrators use to evade detection and capture. All these details are required as provided by the WTO Agreement of dumping and countervailing measures as justification for subsequent actions that a country should take in efforts to provide safeguards for its domestic industry.

b) Insufficient financial resources to implement programmes relevant to building stakeholders awareness about the adverse effects of dumped, subsidised, under invoiced, smuggled and uncustomed, and other goods which are imported in large consignments thereby causing threats to continued existence and competitiveness and profitability ofdomestic industries.

c) Poor inter-agency coordination and collaboration in the fight against trade malpractices (including dumped, subsidised, under invoiced, smuggled and uncustomed and trade in counterfeited goods). A case in point of poor coordination is demonstrated by implementation of the Pre-Export Verification of Conformity (PVoC) programme, implemented by the Kenya Bureau of Standards (KEBS). PVoC is intended to assure Kenyan consumers of the safety and quality of imported goods, and to protect Kenyan manufacturers from unfair competition from ports. Under the programme, all imported goods into Kenya must be inspected in the country of origin and issued with a certificate of conformity (COC) prior to exportation to Kenya, excluding products listed below:

   i) Goods already regulated by other government agencies such as the Pharmacy and Poisons Board (PPB), Kenya Plant Health Inspectorate (KEPHIS), Pest Control and Products Board (PCPB).
   ii) CKD for vehicles imported by registered manufacturers
   iii) Primary inputs imported by registered manufacturers subject to proof that the materials are direct inputs to the manufacturing process and the finished products made out of the said raw materials are certified by KEBS.
   iv) Manufacturing plants and industrial spares for own use imported by registered manufacturers.
   v) Printed matter (textbook, magazines)
   vi) Products certified by KEBS under the Diamond Mark Scheme
   vii) Courier shipments through JKIA (Airport) which are currently cleared under the Memorandum of Understanding (MoU) between KEBS and Courier Industry Association of Kenya (CIAK).

The COC is the legal documents that proofs the imported goods conform with specified Kenyan quality standards, and must therefore by availed to KRA[102] (Customs Department) before customs declaration and levying of applicable duty before goods are release to the importer. While implementation of PVoC is well intended and looks easy and straight forward, it has been beset with problems. In this regard, a cartel of counterfeiters is alleged to work with Mombasa Port officials to create artificial crises at the port, and then influence favourable rules to open entry of goods awaiting clearance into the Kenyan market, some of which include counterfeits, substandard, under-invoicedand mis-declared goods. In mid-2019, the Government was even forced to intervene to clear the backlog of un-cleared imported goods which had clogged the port and the Internal Container Depot in Nairobi in efforts to facilitate faster clearance. In addition, many government agencies mandated to clear imports were in 2019 forced out of the port on grounds their approval procedures were responsible for slow clearance of imports. However, the real reasons for poor efficiency in imports clearance is that many importers don not go through the PVoC regulation but make direct imports, a good percentage of which incorporates products that can be categorised under illegal imports (counterfeits, substandard, and dumped goods (under-invoiced and mis-declared); all which end up unfairly competing with genuine domestic manufactures. One of the key agencies kicked out of the port was the Anti-Counterfeits Agency (ACA), which is mandated to fight counterfeits trade. This has forced ACA to wait until the goods are already in the market before starting the hunt for fake goods and enforcing the required crack down measures. The situation has been made worse poor collaboration between key agencies involved in approving an import (KRA Customs, KPA, KeBS, and ACA among others), all which are required to share information on incoming imports in order to determine genuine from fake and/or unauthorised imports. Thus for KETRA to effectively in discharging its mandate, all Trade Support Institutions (TSIs) must work under the envisaged trade multi-agency team so that early information is available to KETRA to facilitate required investigation on any alleged trade malpractice before requisite trade remedial measures are introduced in the form of anti-dumping duties, countervailing and/or safeguard measures. Further, it is imperative that Kenya fully implements the PVoC regulations that all imports (excluding the exempted list above) must be inspected in their country of origin, which actually conforms with the WTP Pres-Shipment Inspection (PSI) Agreement, so that cases of forced circumspection of imports rules are eliminated. Failure to comply with the PSIrequirement should attract hefty penalties in order to discourage forced local inspection which ends up clogging the port and the high risk of forcing illegal imports into the country.Thecoordinated multi-agency team would compriseKETRA, ACA, KeBS, KRA (Customs), KEPHIS and other Port/Border Control Agencies. Such as approach would support thecountry to efficiently comply with the provisions of the WTO Agreements on Trade Remedies (the Anti-dumping Agreement, Agreement on Subsidies and Countervailing Measures, and Safeguards Agreement).

d) Corruption and porosity of Kenya's extensive borders, with at least five countries sharing land borders with Kenya (Tanzania, Uganda, South Sudan, Somalia and Ethiopia) and with Tanzania and Somalia additionally sharing the Indian Ocean with Kenya. The long land and ocean borders allow entry and transit of smuggled, under invoiced, uncustomed and counterfeit goods despite relevant Government Agencies having offices and personnel at all key border points and the Port of Mombasa.

e) Pervasive consumer attitudes towards goods traded through trade malpractices, partly because of inadequate awareness of the provisions of existing laws, the potential danger of

[102] Kenya Revenue Authority

consumption of substandard goods, and lack of knowledge to detect product quality differences between original and counterfeits/substandard, and financial inability of consumers to purchase the more expensive original brands.

f) The rise and entrenchment of e-commerce trading platforms amongst Kenya's techno-savvy sellers and buyers, who opt to trade on-line thus by-passing conventional trading channels; hence further complicating the work of the Trade Remedy Agency and Anti-Counterfeit Agency.

g) Negative and hostile attitude towards theTrade Remedy Agency by both buyers (consumers) and sellers (traders) who perceive the Agency as an inhibitor and interferer in matters of trade and consumer freedom of choice, rather than a promoter of fair trade; just as in the case of the Anti-Counterfeit Agency (ACA). This negative attitude is due to lack of public understanding and appreciation of the work of the Agency in protecting consumers from consumption of goods that may be dangerous to human, anima, plant heath and the environment. The attitude is exacerbated by the Agency's tendency to lay the burden of trade malpractices on retail traders and their customers rather than the large scale importers and distributers of the goods. The real perpetrators end up going scotch free; thereby continuing with their malpractices.

h) Misuse of Safeguard Measures, as evidenced by grant of approvals for application of remedial, countervailing and safeguard measures to industries/sectors based on political considerations rather than demonstrated long term potential to produce competitive goods. The Kenya sugar industry serves as a good case in point, which since 2004 has continued to benefit from COMESA Safeguard Measures. In this regard Kenya has since 2004 sought extensions of safeguards to limit importation of duty free sugar from the COMESA region by invoking Article 61 of the COMESA Treaty, which provides for the protection of emerging sectors until they are considered mature for competition. However, the facility has been misused, with influential importers with political connections and massive financial resources have continued to import duty free sugar based on justification that Kenya lacks sufficient supply capacity to meet her domestic demand. Other challenges which have been cited by policy makers (principally the Ministry of Trade) is that the planned privatisation of the country's ailing state owned sugar millers[103] has been hampered by numerous court cases, low uptake of new cane varieties by farmers, and slow implementation of a new method of cane payment based on sucrose content. Themassive duty free sugar imports have adversely affected even the privately owned sugar mills[104] which have been made uncompetitive.Ultimately, the envisaged goal of the COMESA safeguards facility has not been achieved;namely to enable Kenya to protect her sugar farmers with high tariffs as it seeks to fully stabilise her sugar industry in order to open up her market to sugar imports. The sugar industry actually seems to be in a worse off condition currently than it was at the time the COMESA Safeguard Measures were first granted in 2004, with stakeholders pointing out the industry is near collapse.

Based on the above experiences, it is clear that Kenya needs to:

a) Allocate sufficient resources to ACA for detailed investigations on cases of alleged dumped, subsidised, under invoiced, smuggled and uncustomed, and other imported goods which

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[103] The state owned Kenya sugar mills are Mumias, Chemelil, Muhoroni, Miwani, Nzoia, Sony, and South Nyanza.

[104] Kenya has 8 privately owned sugar mills: West Kenya Sugar Company, Sony Sugar Company, Kibos Sugar and Allied Industries, Ltd, Butali Sugar Mills, Transmara Sugar Company, Sukari Industries Ltd, Kwale International Sugar Co. Ltd, and Kisii Sugar Factory.

cause or threaten to injury to domestic industries. This is a key requirement under the WTO for applying any proposed safeguard measures.

b) Establish a sensitisation programme targeting to effectively educate the public about the health, injury to industry and revenue loss related effects of consuming dumped, subsidised, under invoiced, smuggled and uncustomed goods, and other imported goods which may cause or threaten to injury to domestic industries when imported in large consignments.

c) Fully implement the PVoC regulations that require all imports (excluding the exempted list) must be inspected in their country of origin, which conforms with the WTOPSI Agreement, so that cases of forced circumspection of imports rules and consequent entry of illegal goods are eliminated. Failure to comply with the PSI requirement should attract hefty penalties in order to discourage forced local inspection which ends up clogging the port, forcing illegal imports into the country which compete unfairly with genuine manufactures. The envisaged multi-agency team comprising KETRA, ACA, KeBS, KRA (Customs), KEPHIS and other Port/Border Control Agencies should also be allowed to perform its mandate of inspecting all suspected imports without political influence as part of efforts to eliminate trade malpractices. Such as approach would be inconformity with provisions of the WTO Agreements on Trade Remedies (the Anti-dumping Agreement, Agreement on Subsidies and Countervailing Measures, and Safeguards Agreement).

d) Takea combination of political goodwill, sound economic and industrial policies, committed industry captains and dedicated nationalistic technocrats to implementnecessary interventions in order to achieve desired outcomes of the trade remedies measures as provided under the WTO Trade Remedy Protocols.

e) Learn from past failures to construct sustainable approaches in the fight against trade malpractices. The failure of the COMESA Safeguard Measures to protect her sugar industry from imports provides sufficient evidence in this respect.

6.5.4 Tanzania Experience

Tanzania does not have a national Trade Remedies law, although mainland Tanzania enacted its Anti-dumping and Countervailing Measures Act in 2004, borrowing on the EAC Treaty which provides the basis for enacting measures on contingency trade remedies at the regional level. While the country has not yet applied contingency trade remedies, a number of such measures can be implemented as part of the 2004 Anti-dumping and Countervailing Measures Act to enable the country to deal with cases of dumping, subsidies, under-invoicing and smuggled/uncustomed goods which unfairly compete with domestically produced equivalents. The starting point is to take into account the WTO provisions on Anti-dumping measures, Countervailing measures and Safeguard measures, which provide the framework for governments to take remedial and protective actions against trading activities with potential to harm and injure domestic industries.

An example of how unfair competition from imports affects domestic industries is demonstrated by the case of textiles and garment/apparel industry. In this regard, the Tanzania part of the EAC CTA[105] Strategy and Implementation Roadmap (May 2019) points out that there is serious and stiff competition between Tanzania manufactured textiles and garments with smuggled, wrongly declared and under-invoiced imported equivalents. While Tanzania Revenue Authority (Customs Department) has started employing textile technologists as part of efforts to improve imports valuation process, the problem of wrong declarations and under-invoicing of fabrics/apparel continues to be a serious challenge. Such wrongly declared and under-invoiced imports end up

[105]Cotton, Textiles and Apparel

costing less that locally manufactured products in the local markets. TEGAMAT[106] for example estimates that the international average ex-factory price of a cotton fabric is US$ 0.36 per metre (as recorded in China). However, the cost of an imported cotton fabric in Tanzania is US$ 0.4 per metre. This price differential is too small to account for the cost of insurance, freight and clearing for the delivered cotton fabric in Dar es Salaam, and the cost for transporting such an item to inland towns in Tanzania. On the other hand, textile/apparel manufacturers suspect that many imported fabrics/apparel are wrongly declared (i.e. into incorrect tariff codes) in order to attract lower customs duty. The under-invoicing and wrong declarations end up making the ex-factory price of a cotton fabric imported from China almost the same as when delivered to Dar es Salaam. The result is massive loss of customs duty and unfair competition for local textile/garment manufacturers, most of whom are now operating way below their installed capacity. The textile mills actually point out that competition with second hand imports would not be a problem if there was strict enforcement of imports valuation.

In addition, the undervalued, under-invoiced, smuggled/uncustomed, dumped and subsidised imports end up overflowing into other EAC countries that border Tanzania due to the long porous borders and insufficient capacity of Customs to control the trade malpractices. The harmonised EAC Trade Remedies law should therefore provide effective measures that ensure no EAC country is negatively affected by trade malpractices, either through direct imports or through smuggling through the porous borders. Among other things, the law should provide punishments for offenders and rewards for law abiding businesses/traders. The Authorized Economic Operators Scheme (AEO) for example could be used to reward law abiding importers/traders/businesses by facilitating them to use the green channel system which allows fast track importation without the need for full inspection of their imports, thus enabling cost and time savings. Efficient implementation of the scheme would encourage more businesses to declare their imports under the correct tariffs, thus contributing to reduction and/or elimination of smuggling, under-invoicing and intentional wrong declarations.

6.6.5 Uganda Experience

Currently, Uganda does not have a defined legislation on trade remedies, and to-date has not initiated or applied any such measures against other WTO Members. Stakeholders however point out that a number of such measures can be implemented as part of a national law on trade remedies to enable the country to protect its domestic industry from unfair competition from imports. The starting point would be to take into account the WTO provisions on Anti-dumping measures, Countervailing measures and Safeguard measures; which provide the framework for governments to take remedial and protective actions against trading activities with potential to harm and injure domestic industries. Someof the measures which Uganda could adopt in the short to medium term is respect include:

a) Public awareness and sensitization about the harmful effects of trade malpractices on domestic producers (including manufacturers, farmers and agri-producers). This would require a multi-agency approach that involves all trade facilitation institutions (customs, Ministry of Trade, police, business membership organisations, main importers).

b) Establishing a Trade Remedies Agency with adequate enforcement powers and capacity to network with other enforcement agencies (such as customs). Establishing an effective enforcement regime presents sizeable institutional challenges for customs authorities (regarding border enforcement measures),the police and judiciary (regarding criminal investigations and prosecutions). This entails building sufficient capacity amongst the

[106] Textile and Garment Manufacturers Association of Tanzania

enforcement agencies and allocating sufficient human and financial resources for management of the proposed Trade Remedies Agency; in addition to resources for public awareness sensitisation, surveillance, investigations, and prosecutions; and for building and computerizing a database of trade malpractices.

c) Establishing a fund to enable compensation of national businesses that lose business as a result of competition from specified trade malpractices (dumped, under-invoiced, smuggled/uncustomed, subsidized imports) and also surge in imports which end up causing injury to domestic producers. The fund could be built through a one-off government injection which would overtime be boosted by proceeds from penalties on trade malpractices. The key aim of the government injection will be to assist struggling sectors/industries to stabilize and have a stable platform that guarantees a sustainable long term future growth for the public good (increased employment and economic growth).

6.6 The Proposed EAC Trade Remedies Law

Based on the Partner States experiences with cases of stiff competition from dumped, under-invoiced, smuggled/uncustomed, subsidized imports; and also increased imports which end up causing injury to domestic producers, the harmonised Trade Remedies law should prioritiseimplementation of the following measures:

a) In accordance with the WTO Agreements on anti-dumping measures, countervailing duties, and safeguards, all EAC countries should adopt the WTO trade policy instruments that countries are allowed to implement in efforts to address trade malpractices (dumped, under-invoiced, smuggled/uncustomed, subsidized imports), and import surges that cause or threaten to cause injury to the region's domestic industries. This approach is further supported by the provisions of EAC Customs Union Protocol (Article 24), which requires Partner States to expedite the process of contributing to the strengthening of the regional Trade Remedies Committee, support the Committee's mandate, and strengthen the domestic policy and legal framework on Trade Remedies.The Trade Remedies Committee in this respect is supposed to handle any matters pertaining to Rules of Origin, Anti-Dumping Measures, Subsidies and Countervailing Measures; Safeguard Measures; and Dispute Settlements. However, the relevant provisionson functions of the Committee are not yet fully implemented and the Committee is not functional, as has been pointed out by various parties including EALA[107]. Partner States shouldtherefore expedite the process of establishing the Committeeas part of measures to stem down the negative effects that trade malpractices and massive imports have on the business community and genuine traders. This would also make it possible for the region to address elimination of NTBs which the Committee is also responsible for as provided in the NTBs Act 2016, in addition to facilitating investigations on industry disputes, and recommending measures to prevent industry injury. This implies that all trade malpractices which are externally generated and those which emanate from within the region would be effectively addressed through a coordinated regional mechanism.

b) In light of the directive of the Sectoral Council of Trade, Industry, Finance and Investment (SCTIFI) of 27th February 2016, the EAC Partner States are required to expedite the process of ratifying and depositing their instruments of ratification of the amended Article 24(2) (a) of the Protocol on the Establishment of the East African Customs Union. This article is very important as it serves as a basis for the establishing the Trade Remedies Committee.

[107] The East African Legislative Assembly

c) Partner States need to operationalise the EAC Competition Act of 2006 whose enabling regulations were adopted in 2010. The Act came into force in 2014, and was amended in 2015.The Act establishes the EAC Competition Authority, which has jurisdiction over all mergers and enforcement matters that have cross-border effects. The commissioners were sworn in November 2016. The Act applies on all economic activities and sectors which have cross-border effects, aimed to promote fair trade and consumer welfare in the region. Thus operationalising the Act and the Competition Authority would contribute substantially to promoting elimination of trade malpractices in order to achieve mutual gains for all Partner States which is a key goal of the integration process.

d) Partner States need to facilitate the work of the regional Trade Remedies Committee by prioritising allocation of sufficient resources to enable detailed investigations on cases of alleged dumped, subsidised, under invoiced, smuggled and uncustomed, and other import surges which cause or threaten to injury to domestic industries.

e) Partner States need to establish a regional sensitisation programme targeting to effectively educate the public about the adverse health, injury to industry and revenue loss related effects of consuming dumped, subsidised, under invoiced, smuggled and uncustomed goods, and other imported goods which may cause or threaten to injury to regional/domestic industries. This would require a multi-agency approach that involves all trade facilitation institutions at national and regional level (customs, Ministries of Trade, police, bureaus of standards, border agencies, business membership organisations, and the main importers).

f) The harmonised EAC Trade Remedies law should provide effective measures that ensure punishments for offenders and rewards for law abiding businesses/traders. The EAC Authorized Economic Operators Scheme (AEO) could be used to reward law abiding importers/traders/businesses by facilitating them to use the green channel system which allows fast track importation without full inspection of their imports, thus enabling cost and time savings. Efficient implementation of the scheme would encourage more businesses to legally declare their imports under the correct tariffs, thus contributing to reduction and/or elimination of smuggling, under-invoicing and intentional wrong declarations.

g) Partner States will need to conclude a harmonised imports valuation system which aims to eliminate under-invoicing and wrong declarations which end up making the ex-factory price of domestically/regionally produced goods appear almost similar to sales prices of imported goods. This would contribute to fair competition between imported and regionally/domestically manufactured goods traded in the regional market and therefore to enabling regional/domestic manufacturers to operate more competitively and at reasonable levels of their installed capacities.

h) Burundi, Rwanda, Tanzania and Uganda could adopt the Kenya law on Trade Remedies to design their national Trade Remedies laws, paying particular attention to establishment of an Authority with similar powers as the Kenya Trade Remedies Agency. This would facilitate effective management of reported cases on dumping, subsidies, and application of countervailing measures to protect domestic industries against imports that cause or threaten to cause injury. However, the mandate of national authorities should be expanded to investigate and impose measures and penalties on cases related to under-invoicing, smuggling, mis and under-declarations.

i) The harmonised region trade remedies law should provide that safeguards applied at the national level for beneficiary sectors/industries should be for a defined period based on detailed justification such as current and/or foreseen injury to domestic sectors/ industries, including loss of market share, declining sales; and loss of employment, incomes and government revenue. After the initial period (5 years as provided under WTO), a review should be carried out to determine whether the safeguards have had any positive effects in reviving the sector/industry that suffered losses, after which another but terminal safeguards extension can be given for a period of 5 years. This would eliminate the misuse of safeguards provisions as has been experienced in the Kenya sugar sector case.

j) Kenya will need to revise its Trade Remedies law to incorporate provisions on under-invoicing, smuggling, mis and under-declarations, terminal safeguards measures, imports valuation system, imports clearance for Authorised Economic Operators, and prioritisation of allocation of sufficient resources to enable detailed investigations on trade malpractices and import surges that cause or threaten to cause injury to domestic industry.

k) Based on the Kenyan experience, fully implement the envisaged PVoC regulations to require all imports (excluding the exempted list) must be inspected in their country of origin, which conforms with the WTO PSI Agreement, so that cases of forced circumspection of imports rules and consequent entry of illegal goods are eliminated. Failure to comply with the PSI requirement should attract hefty penalties in order to discourage forced local inspection which ends up clogging the EAC port, forcing illegal imports into the region which consequently compete unfairly with genuine domestic/regional manufactures. A multi-agency team comprising all public Trade Support Institutions and other Port/Border Control Agencies should also be allowed to perform its mandate of inspecting all suspected imports without political influence as part of efforts to eliminate trade malpractices. Such as approach would be in conformity with provisions of the WTO Agreements on Trade Remedies (the Anti-dumping Agreement, Agreement on Subsidies and Countervailing Measures, and Safeguards Agreement).

NB: *The proposed EAC regional model law on Trade Remedies forms an integral attachment to this report*

7 PROPOSED EAC TRADE DEVELOPMENT FACILITY TO MOBILIZE RESOURCES TO SUPPORT RTP STRATEGY IMPLEMENTATION

7.1 Objectives of the Trade Development Facility (TDF)

The process of implementing the EAC Customs Union Protocol, the Common Market Protocol, subject related protocols and measures (such as SQMT, SPS, and trade facilitation among others); the elimination of internal tariffs and establishment of CET, and ongoing negotiations for FTAs at Tripartite, African continental (under AfCFTA), and international levels (particularly EPA with EU and AGOA with USA) among other developments have entailed new dynamics in the EAC trade and investment regimes.

As the EAC Partner States conclude the EAC Regional Trade Policy, it is necessary to mobilizesufficient financial resources to facilitate implementation of the outlined measures. The Trade Development Facility (TDF) is therefore proposed as the main tool that will be used to mobilize resources for supporting the RTP implementation processas part of efforts to improve Partner States' trade performance at the Tripartite, African continental and global levels. TDF is proposed as a multi-donor program to ensure Aid for Trade Initiatives are efficiently coordinated and have better chances of enabling all Partner States to realize mutual gains from the integration process whileminimizing duplication of effort in donor funding. Achievement of the TDF goal will entail efficient implementation oftrade and investment related measures, which can broadlybe categorised under:market access for trade in goods and services; trade and investment negotiations with third parties; challenges arising from stays of application, duty remissions and exemptions; the CET review; aharmonised approach for applying trade remedies;a common position for Partner States engagement and increased presence in WTO forums; firm competitiveness; and production of value added products for export markets. At an institutional level the TDF will facilitate the establishment of an EAC Tariff Board and National Level Tariff Boards with responsibilities for administering a criteria for qualifying and approving stays of applications, duty remissions and exemptions from the CET; application of safeguards, anti-dumping and countervailing measures by Partner States; and application of a harmonised imports valuation system. The specific objectives of TDF are to:

a) Facilitatemobilisation of sufficient financial and technical resources that support Partner States to pursuenational and regional trade and investment related goals using a regionally harmonised approach without duplicating efforts and resources;
b) Facilitate Partner States to negotiate external trade agreements as a regional block with third parties.
c) Facilitate Partner States to adopt a common position and to increase their presence during WTO forums where trade and investment matters are discussed;
d) Enable Development Partners to channel their financial and technical resources to EAC countries for trade facilitation, trade promotion, enterprise development, and other trade related development measures (such as improvement of physical infrastructure and access to energy), using internationally accepted funding channels, such as the WTO initiated Aid for Trade (AFT) Strategy;
e) Facilitate businesses (including SMEs) to access business development and growth needs; including access to affordable business finance for expansions, diversification, standards development and improvement of management and technical skills; and increased competitiveness and value addition of goods and services originating from EAC region.

7.2 The TDF Functions

The main functions of TDF resources will focus in facilitating effective implementation of measures outlined under the RTP strategy and implementation roadmap, namely:

a) To offset losses incurred by Partner States during implementation of their commitments under regional and international trade agreements,
b) To assist Partner States to undertake effective trade and investment negotiations with third parties at Tripartite regional level, African continental level under the AfCFTA, and global level; based on a regionally harmonised approach;
c) To facilitate Partner States to harmonize their trade related laws (including quality standards and SPS measures and related certification processes, imports valuation systems, and competition laws);
d) To facilitate application of a harmonised criteria for qualifying and approving Partner States applications related to stays of application from CET, duty remissions and exemptions; application of safeguards, anti-dumping and countervailing measures; and application of a harmonised imports valuation system; and a harmonised approach to addressing under-invoicing, smuggling, and imports mis-declarations.
e) To enable Partner States to support their producers/manufacturers to comply with regional and international market access and quality standards;
f) To support domestic/regional enterprises to improve their firm level competitiveness[108] for export markets Tripartite regional level, African continental level under the AfCFTA, and global level;
g) To support enterprises in efforts toexpandand diversifyavailable goods that target the Tripartite, African continental (under the AfCFTA), and global level export markets;
h) To support enterprises to undertake value addition of available products with export potential, which are currently exported in raw form;
i) To support Partner States' aspirations of pursuingeffective industrialization, supply chain logistics (including trade facilitation), and improved business environment as part of the region's enterprise development goals;
j) To support partner States efforts to harmonize their domestic trade regulations and tax regimes in order to achieve free movement of goods, services, capital and labour; and the right of establishment and residence as enshrined in the Common Market Protocol;
k) To enable Partner States to harmonise the corridor and transit procedures applied in the region; and transport infrastructure development programmes that support trade development in the region;
l) To enable Partner States to harmonise their export development and promotion schemes (including duty exemption schemes such as SEZ, EPZ, and free zones);
m) To support the region's businesses to access affordable energy, business credit, export related market information, and firm level skills (management and technical skills).
n) To strengthen existing EAC structures on governance and resource mobilization frameworks; including accommodating the TDF as the main AFT channel through which trade and investment related resources will be accessed and directed to either regional level of national level focal points for coordination of RTP strategy implementation.
o) To support implementation of a regional outreach and communication strategy for regular exchange of knowledge, experiences and good practices on trade and investment and RTP implementation process. This approach will enable Partner States buy-in and goodwill to implement the RTP strategy measures efficiently and effectively focused in achieving defined results.

[108] This includes plant modernization, improvements to management and technical skills, packaging and labelling, and understanding and application of international commerce terms (INTERCOMS) among others.

7.3 Modalitiesfor Accessing TDF Financial Resources

The establishment of the TDF should be enshrined in the existing EAC Aid for Trade (AFT) Strategy (2017-2021), which aims tochannel aid for trade development in the EAC region. The EAC AFT in this regard has been designed an effective approach for the mobilization, utilization, and tracking of aid for trade resources through EAC' regional programmes; and has strong collaboration with Development Partners. As part of efforts to kick-start the TDF, initial activities should focus in:

a) Establishing entry points for the TDF in the AFT strategy;
b) Ensuring early conclusion of the RTP strategy and implementation roadmap, which will form the basis of establishing the TDF; and
c) Establishing appropriate institutional framework for administering the TDF, including:
    i) Defining the facility's governance and management structures and implementation responsibilities at regional and national levels,
    ii) Defininginterventions/activities and programmes to be funded at national and regional levels through the Facility,
    iii) Defining roles of Partner States and EAC Secretariat in monitoring performance of the Facility at national and regional levels in terms of budget absorption and implementation of outlined activities as per set timelines,
    iv) Defining requirements for periodic assessments and reporting to ensure the Facility remains relevant to the overall regional trade and investment goals.

TheEAC AFT Strategy is an appropriate fund mobilization channel as it was adapted from the global AFT initiative launched by the World Trade Organization (WTO) at its Hong Kong Ministerial Conference in 2005. Future funding for EAC trade and investment activities availed through the EAC AFT will in this regard be clearly earmarked as financial resources for TDF if they are intended to support the RTP strategy implementation process. According to the Global AFT strategy, funds to EAC through the AFT channel have steadily increased since 2005, and accounted for 20% to 46% of the total funds from ODA in 2010. The amounts were contributed by the World Bank, DFID, EU, AfDB, USAID TMEA JICA, and HOLLAND among others. The global AFT model aims to provide a structured and enhanced approach to trade-related development assistance (WTO, 2006). The WTO AFT review (2013) estimates that AFT accounted for 20%-46% of the total EAC Official Development Assistance in 2010, and that such assistance has been concentrated in trade-related infrastructure, trade facilitation and trade capacity building.

Specifically, the Vision of the EAC AFT Strategy is to achieve an upper-middle income region that is secure and politically united, based on principles of inclusiveness and accountability (EAC Vision 2050). Its overall objective is to alleviate trade constraints that prevent EAC firms from connecting with regional, continental and global value chains in promising sectors/subsectors. The Strategy defines the framework to be used to guide the design and delivery of existing and/or future AFT initiatives in EAC in a coherent and coordinated manner to enable the region to mobilize resources needed to support realization of maximum possible benefits from the integration process. The Strategy is to be used in complementarity with other EAC policy frameworks to develop multi-year and annual AFT plans that are aligned to respective development plans. The Strategy is to be used by development partners tosupport evolvement and strengthening ofexport oriented regional and global value chains in EAC, with the eventual goal of boosting the trade competitiveness of EAC in global markets. This is to be achieved through expanded and more diversified trade in value-added products and services and increased foreign investment inflows into EAC.

The EAC AFT Strategy is linked with the EAC Treaty, which under Article 130 on International Organisations and Development Partners provides that the Community will foster co-operative arrangements with other regional and international organisations[109] whose activities have a bearing on the objectives of the Community and the Partner States. It is also aligned with EAC vision 2050, whose ultimate goal is to have a developed, stable and competitive regional bloc; and whose strategic priorities are expressed in 6 Pillars; Infrastructure Development, Agriculture, Food Security and Rural Development, Industrialization, Natural Resources and Environment Management, Tourism, Trade and Services Development and Human Capital Development. In addition, the Strategy is linked with the 4th EAC Development Strategy (2011/12-2015/16), which prioritises enhanced market access and trade competitiveness, implementation of the Common Market, and conclusion of the Monetary Union while laying the foundation for a Political Federation.

A key justification for using the global AFT model to support implementation of the RTP Strategy is provided in WTO reviews, which clearly indicate that AFT interventions, including those in in African countries, have been instrumental cost-effective approaches to supporting regional integration. In this regard, regional AFT instruments play a critical role in boosting integration of FTA members in regional production networks and facilitating moving up of producers in regional and global value chains. More specifically, regional AFT instruments ultimately facilitate trade expansion, sophistication and diversification; which in turn, enhances opportunities to achieve industrialization, economic transformation, sustained development, and social and geo-political cooperation goals; all which are part and parcel of the aspirations of EAC Treaty.

Therefore using the EAC AFT Strategy to mobilize resources for the RTP Strategy implementation would significantly contribute to addressing trade constraints experienced by EAC Partner States, including trade facilitation, trade policy, harmonization of trade regulatory environment, corridor and transit procedures, export development and promotion, transport infrastructure development, access to energy, and access to credit and skills among other supply constraints experienced by producers and traders (including exporters). On the other hand, the EAC AFT Strategy will be complemented by national AFT strategies, which will specifically focus more in addressing country-specific constraints includingsmall national market sizes, varying levels of social-economic development, land-locked nature of some EAC countries (Burundi, Rwanda, Uganda), and macroeconomic and political instability experienced by some of the Partner States.

It is also important for EAC to mobilize resources for RTP Strategy implementation using the global EAC AFT Strategy, as its global AFT model has already been tested and accepted by development partners as an important channel for availingfinancial and technical resources neededfor building capacity to address trade facilitation and other development related constraints (such as physical infrastructure and access to energy). In this regard, the 2001 WTO Doha Ministerial Conference made a declaration to use the WTO Enhanced Integrated Framework (EIF) for Trade-Related Technical Assistance as a viable model to support Least-Developed Countries (LDCs) to achieve their trade development goals. This declaration was reaffirmed through the Hong Kong Ministerial Declaration of December 2005, which made a commitment to better integrate LDCs into the multilateral trading system through the EIF. Development partners were urged at the two Ministerial Conferences to significantly increase their contributions to the EIF Trust Fund and WTO extra-budgetary trust funds to support LDCs to address supply-side constraints, which have direct effects on their production and export competitiveness.

The WTO EIF in this regard is regarded as the only multilateral partnership dedicated exclusively to assisting LDCs in their use of trade as an engine for growth, sustainable development and poverty

[109] Organisations interested in the objectives of the Community include the African Union, United Nations Organisation and its agencies, and bilateral and multi-lateral development partners.

reduction. The EIF partnership has 51 countries, 24 donors and 8 partner agencies, allwhich work closely under the global AFT model to support trade-for-development needs of LDCs as part of efforts to achieve the UN Sustainable Development Goal 8(which specifically aims to promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all by year 2030). Thus the EIF supports trade promotion as part of efforts to improve sustainable growth and the reduction of poverty through appropriate national policies and institutional frameworks.The EIF multi-agency coordination is chaired by WTO and incorporates the International Monetary Fund (IMF), the International Trade Centre (ITC), the UN Conference for Trade and Development (UNCTAD), the UN Development Programme (UNDP), and the World Bank. On the other hand the EIF process consists of four phases: (1) Awareness-building on the importance of trade for development; (2) Preparation of a Diagnostic Trade Integration Study (DTIS) to formulate a plan of action to integrate the target country more fully into the global trading system while identifying sectors with greatest export potential and constraints that may impede trade; (3) Ensuring that the plan of action becomes part of the broader national development plan; and (4) Facilitating implementation of action plan in partnership with the development cooperation community who provide financial resources for identified measures.

To date, 36 LDCs (out of a total 49 LDCS) have benefited under the EIF trust fund to undertake theirDiagnostic Trade Integration Studies; and most are implementing their plans of action. Among some of the priority include streamlining customs processes so as to avoid overly long and costly processes, building the necessary architecture to satisfy complex food security standards,and building capacity at the Ministries of Trade to facilitate exports.

In addition to supporting Diagnostic Trade Integration Studies for LDCs, the EIF also supports regional projects under its EIF Phase Two, and modalities for this support window were issued in May 2019. The Compendium for EIF Phase Two lays the overall Programme Framework for implementation of regional projects and the development of stronger relationships with regional partners. Both the EIF Strategic Plan 2016-2018 and the EIF Strategic Plan 2019-2022 indicate the importance that the EIF should accord to develop and implement the regional dimension of the EIF programme in order to address the needs of LDCs. Based on the approved principles governing regional projects approved by the 26th EIF Board meeting held on 11-12 June 2018, a regional project is defined as a project financed through the EIF Trust Fund (EIFTF) to help the LDCs benefit from regional economic opportunities as well as address regional challenges. The regional project idea should be identified through national or regional cooperation and/or proactive consultation processes, and should be firmly anchored as priorities in regional strategic documents and national DTIS. Such regional projects should focus on:

a) Diagnostics of regional trade policy-related measures, regional analytical studies, and capacity-building initiatives that aim to address common priority areas for beneficiary countries, or which contribute to cross-cutting global or regional goals and other sectoral focus areas.
b) Trade facilitation through reduction in trade costs and transport time to access markets.
c) Improved connectivity, regional integration, cross-border trade, and inclusive trade.
d) Development of regional value chains and mainstreaming of trade into regional priority sectors or national sectors with a regional dimension.

EIFTF supportsindividual regional projects based on the following budget ceilings:

a) Up to a maximum of US$500,000 contribution for regional studies, trade policy facilitation, analytical work and capacity-building initiatives; witha limit of a maximum budget of US$100,000 per participating country.

b) Up to a maximum of US$2 million contribution for a project targeting production diversification, value chain promotion and sector promotion, and based on clearly demonstrated value for money.

c) Up to a maximum of US$3 million contribution in case of projects that have total budgets exceeding the maximum limit of US$2 million (under (b) above). In such cases, 50% of the remaining budget balance exceeding the US$2 million threshold has to be matched by a written pledge for funding from other donors and/or partners.

Thus the EAC AFT Strategy can access resources from the EIFTF to support the RTP Strategy implementation based on well elaborated justification, including the DTIS.

The AFT will be the key channel for accessing financial resources from within EAC region and from development partners, which will then be channeled into the Trade Development Facility to support implementation of measures and activities specified in the RTP Implementation roadmap. Some of the internal funding sources and development partners'programmes from which funding can be availed for AFT are elaborated below.

7.4 EAC Aid for Trade (AFT) Strategy Funding Sources for TDF Activities

7.4.1 Funding from EAC Partner States

As the primary beneficiaries of TDF funds, EAC Partner States will be expected to contribute part of the required financial resources, which could be availed from the following sources:

a) An agreeable proportion on the value of dutiable imports originating from outside the Community, which could be set initially at 1%; and
b) Loanable funds from International Credit Institutions, which could be facilitated by the EAC Secretariat under guidance by the Council.

7.4.2 The 11th EDFRegional Indicative Programme (RIP) for Eastern Africa, Southern African and Indian Ocean 2014-2020

The 11th RIP funded by EU allocates a total or Euro 85 million for EAC to support. The RIP specifically allocates Euro 45 million for EAC Regional Economic Integration with the overall objective of contributing to inclusive and sustainable economic development through promotion of integrated markets, and development of investment and productive capacities in the region. This overall objective is broken into two main specific objectives:

a) Specific Objective 1: Foster the implementation of the Common Market and Monitoring of the Customs Union and Common Market Protocols. This objective is allocated Euro 10 million. Specific activities relevant to RTP include:supporting full attainment of the Single Customs Territory, regional monitoring and evaluation of the SCT, interconnectivity of Partner States customs systems, change management interventions, amendment of customs laws, and removal of NTBs experienced on the region's transport corridors.
b) Specific Objective 1: Develop EAC industries and private sector, and facilitate regional trade. This objective is allocated Euro 5 million. Specific activities relevant to RTP include: supporting the EAC Industrialization Strategy aimed to stimulate inclusive economic growth and generate high value added products; development of a trade related window aimed to improve Partner States' participation in regional and international trade, compliance with regional and international commitments, and private sector development through increased regional trade flows.

7.4.3 The European Fund for Sustainable Development (EFSD)

The EFSD was launched in September 2016 to support investment in Africa and European Neighbourhood countries. The fund has a total budget of EUR 4.1 billion, to be used to provide guarantees on loans and to leverage EU foreign direct investments in Africa and EU Neighbourhood countries until 2020. The loan guarantees will underwrite loans and other forms of funding or credit enhancement offered by trusted institutions such as development banks to governments and/or private companies in African and EU Neighbourhood countries that intend to invest in development projects. Local or foreign firms including MSMEs[110] may seek support under the fund through trusted institutions, provided they demonstrate that the projects meet a set of public-interest criteria. Potential projects inter alia cover investment grants to companies or governments and technical assistance (for example to cover costs of technical experts).

The EFSD could therefore be used to leverage funds availed by development partners directly into the EAC AFT Strategy, of which the RTP strategy will be part. Such EFSD funding will however be earmarked for the Trade Development Facility, and could principally focus on creating and/or strengthening regional and global value chains for EAC producers, funding of investment upgrades/diversification, enhancing improvement and compliance with quality standards/SPS measures, and facilitating skills upgrades among other firm level specific and trade improvement interventions.

7.4.4 The Market Access Upgrade Program (MARKUP)

MARKUP is a four year EAC regional program (2018-2022) funded from the EU Regional Indicative Programme for EAC under the 11th European Development Fund (EDF). It is implemented by GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development, ITC, United Nations Industrial Development Organization (UNIDO). The programme provides support to SMEs in Burundi, Kenya, Rwanda, Tanzania and Uganda with the aim of increasing exports of specific agri-business and horticulture products (such as cocoa, coffee, spices, tea, avocado, and horticulture),promoting regional integration, and access to the European markets. The total MARKUP budget is Euros 35 Million, broken down into Euros 3.6 Million for each country.

The programme directs its support through 2 windows, namely: EAC window and Partner states window in the following respects.

a) **The EAC Window** supports efforts to increase regional trade and exports to international markets. This includes strengthening EAC Secretariat to facilitate implementation of regional policy and to build an enabling environment for SMEs, focusing in identifying and addressing critical barriers to trade and to maximisingtrade opportunities. Specifically, the window supportsthe following components:
   - Coordination and steering evolvement of an enabling environment for SME operations;
   - Standards and SPS harmonisation;
   - Communication and information needs of SMEs;
   - Advocacy for the removal of trade barriers; and,
   - Capacity development of SMEs.

b) **The Partner States Window**is tailored to the specific SME needs of each Partner State, sector based associations and government institutions,targeting to address supply side constraints and to enhance SME competitiveness. Specifically, the window support**s** the following components:
   - Improving compliance to quality standards;
   - Increasing value addition and export diversification;
   - Improving access to market information; and,
   - Strengthening SME business capacities

7.4.5 Trademark East Africa (TMEA)

[110]Micro, Small and Medium Enterprises

TMEA is a multi-purpose donor funded, not -for-profit Aid for Trade organisation, established in 2010 to support the growth of trade at both regional and international level in In East Africa. TMEA is funded by the development agencies of a number of countries: Belgium, Canada, Denmark, Finland, Netherlands, Norway, UK, and USA. The organisation supports a number of trade and investment related activities through EAC Secretariat, national governments, the private sector and civil society organisations. The first programme phase completed in December 2017 focused in supporting measures aimed to achieve the following key results among others:

a) Reduction of cost and time of corridor transit (Northern and Central Corridors);
b) Reduction of time and cost of clearing import/export transactions at the main EAC Ports of Mombasa and Dar es Salaam;
c) Improved efficiency of import/export transactions through the region's border stations;
d) Better trade infrastructure (mainly at Port Reitz and Ntungamano road);
e) Improve use of ICT to facilitate trade (mainly through establishment of electronic single window systems and improved customs management systems);
f) Improved private sector engagement in trade matters, including participation in identification and implementation of measures to reduce NTBs experienced in the course of trade, improvement in the business environment, Standards Harmonisation, and increased knowledge and application of INCOTERMS.

TMEA is now in its second strategic phase for the period 2017/18 to 2022/23, which seeks to increase trade by unlocking economic potential anchored on: reduced barriers to trade, and improving business competitiveness.

It is to be noted that TMEA is funding the development of the Regional Trade Policy, and is therefore a key potential donor for required TDF, which will principally be used to support technical assistance needs of the RTP implementation process. Some potential areas which TMEA through its Strategy 2 could support include:

a) Facilitating training of producers on implementation and/or compliance with EAC quality standards and SPS measures (as well as consumer driven standards in specific markets such as EU and US).
b) Designing and facilitating implementation of a regionally harmonised system for imports valuation, including training of customs officials and agents.
c) Facilitating application of the proposed EAC regional trade remedies law, incorporating anti-dumping, safeguards, and anti-subsidy measures based on relevant WTO provisions; and harmonised measures to protect the region against mis-declarations/ misclassifications, smuggling, under-invoicing, counterfeit trade, and other trade malpractices; aimed to protect struggling industries against injury from imported products.
d) Development of an appropriate institutional framework to administer the regional trade remedies law in collaboration with the competent national authorities.
e) Development of a regionally harmonised IPR law and regulations based on WTO TRIPS Agreement, aimed to protect intellectual rights of regional creators in the areas

7.4.6 USAID

USAID has been supporting establishment of the EAC Single Customs Territory (SCT) asa key element of fast tracking the operationalising the Customs Union. This support has focused in developing and implementing the SCT framework through studies and updating the SWS policy framework; and establishing SCT operational instruments including revising the Rules of Origin (ROO). Five TWGs have been established to review the partner states' laws and procedures, to propose amendments for harmonizing the laws and procedures, and to spearhead sensitization, and capacity building of stakeholders on the SCT framework and operational procedures[111]. Key SCT framework documents so far supported by USAID include:

a) Customs Strategy (adopted by the EAC Council)
b) Bills and an amendment of the EAC CMA
c) Development of operational instruments to support the SCT
d) Updates on the SCT procedures manual (2014)
e) The SCT monitoring and evaluation tools
f) SCT compliance and enforcement framework
g) Guidelines for deployment/exchange of staff between partner states to facilitate SCT implementation
h) Rights for clearing and forwarding agents to access customs systems of other revenue authorities.

USAID is therefore a potential partner that can be expected to provide continued support to the RTP implementation process, particularly on areas related to increased stakeholders' knowledge about content and measures to enhance increased utilisation of AGOA facility; harmonisation of trade related documents, procedures, and systems (such as customs documentation, quality standards and SPS), duty exemption schemes for export promotion purposes, harmonisation and application of import valuation methods, harmonisation of trade remedies laws, and sensitisation of the public about the usefulness and content of the RTPamong others.

7.4.7 African Development Bank

The AfDB Regional Integration Strategy Paper for Eastern Africa (EA RISP) 2018-2022 articulates strategic priorities and a corresponding indicative operational program for the Bank's support to regional economic integration in Eastern Africa. The Strategy acknowledges that regional integration is critical for expanding the size of EA markets, and that integrating Africa is necessary in order to break down the trade barriers that separate the continent. The Strategy was prepared in the larger context of the Bank's strategic direction and recent regional, continental and global developments; including the adoption of the African Union (AU) Agenda 2063, the Tripartite Free Trade Area (TFTA), and the Continental Free Trade Area (CFTA), with the CFTA aiming to consolidate Africa's market regimes. The Strategy builds on the thrusts and orientation of the previous AfDB RISP (2011-2016) whose strategic pillars were Regional Infrastructure and Capacity Building. While implementing the previous RISP, the Bank has left a strong footprint in terms of financing regional integration in the Region. The completion report (CR) of the previous EA RISP notes that the Bank invested UA1.82 billion on regional operations by December 2016, of which UA1.678 billion supported the regional infrastructure pillar.

In 2015, AfDB adopted a new strategic framework focusing on five (5) priorities- the High-5s, aimed to accelerate the implementation of its Ten Year Strategy (TYS, 2013-22). These pillars are: Light Up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa, and Improve the Quality of Life for the People of Africa. The Bank "Regional Integration Strategic Framework (RISF, 2018-2025)" provides the broader strategic context for the RISP 2018-2022; whose scope of activities are aligned with three RISF pillars, namely: (i) infrastructure connectivity (iii) trade and investment, and (iii) financial integration. The EA RISP focuses on two Pillars, namely (i) Regional Infrastructure Development for competitiveness and transformation and (ii) Strengthening the policy and institutional frameworks for market integration, investment and value chains development. However, the EA RISP will also support all the High-5s, taking into account regional specificities; which implies the Bank will also support access to energy by industrial producers among other energy users. In addition, a new Development and Business Delivery Model (DBDM)

[111] USAID/KEA-support program Annual Reports 2013-2014.

with a corresponding revamped organizational structure will enhance delivery effectiveness of AfDB resources, and also entails strong dialogue with RECs and key regional stakeholders.

The implication of the new AfDB strategic focus as specified in EA RISP is that there is high potential to access need TDF resources to support the RTP strategy implementation in a number of areas elaborated under the TDF functions (refer to section 7.2 above), including:

a) Assisting Partner States to undertake effective trade and investment negotiations with third parties at Tripartite, African continental, and global levels; based on a regionally harmonised approach;
b) Facilitating Partner States to harmonize their trade related laws (including quality standards and SPS measures and related certification processes, imports valuation systems, and competition laws);
c) Facilitating application of a harmonised criteria for qualifying and approving Partner States applications related to stays of application from CET, duty remissions and exemptions; application of safeguards, anti-dumping and countervailing measures; and application of a harmonised approach to addressing under-invoicing, smuggling, and imports mis-declarations.
d) Facilitating Partner States to support their producers/manufacturers to comply with regional and international market access and quality standards;
e) Supporting enterprises to improve their firm level competitiveness[112] for export markets Tripartite regional level, African continental level under the AfCFTA, and global level;
f) Support enterprises to expand and diversify available goods for the Tripartite, African continental, and global level export markets;
g) Supporting enterprises to undertake value addition of available products with export potential.
h) Supporting Partner States to pursue effective industrialization, supply chain logistics (including trade facilitation), and improved business environment as part of the region's enterprise development goals

7.4.8 The World Bank Group

In 2018,the World Bank Group endorsed a new strategy to partner with Sub-Saharan African countries and regional bodies to deepen regional integration. The strategy aims to reposition World Bank Group support to help the continent realize fuller benefits from integration over the period 2018-2023.Titled "supporting Africa's transformation: Regional Integration and Cooperation Assistance Strategy", the strategy will promote economic diversification and strengthening of regional value chains, build sub-regional energy and digital markets, help create productive jobs for the youth, and tackle cross-border health and climate change risks.The World Bank Group's existing commitments for regional integration initiatives in Sub-Saharan Africa are to the tune of over $10 billion, which is set to increase by over $6 billion over the period 2018-2013, focused in financing measures that will assist the continent to address barriers to integration. In addition, the provision of technical assistance and better analytics will help facilitate collective action by countries in priority areas, such as regional integration and infrastructure as the backbone to enhanced intra-African and regional trade. Thus, the World Bank through its current strategy can be relied upon as a key potential partner that will provide TDF resources focusing among others on:

a) Facilitating increased private sector participation in the regional integration agenda.

[112] This includes plant modernization, improvements to management and technical skills, packaging and labelling, and understanding and application of international commerce terms (INTERCOMS) among others.

b) Facilitating expansion of regional markets and the diseconomies of scale which are holding back rapid development of the private sector.
c) Facilitating improved enterprise competitiveness through regional value chains and firm level modernisation (increased access to modern production technologies, improvement of management and technical skills, access to market information, and application of ICT in ecommerce transactions among others)
d) Harmonisation of trade and investment laws and regulations
e) Harmonisation of quality standards
f) Measures to improve the investment and business environment
g) Supporting improvements in physicaland soft infrastructure, particularly roads, energy, communications as a necessary ingredientsto efficient trade promotion.

7.4.9 JICA

The Japanese Government Grant Aid is an important component of Official Development Assistance (ODA) implemented through JICA. For the Eastern and Central African region, on-going grant aid projects are formulated in collaboration with recipient governments' line Ministries/Agencies, taking into cognizance individual country development strategies and plans. Other overarching criteria considered in the process of developing the projects include the universally agreed Millennium Development Goals (MDGs) as well as TICAD IV's Yokohama Action Plan[113]. The projects implemented in the region fall in different categories including roads, bridges, urban and rural water supply, building works on hospitals and equipment supply.

The TICAD IV particularly set out regional integration as one of its key areas of focus for broadening partnership with Africa, in line with African Union’s recognition of the eight African Regional Economic Communities (RECs) as the building blocks of African integration. The Yokohama Action Plan therefore envisages support for capacity building of RECs to plan, finance and execute regional infrastructure investment programs.

TICAD IV will also support plans to address challenges emanating from the overlapping membership of African countries to multiple RECs based on the African Union Minimum Integration Programme (MIP), which embodies programmes, projects and activities which the RECs need to implement to speed up and ensure the successful conclusion of the regional and continental integration process. Notably, TICAD IV will support the COMESA-EAC-SADC Tripartite Integration process to achieve the envisaged market integration, infrastructure development to enhance connectivity and reduce costs of doing business, and Industrial development aimed to address productive capacity constraints.

Additionally, TICAD IV will continue supporting application of harmonized vehicle overload controls and regulations in EAC as part of measures to address infrastructural, institutional, and legal/policy challenges that hamper efficient cross border trade; including related cost implications on cargo transportation especially for the landlocked countries of Burundi, Rwanda and Uganda. This component will entail support to Partner States to domesticate the harmonised vehicle overload controls and regulations into their respective national laws.

7.4.10The Great Lakes Trade Facilitation Project (GLTFP)

GLTFP is a four years project (2017- 2020) funded by the World Bank with a budget of USD 60 Million. The project covers the following 3 COMESA countries and COMESA Secretariat:

[113]Tokyo International Conference for African Development IV (TICAD IV)

i) DRC: allocated USD27 Million
ii) Zambia: allocated USD10 Million
iii) Burundi: allocated USD20 Million
iv) COMESA Secretariat: allocated USD3 Million.

Thus although the project covers only one EAC country, it is part of funding sources which can support the TDF work. The project objective is to enhance the capacity for commerce and improve processes and conditions of cross-border trade at targeted border locations in the Great Lakes Region. The main beneficiaries of the project include small-scale cross-border traders, trade service providers (e.g. transporters, boat operators), market vendors in the border areas, and border agencies officials. The project components are:

i) Component 1: Improving core trade infrastructure and facilities in the border areas (USD 42 million)
ii) Component 2: Implementation of Policy and Procedural Reforms and Capacity Building to
iii) Facilitate Cross Border Trade in Goods and Services (USD 6.5 million)
iv) Component 3: Improving service delivery by agencies at the border/port and citizen engagement
v) (USD4.5 million)
vi) Component 4: Implementation support, Communication, Monitoring and Evaluation (USD 7 million)

7.4.11 UNIDO and ITC Trade related technical assistance

While both UNIDO and ITC do not have financial resources of their own, they can be regarded as important partners in the RTP strategy implementation process, because of the international expertise and experience that they can bring to the EAC region in areas of trade development and sustainable investment attraction. UNIDO[114] is currently a key implementation partner (in addition to GIZ) in the MARKUP programme funded by the European Union. ITC is also an important partner in the MARKUP programme asit is support EAC efforts to improve regional trade and the business environment for selected commodities; including advocating for the removal of sectoral trade barriers as well as strengthening SME export competitiveness and business development. At the country level, ITC will train small enterprises in Burundi and Tanzania on market analysis, quality standard compliance and certification conformity under the MARKUP programme.

7.4.12 Other TDF Funding Sources

Other key sources of fundingwhich could be targeted to provide TDF resources forRTP strategy implementation include investment finance providers. While this channel is not strictly speaking part of AFT financial resources, the investment finance providers could be targeted as part of TDF as they would contribute substantially to building competitiveness of regional enterprises and to prepare them to undertake successful export promotion activities. Known investment finance providers in this regard include:

a) ***Venture capital fund*****s (VCF)**: These are investment funds made by investors who seek private equity stakes in start-ups and SMEs with strong growth potential. The investments made through venture capital are generally characterized as high-risk/high-return opportunities. The VCF pool normally focuses in committing money for an investment in its early-stage, with the VCF investors being designated as limited partners for a defined period of time (typically five years). The decision on which early-stage companies to invest VCF in is based on criteria established by the fund partners, which typically include: (i)

[114] United Nations Industrial Development Organization

Growth and liquidity[115] benchmarks; (ii) Strategic measures such as market position and the distinctness of a company's products or services; and (iii) The strength of the company's management team. Most VCFs typically have an initial active investment period of five years, after which the fund partners can choose to re-invest capital earned through the fund's investments based on performance. At the end of a VCF life, the profits are divided among the limited partners or invested in other potentially profitable businesses. VCFs are typically distinguished by the industrial sector and segment in which funds are invested.

b) ***Business Angles***: These are independent wealthy individuals/ private investors who provides capital for business development. Their main aim is to help entrepreneurial individuals to succeed with a business idea by providing investment capital based on conviction that the business idea is viable. The infusion of such capital often helps a business idea to develop into a viable company with a sustainable base for producing a good or service. The business angel provides money, and is also generally interested in being involved in the project development by acting as a guide or mentor. He/she thus invests his/her time and provides connections to larger business networks (such as potential markets and technical expertise) in order to guide the entrepreneur to operate efficiently and grow the new business venture.

c) ***Investment Foundations***: Investment foundations refer to vehicles or companies set up by philanthropists with the sole purpose of investing in business enterprises. They support establishment of new SME companies (start-ups), and also diversification and expansion of existing SMES up to maturity stage. Under the TDF, particular focus should be in accessing venture capital to select businesses with high growth potential, such as those in agriculture and agri-business, manufacturing, transport, ICT, wholesale, and export/import businesses among others. The foundations will also support entrepreneurs and new business owners in market and technology research, planning and development, as well as establishment of enterprise incubator programmes which aim to facilitate access to technical expertise and plant modernisation through adoption of modern technologies, compliance with quality standards/SPS, and building of knowledge in supply chain logistics.

d) ***International investors***: These investors help to diversify the investment finance portfolio by purchasing various financial instruments like shares and mutual funds. The investor in this case acquires part or full ownership or collaboration in different companies with the aim of maximizing his/her investment returns and/or reducing exposure to various investment risks. By providing financial resources to businesses, this enablesbeneficiary businesses to capitalize on the good performance of their domestic economy and/or comparative advantages in natural resources, labour (low costs and good skills), and supply chain logistics among other factors. Since foreign investors are mostly driven by good macro-economic performance notably in emerging economies, EAC SMEs would particularly benefit from such investment financing sources if they position themselves with requisite information that foreign investors look for as the basis of making investment decisions. The relevant information in this regard includes a country's macro-economic indicators, inventory of potentially available natural resources (e.g. *minerals, endowments in agricultural products, climatic conditions, geographical location relative to access to raw materials/industrial inputs and potential markets, and proximity to sea ports and harbours,*

[115] Liquidity is a company's ability to raise cash when it needs it. The major determinants of a company's liquidity position are (1) ability of the company to convert assets to cash in order to pay current liabilities (short-term liquidity), and (ii) The company's debt capacity, or ability to service current debt load as well as to raise cash through new debt.

etc), existing supply chain logistics and related costs, labour supply and costs, labour laws, evolvement of business and export culture, and general business environment (*taxation regime, business regulations, availability and cost of utilities*), trade policy and regulations, government support (e.g. *provision of security and business support services*), and general ease of doing business[116].

Funding for enterprise development by investment finance providers will be availed based on specific assistance requests, and will be accounted for by EAC as part of TDF resources. Some of the areas which could be funded by the investment finance providersamong others include:

a) Supporting increased access to and application of modern manufacturing/agriculture technologies, focused on specific sectors and products.
b) Facilitating networking with major global brand drivers and retailers, and compliance with market demand requirements (particularly quality standards, SPS measures, packaging and labelling, and product presentation).
c) Supporting enterprises/producers to diversify their potential export products by availing relevant investment capital for value addition
d) Supporting enterprises to expand their export markets through targeted market segmentation and application of penetration strategies.
e) Supporting increased firm level competitiveness and productivity through improvements in management and technical skills, and plant utilisation capacities.
f) Supporting uptake of modern ICT applications used increasingly in ecommerce transactions.

8 PROS AND CONS OF A REGIONAL TRADE POLICY FOR EAC REGION

8.1 Benefits associated with a Regional Trade Policy

The experience of the three mature regional economic groupings (EU, NAFTA and ASEAN) shows that implementation of their regional trade policies based on provisions defined in their singe market policies and regulations has led to substantial benefits, including:

a) Increased growth in exports leads to increased economic growth, employment and poverty reduction, and access to high quality products for consumers. For example in the US, an estimated 39 million jobs depend on trade, while the success of many economic sectors in the country is directly dependent on trade itself. In addition, the U.S. Department of Commerce estimates that exports of manufactured goods directly support more than 6 million U.S. manufacturing jobs, which is roughly half of all manufacturing employment in the country. In addition, American farmers and ranchers also depend on exports, with about 25% of the value of US farm produce being exported per annum, mainly to Canada and Mexico through NAFTA trading arrangements. The same is true for the EU, where an average 31 million European jobs depend on exports, with each additional €1 billion worth of exports estimated to support 14,000 European jobs
b) The provisions enshrined in regional trade policies such as tariff preferences facilitate easier entry into new markets, thus enabling producers to exploit their production potential through expansions and diversification. In the US for example, vast productivity gains have been realised in terms of increased use of automation and information technologies through NAFTA trading arrangements, which have helped US manufacturers to retain and in many cases enhance their global competitiveness, even as the number of Americans employed in manufacturing sector has declined since its peak in 1979.

[116] As evidenced by the World Bank's Ease of Doing Business indicators

c) Trade expansion facilitates increased expansion and diversification of SMEs, which consequently contributes to increased employment creation, reduced incomes inequality and poverty reduction in many countries. In the US for example, 98% of the roughly 300,000 US exporting companies are SMEs, which account for one-third of US merchandise exports, according to the U.S. Department of Commerce. The number of SMEs that export has risen by about three times over the period 2000 to 2018.
d) Trade liberalisation amongst REC members facilitates elimination of technical barriers to trade and an improved business climate for producers
e) Trade liberalisation amongst REC members facilitates easier access to unavailable raw materials by manufacturers and other producers through the formation and/or strengthening of regional value chains.
f) Provisions enshrined in a REC often provides safeguards for designated sensitive agricultural products from external competition, thus enabling countries to: (i) meet their socio-economic and political priorities (such as employment and protection of vulnerable groups), (ii) preserve their cultural priorities, and meet and their food security needs.
g) Trade liberalisation amongst REC members facilitates lowering of consumer prices through lowering of tariffs on imports into an FTA, thus lessening the risk of inflation and allowing countries to keep their interest rates low.
h) Trade expansion facilitates increased Foreign Direct Investment, as demonstrated by the case of NAFTA where intra-NAFTA FDI have increased substantially, thus benefiting key economic sectors like manufacturing, agriculture, insurance and banking to boost their business profits and to increase employment
i) Trade liberalisation enables increased participation by private companies to bid on government contracts, as demonstrated by the case of NAFTA.
j) Trade liberalisation often provides for increased protection of new innovations/inventions by producers (particularly manufacturers), geographic indications and creative artists against infringement by counterfeits, piracy, copies and imitations in trading partner countries, based on effective enforcement of Intellectual Property Rights. Such protection reduces foreign investors' risk by guaranteeing them similar legal rights as local investors.

In addition, a regional trade policy defines trade relationships and collaboration between member counties of a REC and also between members of a REC and third party trading partners which may have concluded FTA arrangements with the REC. Such trade relationships in most cases provide for preferential trading relationships, including tariff liberalisation, elimination of technical barriers to trade and SPS, and elimination of non-tariff barriers among REC members. The preferences in turn enable increased trade between REC members and also between REC members and third countries which have concluded FTAs with the REC. In this regard, various studies cited above[117] on the justification for the EAC Regional Trade Policy demonstrate that numerous benefits would emerge from effective implementation of a Regional Trade Policy. These views were collaborated by stakeholders consulted during the RTP development process. The RTP is in this regard expected to catalyse the following benefits:

a) A regional trade policy defines trading arrangements for members of a REC, particularly preferential tariff arrangements. This catalysis trade growth and facilitates increased firm level return on labour and capital investment at the national level, which is a key determinant of a country's long term economic growth. Thus a regional trade policy directly contributes to a country's ability to increase its trade output and provides a direct path to economic growth (employment creation, poverty alleviation, foreign exchange earnings and/or savings, and

[117](Porter 1990; Mullings and Mahabir 2015; Brucker and Lederman 2012; Chang and Mendy 2012; Baliamoune-Lutz 2011; Thomas Farore 2010; UNCTAD 2013; OECD (2011), World Bank 2010; Farole et al. 2010)

investment growth). The study by Brucker and Lederman (2012) in this respect found that a 1% increase in trade openness in SSA countries for example is associated with GDP growth averaging 0.5% per year. Trade growth particularly drives economic growth by: (i) facilitating efficiency gains through exploitation of comparative advantages; (ii) facilitating improvements in allocation of scarce resources and utilization of excess capacity for sectors and firms; (iii) facilitating dissemination of knowledge from developed to developing countries and between firms thus catalyzing technological progress in the latter beneficiary countries; (iv) generating hard currency necessary to finance imports of capital goods used in manufacturing processes; (v) facilitating production of high quality goods; (vi) enabling consumers to obtain more affordable goods and services from excess to deficit supply regions, thus catalyzing poverty reduction.

b) A regional trade policy drives increased manufactured goods exports, which is directly linked to job creation as evidenced in South Africa[118], where decline in manufacturing sector output directly led to declines in exports and unemployment in early 2000s.

c) Increased trade has positive impacts on national and household savings, firm level productivity, and reduction in consumer prices even for countries that operate below their full employment potential. There is also high possibility of improved consumer welfare arising from reduction in tariffs on intra-regional traded products.

d) A regional trade policy will enable applications of a regionally harmonised approach to intra and extra-FTA trade; leading to improved national trade competitiveness for members of an FTA, which is made possible through: (i) Simplified transactions across borders; (ii) Clear and efficient application of commonly understood trade regulations; (iii) Reduced cost of trade transactions; (iv) Elimination of corruption practices (particularly through application of e-business solutions), and (v) Reduced barriers to trade (Non-Tariff Barriers)

e) A regional free trade area catalysis increased economic growth and firm level productivity, and also enables firm level expansions and diversification; leading to higher production, more dynamic and conducive business climate, increased ability by traders to venture into new markets under a less restrictive framework, and ultimately to larger exports and imports and ability of consumers to access a variety of products.

f) A regional trade policy facilitates lower Government spending. In this regard, many governments subsidize their local industries as part of protection from external completion or in order to promote their ability to penetrate external markets. However, removal of such subsidies releases funds that could be better utilized in other areas, such as in development projects or to meet social priorities like health and education.

g) The regional trade policy will enable streamlining of trade procedures, including procedures for customs clearance, simplified processes for issuance of export-import licenses, and harmonisation of trade regulations. It will also enable strengthening and streamlining of intra-regional trade frameworks, institutions and policies, which will enable the region to harvest immediate and low hanging fruits in form of increased intra-regional trade for available goods and services. Harmonised trade procedures will reduce related approval costs, contribute to easier and more efficient logistics services, and reduce time taken todeliver goods and services across borders.

h) A regional trade policy leads to growth of existing firms and emergence of new firms targeting a regional market. This in turn catalysis attraction of foreign investors and makes trade more lucrative through mass production and application of more efficient production and supply

[118] Study by Roddick; 2006

logistics. While adding onto the capital base of a country, the process also facilitates expansion of local industries through formation and/or strengthening of regional value chains.

i) A regional free trade area facilitates technology and skills transfers by enabling local companies to access technologies from their multinational partners as well as skills exchange, either through regional integrated production systems, joint ventures, sharing and benchmarking arrangements. Regional trade agreements also facilitate increased access to expertise and innovations, where firms with better expertise are able to develop local resources in a partner country they venture into and to train the local skills. Trade facilitation through lending from the partner countries, Investment project financing and technical assistance to the institutions mandated to ensure implementation

j) A regional free trade area boosts predictability of the trading environment, thus facilitating opening and creation of new markets and enabling firms to prioritize inclusive trade integration and lowering of trade costs. This will further lead to increased competitiveness of the EAC region, based on improved market access. The expanded market will further promote the emergency of a competitive regional industry, and specialisation in productions based on competitive advantages in each EAC country (i.e. according to each country's respective endowment of resources (natural resources or skilled workers).

k) The RTP will improve mutual trust between EAC Partner States. In this regard, having harmonized trade related frameworks will strengthen collaboration and mutual trust amongst Partner States provided that the RTP Strategy is fully implemented and the EAC integration process remains primarily citizens centered and private sector driven as envisaged by the EAC Treaty. This will reduce political tensions which has been a key reason for decrease in cross border trade between some EAC countries.

l) The RTP will enhance EAC collective bargaining power with third parties.In this regard, the RTP will commit EAC countries to a common position when negotiating trade and investment treaties with other trading blocs such as COMESA, SADC, AU and EU; and will also commit Partner States to adopt common positions in WTO forums where international trade matters are negotiated and/or discussed. The EAC will also have enhancedvisibility when negotiating programs and/or projects with Development Partners. This will lead to better outcomes based on strong negotiations position by a regional bloc compared to the current situation where individual EAC Partner States negotiate on their own with stronger economies leading to low trade and investment deals. A common approach to trade and interment additionally has higher chances of attracting more Foreign Direct Investment into the region.

m) The RTP will enhance market access and expansion of intra- EAC trade*:* By concluding EAC RTP and implementing it, the barriers to trade including NTBs will be removed through among others harmonised quality standards and certification of products. All Partner States will access the regional market under the same conditions. The framework of the EAC Single Customs Territory will for example ease the entrance of products in targeted regional markets and resolve technical obstacles associated with the movement of goods within the EAC region since the related procedures will be similar whileestablishment of electronic platformsfor clearance of goods will be pursued using a similar approach. This will catalyse intra-EAC trade expansion.

n) The RTP will facilitate economies of scale; which are likely to result from the enlarged market for goods and services. Producers/manufacturers will be able to produce increased volumes, leading to reduction inproduction costs per unit and firms level operating costs, thus further leading to increased competitiveness.

o) The role of SME in increasing the contribution of manufacturing to GDP and exports will become more pronounced if the RTP measures are effectively implemented, particularly through facilitated regional subcontracting of supplies that go into manufacturing of a final product. The EAC industrialisation policy and strategy prioritises this perspective by emphasizing the importance of facilitating evolvement of regional and national supply chains. This will contribute to resolving the many challenges which characterize the SME sector's operations. It is to be noted that all EAC Partner States heavily rely on SMEs to create employment and increased household incomes, and these benefitsare likely to result is the RTP measures are implemented efficiently.

p) The RTP is likely to stimulate regional investment particularly in infrastructures (corridors, ports, and high ways): Based on harmonised investment framework, the EAC region is likely to be more attractive to external investors. The Policy will also advance goal of deepening regional integration and stimulate increased productive capacity, thus increase attractiveness of the EAC region as a trade and investment destination. This will need to be supported through continuous improvement in the climate in order to assure investors of the region's transparency in trade transactions and predictability of the EAC investment and business environment.

q) Increased investment translate tofocused transformation of local resources, thus contributing to increased cross border trade,and dissemination of technology and technical know-how. Advances in technological transfers particularly benefit the manufacturing industry and trade related innovations (including ecommerce platforms).

r) The RTP will lay the ground for promoting and facilitating active cross-border trade in goods and services, including enhancing opportunities for integrated regional value-chains. Specific benefits that will emerge from such value chains include; creating investment opportunities for commodity product bulking, grading, transportation, and economies of scale in commodity trade within the EAC and with third party external markets. The evolvement of regional value-chains will also scale up investment opportunities for value-addition in agro- processing particularly for products that are currently exported in raw form. This will catalyse increased and balanced employment and wealth creation throughout the EAC region.

s) The RTP will address IPRs as part of investment promotion measures, thus spurring innovations in the region, leading to increased production of goods and services for new and existing markets. This will require judicious regulation of the protection of IPRs.

t) The RTP will lead improvement in product certification systems, development of regional standards, strengthened fight against dumping of counterfeited, fake and substandard products; all which will contribute to strengthening capacity of regional producers/manufacturers to produce for regional and global markets. It will also enable the region to address trade remedies using a harmonised approach, minimize unhealthy competition between Partner States, and promote production of safe to use quality products thus leading to better human, animals and animal health; leading to increased productivity for regional producers/manufacturers. Further,

u) Number of customs officers on the borders are likely to decrease: As the establishment of One Stops Border Posts and related Integrated Border Management procedures are harmonised, the number of customs officers required at the border stations is expected to decrease. These will result on budget savings for EAC Governments and staff redeployment in sectors which are understaffed.

v) Significant economy-wide benefits for intra-EAC trade in services: The EAC region will leverage the regional dimension of services based on comparative advantages of each country. Tourism for example will benefit through participating of Partner States tour operators in EAC-wide tourism projects such as the EAC single tourist visa, leading to increased exports earnings.

w) The RTP will serve as a framework for progressive review and improvement of EAC trade policies, legislation and strategies; necessary to advance the region's economic and social development.

8.2 Disadvantages and challenges associated with a Regional Trade Policy

There are several possible challenges that are likely to be encountered during the process of implementing the EAC RTP. These broadly include challenges related to varying macro-economic fundamentals, which subsequently have led to differences in progress of social, economic and political development. Such differences may pose challenges in smooth implementation of the RTP. Other challenges relate to inadequate availability and accessibility of quality human, financial and physical resources needed to effectively and efficiently implement outlined RTP measures at both regional and country levels. There are also likely to be challenges related to understanding and accepting of the RTP by some stakeholders, particularly the business community which may fear threatened by the opening of domestic markets to external competition; and even some of the EAC Governments with weaker economies who may feel threatened by potential revenue losses. Part of the solution to resolving these challenges include the need for Partner States to mobilize sufficient resources to support the RTP implementation from various sources as elaborated under Part 7 of this report, and establishing an appropriate adjustment or compensation mechanism to support the adjustment process particularly for weaker economies and sectors which are likely to be adversely affected by import liberalisation. This approach would encourage such economies to commit to implement full liberalisation measures including opening up their markets as required in a REC. It is also necessary to establish and implement a stakeholders' sensitisation (refer to part 9 below), aimed in facilitating buy-in and efficient implementation of the RTP strategy measures. The key challenges/disadvantages of the RTP are enumerated below.

a) The provision of free movement of labour under a common market or singe market as required in a regional trade policy may lead to increased job outsourcing. In EAC there are already problems associated with the envisaged free movement of labour as provided in the EAC Common Market Protocol. If fully implemented as per current situation where some Partner States' enterprises are not well positioned for free competition in the regional market, this could lead to outsourcing of managerial and technical competences, leading to job losses for weaker economies in the region, resulting to breading of social and disharmony.The risk of the integration process catalyzing job losses for weaker economies of a REC which have may not developed requisite skills is real for Burundi, whose businesses operate experience high operational costs due to low firm level competences, a situation that is made worse by high transportation and logistics costs as a result of the country being landlocked. Consequently, the country's manufacturers are less competitive compared to their peers in the region. The opening up of the country's market to regional manufacturers is likely to catalyse closure of inefficient industries, leading to job losses. Such adverse effects could bring about intra-regional animosity and hostilities.

b) Reducing tariffs on imports allows companies to expand to other countries. Such venturing companies may send specialized labour jobs to the country it is expanding into, which may consequently reduce the recipient country's potential to create skilled labour. At the same time, domestic companies in the recipient country start facing new competition from across borders, and if they don't have capacity to compete, they may be forced to lay off workers. This is true for EAC, where Partner States are currently at diverse stages of economic development, and therefore EAC integration commitments will impact them differently. It is therefore necessary that the varying capacities for adjustment to the integration commitments be thoroughly analysed to ensure effective mitigation measures are identified and implemented to protect the most fragile economies from industry collapse and consequent loss of jobs.

c) Trade liberalisation in a free trade area may end up crowding out domestic industries, especially for economies where production systems have not adopted modern technologies (whether farming or manufacturing). Firms facing increased competition in a liberalized regional market may end up collapsing unless they adopt modern technologies in their production/marketing systems, particularly if such firms have been producing under subsidies prior to liberalisation of the regional market. This leads to higher unemployment, crime and poverty.

d) Reduced tax revenue may result for weaker economies of a regional trading bloc. In addition, inefficient domestic industries are likely to lose their markets shares to the more competitive and efficient regional producers within a REC. This could lead to retaliatory measures by Partner States against each other due to perceived unequal sharing of benefits. The adjustment period for weaker REC members (as in the case of Burundi) therefore needs to be taken into account in order to give time for such economies to identify effective measures to replace lost revenue from reduced import tariffs, import fees and charges before committing themselves fully to the regional integration measures. An appropriate adjustment or compensation mechanism needs to be agreed as part of supporting the adjustment process, aimed to mitigate adverse impacts forweaker economies and sectors which are likely to be affected by import liberalisation before they can commit to implement full liberalisation measures as required in a REC (in the case of EAC, this already applies under the Customs Union and Common Market Protocols and will be further affirmed through the RTP).

e) Theft of Intellectual Property Rights may result especially for weaker economies which have not enacted strict laws to protect patents, inventions and other IPRs. Full liberalisation before enactment of domestic IPR legislation therefore makes such economies vulnerable to stealing of their IPRs by established multinational corporations.

f) Many emerging market economies often do not have strict environmental protection laws, which makes them vulnerable to degradation of their natural resources when exposed to free trade arrangements in an FTA. Free trade often leads to deforestation, strip-mining, pollution, improper dumping and exhaustion of natural resources, rendering their rich resources and lands unproductive in the long term. Pollution often is also associated with increasing health risks and disease burdens.

g) Erosion of native cultures and values is also a potential risk in a regional FTA as development processes move into isolated areas and when people of different cultures start interacting. In addition, regional FTAs has the risk of increasing theft of traditional knowledge and geographic indications, particularly in situations where economies have not developed effective IPR legislation.

h) The weaker economies of a REC/FTA may struggle to measure up and compete on a regional or global scale because of:

   i) Insufficient and/or inadequate systems for transportation and overload control, supply chain logistics, customs clearance, and import/export inspections
   ii) Poor connectivity in telecommunications, financial markets and use of information technology in business transactions
   iii) Complicated regulatory environments that discourage entry of new investments and poor performance of existing businesses
   iv) Anticompetitive behavior by dominant market players that stifle innovation, productivity and market growth.

i) The increasing global trade complexity has serious implications for weaker economies of a REC, which are disproportionately disconnected from global, regional or even local markets. Locational choices of established firms and institutions often favor the developed countries, leading to the weaker economies missing out on opportunities to develop skills and competitive workforces, diversify their production processes, and modernize their trading regulations.

j) There are distributional consequences of increasing trade. While on aggregate, economies gain enormously from increasing trade as regional competition increases and many good jobs are created in export sectors, workers' wages in import-competing industries may suffer or some workers may lose their jobs.

k) There are potential conflicts between the regional policy and the national policies, particularly because national priorities (employment, export growth, priority sectors, poverty alleviation, government revenue, environmental protection, and protection of cultures) may not always match with regional priorities. Weaker economies of a REC particularly suffer more after liberalisation because their national priorities risk being overshadowed by regional priorities. Striking a balance between regional and national priorities therefore needs to be carefully considered before economies in a REC give full commitment to economic liberalisation as provided for in a common market policy. A window for adjustment of domestic firms (through safeguard measures) should thus be a prime requirement in a regional trade policy.

l) Some countries may divert from implementing regionally agreed decisions (e.g. US with respect to NAFTA trade commitments), or exit the REC altogether (e.g. Brexit in the case of Britain exit from EU), leading to trade wars, disruption of regional value chains which may have been established based on the REC preferential trade arrangements, unemployment, and even collapse of once profitable business ventures.

m) Weaker economies in a REC may not get their full interests and needs reflected in harmonised areas like standards, certification process, harmonised trade procedures for effective integration, and negotiation of trade/investment treaties and/or agreements within the REC and with third parties. In addition, since the RTP will adopt a common regional approach, individual Partner States' trading peculiarities are likely to be submerged, which may have negative effects on cohesion. The weaker economies in a REC therefore need to be supported to build technical capacity for effective identification of needs, interests and trading peculiarities; which need to be reflected in the harmonisation and negotiations process.

n) Resistance to change: Embracing change always takes time and requires huge efforts to bring on board all the relevant actors. The EAC RTP strategy implementation process is likely to encounter such resistance from some of the actors (such as the business community who may fear increased external competition), yet such actors are important to adoption and effective implementation of outlined integration measures. This entails the need to an effective outreach programme that creates awareness about the RTP long term benefits in order to buy-in all stakeholders into the implementation process

o) There could be difficulties in coordinating the implementation process due to the centralized nature of EAC Secretariat. Also, the fact that the EAC Secretariat does not have full enforcement powers makes coordination of the RTP implementation quite challenging. The relevant institutions in the respective Partner States will therefore have to be relied upon to coordinate all RTP outlined measures by domesticating the RTP into Partner States laws, establishing RTP focal points in each Partner State, and defining the mandate and legal powers of such focal points at national level. In addition, the EAC Secretariat needs to designate a focal point within the Directorate of Customs and Trade to coordinate implementation of regional level measures.

p) If Partner States for any reason fail to agree on harmonisation of trade policies and strategies for negotiating trade and investment agreements and/or treaties with third countries, the region could end up more divided as past experiences have shown with the breakup of the former EAC; where divergence in approaches to various policy issues and socio-economic priorities led to serious breakdown of political relationships.

q) The EAC RTP will require substantial financial and technical resources to ensure effective implementation of the outlined measures with guaranteed results. However, Partner States have limited resources at both the regional and national levels to support the RTP strategy implementation. This entails the need to fully utilize the TDF window of the EAC AfT Strategy toensure sufficient resources are mobilized to support implementation of all outlined RTP strategy measures.

9 RTP OUTREACH PROGRAMME

9.1 Overview of the RTP outreach programme

It is important to establish a sustainable outreach programme for the RTP aimed to create awareness and knowledge, endorsement and buy-in amongst stakeholders on the importance of a harmonised approach to trade promotion, trade and investment relationships between the EAC Partner States and third parties, identification of trade and investment opportunities, and resolution of common trade and investment related challenges that face or are likely to face the region. The outreach programme will target key EAC trade and investment related stakeholders including East African Legislative Assembly (EALA), Partner States MDAs[119] mandated to deal with in trade and investment matters, National Parliaments, private sector, civil society organizations, the academia, politicians and the general public.

9.2 Key Priorities of the RTP Outreach Programme

The key priorities to be incorporated in the RTP outreach programme include a communication strategy, media engagement and advertisements aimed to create RTP visibility, stakeholders' sensitisation and education activities, sponsorship of outreach events. It will be very important to sensitize key decision makers.

9.3 Vision of the RTP Outreach Program

The Vision of the RTP outreach program is mutual understanding on the principles and priorities of the RTP amongst stakeholders who participate and are interested in the EAC trade and investment agenda. This will facilitate effective identification of opportunities and challenges implementing the EAC RTP, necessary to enable Partner States and national/regional businesses to take maximum advantage of potential benefits associated with the RTP implementation process.

9.4 Goal and Objectives of the RTP Outreach Program

In line with the principles of the EAC integration agenda as provided in the EAC Treaty, the Community envisages a people-centered and private sector driven approach to widening and deepening the integration agenda. The RTP outreach program is therefore expected to increase awareness among the East African population about the goal, objectives, potential benefits, and progress of implementing outlined RTP measures. This will enable increased EAC citizens' participation and interest in supporting the RTP implementation measures.

The ***Long Term Goal***of the RTP outreach programme is therefore to ensure the RTP is widely known, accepted and successfully implemented through national and regional level measures. On the other hand, the ***Specific Objectives***of the RTP outreach program are to:

[119] Ministries, Departments and Agencies

a) Continuously update the EAC trade and investment related stakeholders and the wider public about the potential benefits that are likely to emerge from implementation of a harmonised regional trade policy,
b) Ensure the EAC trade and investment related stakeholders fully understand the challenges associated with the RTP implementation process so as to buy-in their interest, participation and contributions to resolving such challenges,
c) Ensure the EAC trade and investment related stakeholders are periodically updated on progress of implementing outlined RTP measures and impacts created at the regional and national level of Partner States.

9.5 Priority Messages for the Outreach Programme

Key messages that will help to increase the knowledge about the EAC Regional Trade Policy in order for stakeholders to support the implementation process and facilitate exploitation of potential benefits that will emerge from the integration process include:

a) The meaning, contents, implications/relevance, and challenges of RTP for each country
b) The product diversification potentials for export markets
c) Export market expansion potentials for EAC producers
d) Potential regional value chains for EAC economic sectors and products
e) Required quality standards of products exported
f) Required SPS and public health measures for exporting food and agricultural products
g) The content and benefits of protecting Intellectual Property Rights
h) Existing Non-Tariff Barriers for cross border trade in specific products and progress with elimination
i) The dangers of trading in counterfeited and pirated goods for consumers, the economy and domestic enterprises
j) Education/ capacity building and sensitization activities and programmes outlined under the RTP implementation process
k) The RTP institutional coordination mechanism
l) Advocacy
m) Sponsorships for RTP events

9.6 The Outreach Programme Communication Medium

The outreach programme will incorporate feasible and cost effective communication media, including traditional media outlets such as newspapers, radios, television, business publications, workshops, and seminars; and the modern communication channels that include social media handles, sms, internet windows,and emails. All forms of communication will target the EAC trade and investment related stakeholders. Specifically, channels of communication will include:

a) A dedicated window of the EAC Regional Trade Policy in the EAC Website and selected websites in EAC Partner States (Government, National Investment Promotion Agencies, National Exports Promotion Agencies, business membership associations (BMOs), and links with key international websites including those of development partners).
b) A face book page (plus other social media)
c) Use of classic email communication on need basis with RTP stakeholders
d) Posters, brochures and booklets, and distribution of publicity T-shirts amongst stakeholders' organizations (EALA, MDAs, National Parliaments, BMOs, Civil Society organizations and the Academia.
e) Group workshops and seminars where invited guests/ specialists and beneficiaries discuss subjects relevant to EAC trade and investment integration agenda
f) Period talk shows through EAC TV and radio stations on topical issues related to EAC economic integration agenda

g) Periodic articles in EAC newspapers on subjects relevant to EAC trade and investment related integration agenda
h) Periodically scheduled internal communication within MDAs through
    i) Regular meetings with the RTP monitoring team coordinated by the Ministries in charge of EAC Affairs with technical assistance by Ministry of Trade in each Partner State; and comprising MDAs, BMOs, civil society and academia
    ii) Regional EAC RTP monitoring meetings comprising: Directorate of Customs and Trade; Sectoral Committee on Trade, Industry, Finance and Investment; and EALA -Committee on Communication, Trade and Investment (CCTI); aimed to enhance high level involvement in the RTP implementation process.
    iii) Intranet for internal communications within EAC Secretariat and with Partner States MDAs and BMOs;

For efficient communication with stakeholders, all Partner State should prioritise good internet connection amongst MDAs and BMOs among key stakeholders in the RTP implementation process so that urgent messages are communicated on timely basis, for example regarding invitations to meetings and sharing of RTP implementation progress reports.

9.7 Outreach Programme Implementation Responsibilities

Two levels of applying the outreach programme are foreseen which will ensure effective communication with stakeholders, namely:

a) Communication through EAC Secretariat: The EAC Secretariat as the executive arm of the EAC will take the overall responsibility of coordination and implementation of the programme; including planning for all communication activities

b) Communications through designated Partner States' Focal Points, namely the Ministries in charge of EAC Affairs. The EAC Ministries will coordinate with technical support by Ministry in charge of Trade in each country will be responsible for national level communication with key RTP stakeholders to ensure important messages are disseminated on timely basis.

Foran effective communication process, the EAC Secretariat will produce standard materials to be used in the outreach program by each Partner State; such as booklets, brochures, fliers, TV/radio messages, and workshops/seminars dissemination materials. Trained trainers from the private sector, academic institutions, and trade experts will be co-opted to conduct scheduled workshops and seminars where matters related to the RTP will be discussed.

9.8 Sources of Funding for the Outreach Programme

The Trade Development Facility which has been proposed as the main channel for mobilizing resources to support the RTP implementation will be among the main source of funding for the outreach programme. Other sources include Partner State contributions and media houses, which could host relevant RTP programmes on EAC trade and investment integration agenda as part of their regular talk show programmes.

10 PROPOSED REGIONAL TRADE POLICY STRATEGY

Based on the priorities elaborated under the identified EAC economic integration pillars, the principles adopted bySCTIFI in February 2016, and review of trade and investment related policy documents and stakeholders' consultations between September 2019 and February 2020, the RTP strategy specifies:

i) The RTP strategy vision, mission, overall goal, and strategic objectives;
ii) An implementation roadmap which outlines priority interventions/activities to be accomplished in the short, medium and long term
iii) RTP implementation responsibilities by national and regional institutions/organs

iv) Means of verifying that implementation of outlined interventions is on course; and
v) Modalities of financing the strategy implementation process, particularly through the Trade Development Facility.

10.1 THE RTP VISION

The RTP Vision is an integrated and competitive regional economy with a harmonized approach to external trade promotion and investmentattraction for mutual benefit of all Partner States;based on exportation of valued added and diversified products and services to new and traditional markets, and balanced inward investment attraction into the EAC region.

10.2 THE RTP MISSION

The Mission of the RTP is to facilitate application of an EAC common approach to trade and investment promotion in order to increase trade and investment competitiveness and value added production for export markets; aimed to create balanced wealth and employment and to improve quality of life of the people of East Africa.

10.3 THE RTP GOAL

The long term goal of the RTP is toachieve sustainable and inclusive economic growth and trade competitiveness for all Partner States, driven by high levels of growth in trade and investment activities, and production of competitive goods and services; so as to create decent jobs and incomes, reduced poverty, and high standards of living for EAC citizens.

10.4 THE RTP STRATEGIC OBJECTIVES

Four RTP Strategic Objectives have been identified to facilitate effective implementation of the RTP Strategy, namely:

i) **Strategic Objective 1:** EAC Common Market aspirations reinforced through compatible external trade policies and regulations applied by EAC Partner States in trade and investment negotiations with third parties (Tripartite, African continental[120] and global levels[121]); thus ensuring enhanced market access for EAC originating goods and services, enhanced EAC bargaining power, and enhanced trade integration in the African and global economy.

ii) **Strategic Objective 2**: Facilitate Partner States to achieve balanced cross border trade and investment based on harmonised national trade and investment policies, laws and regulations into a regional framework; aimed to promote regional value chains and value added production of available raw materials and natural resources.

iii) **Strategic Objective 3**: Facilitate strengthening of enterprise competitiveness and value added production of goods and services by buildingsynergies between sector-based policies and trade policy reforms and provision of targeted market information for trading at EAC, Tripartite, AfCFTA and global levels; aimed to achieve maximum exploitation of inclusive trade opportunities at regional, continental and global levels; and efficiency in implementation of farm and firm level interventions (including interventions targeting agro-processing/agri-business, protection of IPRs; elimination of NTBs; and mainstreaming of MSMEs in regional and global trade).

iv) **Strategic Objective 4**: Facilitatestrengthening of institutional mechanisms for collaboration and coordination between authorities and agencies responsible for trade and investment development functions to enable implementation of all RTP Intervention Measures.

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[120] Through the AfCFTA
[121] Notably during negotiations in WTO forums, EPA with EU, and AGOA with US

10.5 PROBLEMS TO BE ADDRESSED AND REQUSITE INTERVENTIONS TO ACHIEVE RTP STRATEGIC OBJECTIVES

In order to address the impediments which hinder the capacityPartner States to increase their trade performance on goods and services as elaborated under Part 2.5.4 to this report, key interventions and related actions have been identified as detailed in the RTP Implementation Roadmap covering the period 2020 to 2030, and which forms an integral attachment to the RTP.A summary of the main problems to be addressed and the broadly defined intervention measures to facilitate achievement of each of the four RTP Strategic Objectives are summarised in tables 24 to 27 below.

STRATEGIC OBJECTIVE 1: *EAC Common Market aspirations reinforced through compatible external trade policies and regulations applied by EAC Partner States in trade and investment negotiations with third parties (Tripartite, African continental*[122] *and global levels*[123]*); thus ensuring enhanced market access for EAC originating goods and services, enhanced EAC bargaining power, and enhanced trade integration in the African and global economy*.

Table 24: Main problem to be addressed and key intervention measures to achieve Strategic Objective 1

Problem Statement	Intervention Measures
Overlapping membership to multiple RECs with different FTA provisions, resulting to potential risk of diluting Customs Union and Common market provisions on market access for goods and services	Harmonise Partner States approach to trade and investment related negotiations at Tripartite FTA, AfCFTA, bilateral, and multilateral levels through a legal frameworkto ensure balanced market access for trade in goods and services, and foreign direct investment.
	Implement measures to address overlapping membership of EAC Partner States to various African based RECs; and specify collaboration modalities between EAC Common Market) and other third party trading partners (incl. Tripartite, AfCFTA, and global FTAs)

STRATEGIC OBJECTIVE 2: *To achieve balanced cross border trade and investment amongst Partner States based on harmonised national trade and investment policies, laws and regulations into a regional framework; aimed to promote regional value chains and value added production of available raw materials and natural resources*.

Table 25: Main problem to be addressed and key intervention measures to achieve Strategic Objective 2

Problem Statement	Intervention Measures
i) Low export earnings due to concentration of exports on a small basket of traditional products with minimal value addition; and continued focus on traditional markets. ii) Increased competition by EAC countries on similar goods targeting the EAC and COMESA/SADC regional markets; leading to	Implement measures to increase intra-EAC and extra EAC trade in value added goods; driven by adoption of modern processing technologies, diversification of the export basket, expansion of potential markets (at Tripartite, AfCFTA, and global levels), and elimination of NTBs and trade wars experienced on EAC cross border trade

[122] Through the AfCFTA
[123] Notably during negotiations in WTO forums, EPA with EU, and AGOA with US

Problem Statement	Intervention Measures
export declines in the regional markets for some Partner States. iii) Persistent trade wars between Partner States on goods and services traded across borders, and continued imposition of NTBs on EAC cross border trade contrary to rights and obligations provided for under the Customs Union and Common Market Protocols iv) Constant applications for SOA, duty remissions and exemptions from CET which discourage formation and/or strengthening of regional value chains.	Implement a harmonized EAC approach on application of CET to preserve Customs Union provisions; based on the principles agreed by the Council in its 34th meeting of June 2019 Implement harmonised approach to intra-EAC trade in services as part of fast-tracking implementation of the Common Market aspirations on free movement of services
i) Poor business and investment environment characterised by trade malpractices (dumped, counterfeited, uncustomed, mis-declared, under-invoiced, under-valued goods). ii) Poor coordination between EAC government agencies and TSIs[124] responsible for inspecting and approving import/export transactions, coupled with insufficient financial and technical capacity of the agencies to perform their functions efficiently; leading to alleged "illegal imports originating from China and India".	Use the WTO provisions on anti-dumping, subsidies and countervailing measures to develop EAC Trade Remedies Law; aimed to protect EAC domestic/ regional industries against unfair competition from imports and other trade malpractices (including trade in counterfeits, under invoicing, mis-declarations, and smuggling of uncustomed goods)
Infringement of intellectual property rights of creators/innovators of goods and services, leading to unfair competition with counterfeits while discouraging creators to venture into production of innovative products and services with trade potential.	Use provisions of WTO TRIPs[125] Agreement to develop a harmonised EAC law to protect Intellectual Property Rights holders from infringement of their creations and to encourage cross border trade in innovative products and service offers.
i) Insufficient knowledge by business and exporters on content of trade and market access preferences provided under regional, bilateral and multilateral trade agreements; necessary to facilitate access to regional and global markets. ii) Insufficient knowledge about global economic and financial trends that impact on ability to undertake competitive trade transactions	i) Design and implement a capacity building program for public and private sector TSIs[126] aimed to offer advisory services to producers and exporters on how to apply trade facilitation measures (such as the SWS[127], OSBP/IBM[128], harmonised customs declarations and valuation; SCT[129] provisions, international quality standards and SPS measures. ii) Design and implement a programme to facilitate producers and exporters to build knowledge on bulking of produce for exports, formation of networking relationships with bulk buyers, and how to apply INCOTERMS[130] in international trade transactions.

[124] Trade Support Institutions
[125] Agreement on Trade-Related Aspects of Intellectual Property Rights
[126] Trade Support Institutions
[127] Single Window System
[128] One Stop Border Posts and related Integrated Border Management procedures
[129] Single Customs Territory
[130] The International Commerce Trade Terms (INCOTERMS). Knowledge on proper application of INCOTERMS is an absolute requirement for firms venturing into exports, because the terms define trading rules and delivery terms for goods

Problem Statement	Intervention Measures
Poor knowledge about standards, SPS and public health measures required in order to undertake intra- EAC trade	Harmonise and apply SPS and public health measures on foods and horticultural produce traded by EAC countries at EAC, Tripartite FTA, AfCFTA and global markets in line with CADDP

STRATEGIC OBJECTIVE 3: *Facilitate* ***s****trengthened enterprise competitiveness and value added production of goods and services by building synergies between sector-based policies and trade policy reforms and provision of targeted market information for trading at EAC, Tripartite, AfCFTA and global levels; aimed to achieve increased in EAC, maximum exploitation of inclusive trade opportunities at regional, continental and global levels; and efficiency in implementation of farm and firm level interventions (including interventions targeting agro-processing/agri-business, protection of IPRs; elimination of NTBs; and mainstreaming of MSMEs in regional and global trade).*

Table 26: Main problem to be addressed and key intervention measures to achieve Strategic Objective 3

<table>
<tr><th>Problem Statement</th><th colspan="2">Intervention Measures</th></tr>
<tr><td>Lack of effective measures to support growth of competitive EAC businesses which can withstand competition from imports (including MSMEs[131])</td><td colspan="2">Implement intervention measures to improve industrial competitiveness and private sector environment as part of efforts to increase Partner States' trade performance at intra-EAC, Tripartite, AfCFTA, and global levels</td></tr>
<tr><td rowspan="2">Poor implementation of export promotion strategies amongst Partner States.</td><td colspan="2">Implement priority export strategy and investment promotion interventions in line with EAC Export Promotion Strategy (2013-2016); aimed to:
i) Promote production of diversified high value exports from EAC
ii) Enhance market entry and market access
iii) Streamline export business environment among Partner States
Strengthen capacity institutions involved in export promotion</td></tr>
<tr><td colspan="2">Harmonise EAC Export Processing Zones (EPZ), SEZ and Free Zones schemes as provided in Customs Union Protocol</td></tr>
<tr><td>Insufficient capacity of public and private sector TSIs to implement sector based strategies for growth and/or strengthening of potential regional value chains</td><td>Design and implement strategy for growth and/or strengthening of the eight regional value chains agreed</td><td>Design a grains and cereals sector strategy and implement relevant measures in close consultation with EACG[133]</td></tr>
</table>

traded across borders. Seller and buyers need to agree on details of a sale in order to prevent future misunderstandings and/or legal disputes related to a trade transaction. INCOTERMS also define responsibilities on cost of transporting goods, insurance, taxes or duties, pick up points, destinations, and responsibility for the goods at each stage. There are 11 INCOTERMS used in international trade transactions in this regard, and when each is applied in commercial invoice, it becomes a binding agreement on purchase and shipping of goods internationally, documentation required for the transaction, and the responsibilities of the seller and the buyer during movement of goods from the seller's premises until formal receipt by the buyer. A small misunderstanding on which INCOTERM to apply can therefore have a major impact on all aspects of a commercial invoice.

[131] Micro, Small and Medium Enterprises

[133] East Africa Grains Council

Problem Statement	Intervention Measures	
	by Council in its 34th meeting of June 2019; starting with piloting of grains and cereals sector, CTA[132] value chain, and leather and leather goods value chain.	Implement measures outlined in EAC CTA Strategy (2019-2029)
		Implement measures outlined in EAC Leather and Leather Products Strategy (2019-2029)

STRATEGIC OBJECTIVE 4: *To achieve strengthened institutional mechanisms for collaboration and coordination between authorities and agencies responsible for trade and investment development functions to facilitate implementation of all RTP Intervention Measures*.

Table 27: Main problem to be addressed and key intervention measures to achieve Strategic Objective 4

Problem Statement	Intervention Measures
Lack of a sustainable outreach program to raise awareness and knowledge about benefits and challenges associated with regional and international economic integration.	Design appropriate mitigation measures to ensure potential challenges associated with implementation of RTP are efficiently and sufficiently addressed in order to create buy-in amongst public and private sector stakeholders.
	Implement an outreach programme to sensitize RTP stakeholders[134] about the potential benefits of implementing the RTP for purpose of buy-in and exploitation of potential trade and investment opportunities
Insufficient capacity in public sector institutions to coordinate implementation and monitoring of regional and international economic integration programmes and relevant measures	Establish regional and national RTP focal points and institutional framework with requisite financial and technical resources to support efficient implementation of RTP strategy interventions at regional and national levels
	Develop and implement an RTP monitoring framework to facilitate periodic tracking of RTP measures implementation progress in and results achieved, and to enable dissemination of progress results to stakeholders

10.6 RESPONSIBILITIES FOR RTP STRATEGY IMPLEMENTATION

To ensure effective implementation of outlined RTP strategy measures, an appropriate institutional coordination mechanism will be established incorporating a Regional Focal Point and National Focal Points without violating the key provisions and spirit of the EAC Treaty. This coordination mechanism will be built on the existing structures and frameworks at regional and national level, and will be responsible foroverseeing efficient implementation of RTP interventions at two levels, namely:

10.6.1 Regional Level Responsibilities (Regional Focal Point)

[132] EAC Cotton-Textile-Apparel Strategy

[134] RTP stakeholders include EALA, Government Ministries, Departments and Agencies; National Parliaments, Private Sector, Civil Society organizations, and the Academia.

a) Coordinatingparticipation of regional stakeholders during RTP implementation and Buildingtrade capacities of regional stakeholders (such as EALA and EABC).
b) Coordinating mobilization of TDF financial and technical resources to support implementation of RTP strategy measures.
c) Identifying and following up progress in addressing critical regional-level supply-side constraints (such as corridor development and cross border access to energy).
d) Coordinating EAC engagements in multilateral level trade and investment related negotiations and discussions (including WTO, EPA, and AGOA).
e) Coordinating establishment and functioning of the proposed EAC Tariff Board whose responsibilities will incorporate administration of a criteria for qualifying and approving stays of applications, duty remissions and exemptions from the CET; application of safeguards, anti-dumping and countervailing measures; and application of a harmonised imports valuation system that eliminates the need to lengthy and costly verifications prior to approving free duty provisions for EAC originating goods.
f) Coordinating implementation of the RTP regional outreach programme activities; and building regional networking platforms for purpose of disseminating information about existing/potential business opportunities, regional value chains; trade regulations in target export markets, and building linkages between producers and bulk buyers.
g) Monitoring progress of implementing RTP strategy measures by regional level organs (such as EALA with respect to formulation of regional laws) and reporting to the RTP regional monitoring meetings[135]; aimed to enhance efficient coordination of the RTP implementation process.

10.6.2 National Level Responsibilities (National Focal Points)

a) Coordinating participation of national stakeholders in RTP implementation
b) Building trade capacities of relevant stakeholders (including MDAs, private sector/BMOs, and civil society organisations)
c) Identifying and following up progress in addressing critical supply-side constraints (roads, rail, access to energy, ICT, and other utilities like water)
d) Engaging relevant development partners who support national-level trade and development programmes/projects
e) Coordinating establishment and efficient functioning of the proposed National Tariff Boards, whose responsibilities will incorporate administeringthe criteria for qualifying and approving SOA, duty remissions and exemptions from the CET; safeguards, anti-dumping and countervailing measures; and application of a harmonised imports valuation system.
f) Coordinating implementation of the RTP national outreach programme activities
g) Monitoring progress of implementing RTP strategy measures by MDAs, and reporting to the RTP regional monitoring meetings[136].

[135] The RTP regional monitoring meetings are foreseen to comprise Directorate of Customs and Trade; Sectoral Committee on Trade, Industry, Finance and Investment; and EALA -Committee on Communication, Trade and Investment (CCTI); aimed to enhance high level involvement in the RTP implementation process.

[136] The RTP national monitoring meetings are foreseen to comprise Ministries of EAC Affairs (as coordinator), Ministry of Trade (for technical assistance), technical/sectoral MDAs (Ministries of Transport, Agriculture, Health, Tourism, Fisheries and Foreign Affairs; Revenue Authorities (mainly Customs, Bureaus of Standards, SPS bodies, Port/Border Public Health agencies, Port/Border police, etc), BMOs (manufactures associations, clearing and freight forwarding associations, shippers associations, transporters associations, MSME associations, etc); civil society and academia

PROPOSED EAC REGIONAL TRADE POLICY STRATEGY IMPLEMENTATION ROADMAP (2020-2030)

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
OVERALL RTP GOAL **Sustainable and inclusive economic growth and trade competitiveness for all Partner States, driven by high levels of growth in trade and investment activities, and production of competitive goods and services; so as to create decent jobs and incomes, reduced poverty, and high standards of living for EAC citizens**					
Unbalanced gains from intra-EAC trade by Partner States characterised by low trade and investment growth, and poor trade and investment competitiveness.	Implement priority measures outlined under the four RTP Strategic Objectives aimed to facilitate achievement of the RTP Goal; namely sustainable and inclusive economic growth and trade competitivenessfor all Partner States	Implement all outlined RTP strategy interventions aimed to achieve the following strategic objectives: **a) Strategic Objective 1** EAC Common Market aspirations reinforced through compatible external trade policies and regulations applied by EAC Partner States in trade and investment negotiations with third parties (Tripartite, African continental[138] and global levels[139]); thus ensuring enhanced market access for EAC originating goods and services, enhanced EAC bargaining power, and enhanced trade integration in the African and global economy. **b) Strategic Objective 2** Balanced cross border trade and investment amongst Partner States based on harmonisation of national trade and investment policies, laws and regulations into a regional framework; aimed to promote regional value chains and value added production of available raw materials and natural resources. **c) Strategic Objective 3** Strengthened enterprise competitiveness and value added production of goods and services by buildingsynergies between sector-based policies and trade policy reforms and provision of targeted market information for trading at EAC, Tripartite, AfCFTA and global levels; aimed to achieve increased in EAC, maximum exploitation of inclusive trade opportunities at regional,	EAC Secretariat with coordination by Directorate of Customs and Trade National Focal Points (Ministries of EAC Affairs with technical assistance by Ministries of Trade and other competent MDAs[140]	EAC Secretariat annual reports on trade and investment EAC Secretariat bi-annual RTP Progress reports	Short to Long Term

[137]Implementation Timeframe: Short term = 1-2 years; Medium term = 2-5 years; Long term = 5-10 years
[138] Through the AfCFTA
[139] Notably during negotiations in WTO forums, EPA with EU, and AGOA with US
[140] Government Ministries, Departments and Agencies

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		continental and global levels; and efficiency in implementation of firm level interventions (including interventions targeting agro-processing/agri-business, protection of IPRs; elimination of NTBs; and mainstreaming of MSMEs in regional and global trade). **d) Strategic Objective 4** Strengthened institutional mechanisms for collaboration and coordination between authorities and agencies responsible for trade and investment development functions to facilitate implementation of all RTP Intervention Measures.			
STRATEGIC OBJECTIVE 1 ReinforceEAC Common Market aspirations through compatible external trade policies and regulations applied by EAC Partner States during trade and investment negotiations with third parties (Tripartite, African AfCFTA[141], bilateral and multilateral level negotiations[142]); thus ensuring enhanced market access for EAC originating goods and services, enhanced EAC bargaining power, and enhanced trade integration in the African and global economy through market expansion and product diversification					
Overlapping membership to multiple RECs with different FTA provisions, resulting to potential risk of diluting Customs	Harmonise Partner States approach to trade and investment related negotiations at Tripartite FTA, AfCFTA, bilateral, and multilateral levels through a legal frameworkto ensure balanced market access for	a) Develop and implement a phased tariff elimination plan on intra-EAC trade in goods as provided in the Customs Union Protocol, while complying with WTO GATT[143] provisions, particularly MFN[144] and NTR[145] provisions; and commitments under WTO tariff bindings (i.e. commitments on tariff ceilings for specified products). b) Provide a realistic period to achieve tariffs elimination commitments for weaker EAC economies based on sufficient	EAC Secretariat with coordination by Directorate of Customs and Trade National Focal Points	EAC Secretariat annual reports on trade and investment EAC	Short Term

[141] Through the AfCFTA

[142] Notably during negotiations in WTO forums, EPA with EU, and AGOA with US

[143] WTO General Agreement on Tariffs and Trade

[144] The WTO “Most-Favoured-Nation” (“MFN”) treatment rule requires WTO Members to accord the most favourable tariff and regulatory treatment to products of other WTO Member at the time of import or export of “like products”. Under the rule, if a WTO Member A agrees during trade negotiations with country B to reduce the tariff on a specified product, this same “tariff rate” must also be applied on imports from all other WTO Members. In other words, if a country gives favourable tariff treatment to one country, it must give the same treatment to all WTO Members. Developing countries who are members of a REC are however exempted from the rule.

[145] The WTO National treatment rule (GATT Article III) stands alongside MFN treatment as one of the central principles of the WTO Agreements. Under the rule, WTO Members must not accord discriminatory treatment between imports and “like” domestic products (with the exception of the imposition of tariffs, which is a border measure). The rule prevents countries from taking discriminatory measures on imports and from offsetting the effects of tariffs through non-tariff measures.

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
Union and Common market provisions on market access for goods and services	trade in goods and services, and foreign direct investment for all Partner States	justification. c) Establish an efficient classification system of products traded in EAC under the CET[146]lines as per WCO HS[147] tariff coding. d) Enhance institutional capacity to fully implement the CMA and CET structures and facilitate application of terminal safeguard measures aimed to make struggling industries sustainable in the long term.	(Ministries of EAC Affairs with technical assistance by Revenue Authorities (Customs Departments	Secretariat bi-annual RTP Progress reports National Focal Points bi-annual RTP Progress reports	
	Implement measures to address overlapping membership of EAC Partner States to various African based RECs; and specify collaboration modalities between EAC Common Market) and other third party trading partners (incl. Tripartite, AfCFTA, and global FTAs); aimed to prevent future challenges emerging on free movement of goods (including preferential tariffs and rules of origin that an individual EAC Partner State should apply on imports from third parties)	a) Design and implement EAC approach for negotiations with third parties on trade and investment related matters; based on harmonized laws and regulations on trade remedies, productstandards andtechnical regulations, SPS, testing systems and certification procedures, quality assurance and conformity procedures; ROO, and customs documentation and declaration procedures. b) Adopt use of harmonised trade and transport facilitation systems in EAC cross border trade. c) Implement harmonised governance systems on inter-regional cooperation under Tripartite FTAbased on a coordination mechanism whose goal should be to improve decision-making powers,and legal and institutional frameworks for enforcing compliance with cross border trade rules and procedures. The coordination mechanism should comprise: Tripartite Summit of the Heads of State; Tripartite Council of Ministers; Tripartite Sectoral Ministerial Committee on Trade, Finance, Customs, Economic Matters and Home/Internal Affairs; Tripartite Sectoral Committees on infrastructure, legal affairs, and any other Ministerial Committees that the EAC Council may establish.	EAC Secretariat with coordination by Directorate of Customs and Trade National Focal Points (Ministries of EAC Affairs with technical assistance by competent national authorities Regional and National Business Organisations/A	EAC Secretariat annual reports on trade and investment EAC Secretariat bi-annual RTP Progress reports National Focal Points bi-annual RTP progress reports	Short to Medium Term

[146] Common External Tariff

[147] WTO Harmonised System

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		d) Domesticate EAC Common Market provisions in each Partner State (free movement of goods, labour, capital and services; right of establishment and residence) through appropriate national laws; design and implement mechanisms for handling border disputes and spillovers; allocate sufficient financial and technical resources toadminister the long land and Indian Ocean borders by responsible public institutions so as to eliminate trade diversions and entry of uncustomed goods into EAC region; and fast track improvement of infrastructural and communication links across the three Tripartite RECs. e) Fast track full merger and operationalisation of the envisaged Tripartite FTA[148] in the long run to ensure similar trading and investment rules across the three Tripartite RECs. f) Fast track full operationalisation of the envisaged AfCFTA[149] so as to integrate the continental member states into one Continental Economic Community that has similar trading and investment rules for all the eight African RECs. g) Establish an EAC team to coordinate negotiations with third parties on trade and investment matters; comprising the relevant MDAs[150] in each Partner Stateand Private Sector Organisations[151]. h) Compile background information on situation of Partner States' exports and imports of goods and services, comparative strengths and weaknesses of domestic industries, foreign regulatory barriers that inhibit exports of goods and services, customs declarations and documentation, and product standards and technical regulations, and SPS measures among other regulatory issues which should be used to formulate EAC positions during trade/investment negotiations	ssociations		

[148] Tripartite FTA comprises EAC, COMESA, SADC

[149] Africa Continental Free Trade Area

[150] Relevant MDAs could comprise Ministries of Trade and Industry, Customs, Standards Bureaus; SPS, Public Health, Weighbridge authorities, and other competent bodies

[151] Private sector organisations include East African Business Council, national Private Sector Apex bodies, manufactures associations, chamber of commerce and industry, clearing and forwarding associations, freight forwarders associations, and product-specific organisations.

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		with third parties. The process should be backed by strong national bureaus of statistics and investment authorities capable of generating trade and investment data to back up the regional negotiating team. i) Conduct joint empirical studies focused on building evidence based positions on the likely positive and negative effects of harmonising trade and investment regulations. The studies should give Partner States and the negotiators reasonable assessment of the type and severity of difficulties that may be expected in harmonisation of trade and investment regulations and areas where greatest gains and losses are likely to occur. j) Identify impediments to full operationalisation of the Common Market Protocol and design a time-bound plan to fully meet national implementation commitments.			
STRATEGIC OBJECTIVE 2 Facilitate Partner States to achieve balanced cross border trade and investment based on harmonised national trade and investment policies, laws and regulations into a regional framework; aimed to promote regional value chains and value added production of available raw materials and natural resources.					
1. Low export earnings and high trade deficits due to concentration of exports on a small basket of traditional products with minimal value addition; and continued focus on traditional markets. 2. Increased competition by EAC countries on similar goods targeting the EAC and	Implement measures to increase intra-EAC and extra EAC trade in value added goods driven by adoption of modern processing and storage technologies, diversification of the export basket; expansion of potential markets (at Tripartite, AfCFTA, and global levels);elimination of NTBs and trade wars experienced on EAC cross border trade; and use of a coordinated regional as opposed to national export promotion approaches.	a) Set defined export growth targets (values, volumes, percentages and target dates) for each Partner State relative to current intra-EAC, Tripartite, AfCFTA and global exports; based on the EAC Export Promotion Strategy 2020-2025, which setsa 20% p.a. export growth target in line with the EAC Vision 2050. b) Specify and implement plan (with dates) for harmonisation of conformity assessment procedures related to inspections and certification ofproduct standards and technical regulations, SPS mesures, and public health measures which are applied on intra-EAC trade in goods. c) Specify measures to increase collaboration between trade support institutions (TSI) in public and private sector, including specific roles of the TSIs in export/import transactions, and requisite institutional support measures to achieve increased collaboration and synergy building during imports inspections/approvals and export promotion. d) Specify institutional, financial, and human/technical requirements and target dates for elimination of NTBs experienced on EAC cross border trade as provided in the	EAC Secretariat with coordination by Directorate of Customs and Trade National Focal Points (Ministries of EAC Affairs with technical assistance by competent national authorities Regional and National Business Organisations/Associations	EAC Secretariat annual reports on trade and investment EAC Secretariat bi-annual RTP Progress reports National Focal Points bi-annual RTP progress reports	Short Term

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
COMESA/SADC regional markets; leading to export declines in the regional markets for some Partner States. 3. Persistent trade wars between Partner States on goods and services traded across borders, and continued imposition of NTBs on EACcross border trade contrary to rights and obligations provided for under the Customs Union and Common Market Protocols 4. Constant applications for SOA, duty remissions and exemptions from CET which discourage formation and/or strengthening of regional value chains.		EAC NTBs Act 2016. e) Fast track implementation of AfCFTA integration commitments on all outlined areas (customs declarations and documentation, CET structure, product standards and technical regulations, SPS, ROO, and transit procedures among other priorities). f) Implement the Customs Union and Common Market provisions fully without reverting to national protectionist measures such as Stays of Application. g) Eliminate intra-EAC trade tariffs and NTBs to boost cross border trade potentials as provided by the Customs Union Protocol and the EAC NTB Act.2016; Strengthen the National NTB Committees to efficiently coordinate NTBs elimination process; and operationalise the Trade Remedies Committee so as to facilitate legal resolution of trade obstacles whenever they emerge. h) Remove obstacles faced by exporters during the implementation of preferential trade agreements granted by major trading partners (such as US for AGOA and EU for EPAs), focusing particularly on building compliance with rules-of-origin provisions, product standards and technical regulations, and SPS measures i) Identify agricultural subsidies given by advanced countries (such as China) on competing products with a view to building justification for imposition of safeguard measures as provided under WTO subsidies agreement. j) Integrate harmonised customs and documentation requirements in intra-EAC trade. k) Fast track ratification of various agreements that impact on ability to undertake efficient EAC trade (at Tripartite FTA, AfCFTA, bilateral and multilateral levels – WTO, EPA and AGOA). l) Facilitate adoption of modern processing technologies to enable production of value added for intra-EAC, Tripartite FTA, AfCFTA and global markets. m) Undertake targeted market analysis focusing on potential products traded, market absorption capacities (values and volumes), market segmentation, market access requirements (such as required product standards and technical			

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		regulations, rules of origin, SPS measures, packaging and labelling, weights and measures);and requisite supply chain logistics n) Conduct sensitization and awareness building events for producers and exporters on requisite targeted market access requirements.			
	Implement a harmonized EAC approach on application of CET to preserve Customs Union and Common Market provisions based on the principles agreed by the Council in its 34th meeting of June 2019; so as to allow for free movement of goods, persons, labour/workers, services and capital; and also fast track operationalisation of the right of establishment and right of residence in order to stem down constant trade wars. Partner States need to urgently agree on services to be commonly traded within the Community without restrictions as part of fast tracking implementation of	a) Implement the directive of the 34th meeting of the Council (June 2019) which requires that future approvals on SOA, duty remissions and exemptions from CET should be based on demonstrated adherence to the agreed principles, aimed to preserve the Common Market and to facilitate formation and/or strengthening of the eight (8) priority regional value chains[152] which are critical to spurring intra-EAC trade and to building a sustainable foundation for increased exports to Tripartite FTA, AfCFTA and international markets, the CET principles are: i) Degree of processing for goods that require respective approvals; ii) Minimal lists of duty exemptions and remissions; iii) Adherence to international commitments (WTO Commitments); iv) Compliance with global commitments- e.g. SDGs[153], carbon tax. v) Commitments under the multilateral agreements; vi) Harmonization across other agreements (TRIPARTITE, AfCFTA, etc.) vii) Elimination of stays of application after the initial applications; viii) Need to review duty rates for products that Partner States have consistently requested for a stay of	EAC Secretariat with coordination by Directorate of Customs and Trade National Focal Points (Ministries of EAC Affairs with technical assistance by Revenue Authorities (Customs Departments) and other competent national authorities Regional and National Business		Short Term

[152] The 8 EAC priority regional value chains are: (1) Cotton, textile and apparel sectors; (2) Leather and footwear; (3) Argo-processing (tea, coffee, livestock, fisheries, meat & meat products, sugar, grains-rice, maize, fruits & juices, vegetable oils, etc); (4) Wood & wood products; (5) Iron & steel, iron ore, & other mineral processing; (6) Energy, renewable energy, bio-fuels, Coal, oil, natural gas and gas producers (power plants, factories, refineries and other CO_2 gas emitters); (7) Petro-chemicals (fertilizers, agro-chemicals, pharmaceuticals; (8) Automobile industry with emphasis on parts

[153] Sustainable Development Goals

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
	Common Market provisions on free movement of services.	application ix) Promotion of Industrialization b) Specify and implement criteria for a sunset clause for phasing out current SOA from CET. c) Retain only a small list of sensitive products for each Partner State based on justified positions and in line with the list agreed by the 34th Council meeting (June 2019). d) Specify a sunset clause for full liberalisation of each Partner State's sensitive list for intra-EAC trade as part of measures to promote regional trade. e) Ensure exemption of the priority sensitive products from competition with third country imports, aimed to protect domestic producers from injury during a defined transition period as required by relevant WTO agreements. f) Fast track conclusion of the CET tariff bands and rates based on agreement made by the 34th Council meeting (June 2019); namely: i) A minimum rate of zero percent tariff on imported raw materials and capital goods; ii) A middle rate of 10 percent on imported intermediate goods; iii) A maximum rate of 25 percent on imported finished products; and g) Conclude decision on the yet-to-be-agreed duty rate of above 25%, on which the Council agreed to apply either 30%orn35% duty to encourage value added production in EAC. h) Pay focused attention to strict application of the harmonised EAC ROO[154] with emphasis on encouraging value addition and reducing the need for current time-consuming verification	Organisations/Associations		

[154] Rules of Origin

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		missions which while aiming to proof originating status of goods traded within the EAC SCT[155] ends up frustrating cross border trade. i) Ensure application of the ROO is transparent, accountable, fair, predictable and consistent as provided in the "Manual on Application of EAC ROO"; and that products sourced from outside EAC are subject to applicable CET rates. j) Strictly apply the EAC common customs rules and procedures provided in the CMA Act[156] without reverting to national rules and procedures (for example on imports declarations, CET, documentation and release from customs area). k) Adopt a harmonised common valuation method for goods traded with EAC SCT aimed to eliminate cases of undervaluation/under-invoicing, and mis-declarations. l) Introduce specific duties in the EAC import tax system as an alternative to the ad valorem (percentage) duty rate for products prone to undervaluation, subsidies, dumping and world price fluctuations. m) Develop an independent regional board or alternatively strengthen the Directorate of Customs and Trade (DCT) to scrutinize and approve requests for deserving SOA, duty exemptions and remissions; based on scientific evidence of inability to source goods from within EAC; and commitment that approved cases will be one-off applications with a terminal clause. Whichever organ is preferred (either the regional board of DCT), empower it through an EAC legislation and domesticate such legislation into Partner States laws in order to shield the implementing organ from political interference.			
	Implement harmonised approach to intra-EAC trade in services as part of fast-	a) Partner States to urgently agree on services to be commonly traded within the Community without restrictions as part of fast tracking implementation of Common Market provisions on	EAC Secretariat with coordination by Directorate of		Medium Term

155 Single Customs Territory

156 EAC Customs Management Act

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
	tracking implementation of the Common Market aspirations on free movement of services	free movement of services. b) Harmonise measures for promoting competitive EAC cross border trade in priority services (tourism, finance, communications, transport, energy, professional business services[157], and construction). c) Create an enabling regional environment for evolvement of well-regulated and vibrant professional services sector that are competitive within the EAC, Tripartite and AfCFTA. d) Integrate the EAC financial sector though harmonised financial regulations in order to achieve monetary stability and efficient delivery of services across EAC region. e) Develop an integrated EAC Regional Electronic Settlement System (SIRESS) to enable timely settlement of trade transactions modelled on the SADC (SIRESS)[158]; pending the adoption and application of EAC single currency system. f) Strengthen TSIs institutional framework to ensure management and implementation of provisions on services trade are reflected in external trade agreements (Tripartite, AfCFTA, bilateral and multilateral agreements).	Customs and Trade National Focal Points (Ministries of EAC Affairs with technical assistance by competent national authorities Regional and National Business Organisations/Associations		
1. Poor business and investment environment characterised by trade malpractices (dumped, counterfeited, uncustomed, mis-declared, under-	Use the WTO provisions on anti-dumping, subsidies and countervailing measures to develop EAC Trade Remedies Law; aimed to protect EAC domestic/ regional industries against unfair competition from imports and other trade	a) Develop harmonised EAC anti-dumping, safeguards/ countervailing measures, and anti-subsidy measures that address Partner States and national enterprise common interests on trade malpractices; based on relevant WTO provisions to protect struggling industries which may suffer injury from competition with foreign imports of like/equivalent products. The measures should be applied by an affected Partner State only after sufficient evidence of injury to domestic industries is provided through detailed investigation as provided under relevant WTO provisions.	EAC Secretariat with coordination by competent national authorities National Focal Points (Ministries of	EAC Secretariat annual reports on trade and investment EAC Secretariat bi-annual	Short Term

[157] Such as engineering, accounting, and business/trade consultancy

[158] The SADC SIRESS was launched in July 2013, starting with the four SACU Common Monetary Area countries (Lesotho, Namibia, South Africa and Swaziland); aimed to facilitate faster cross border settlement of payments within the SADC region. By mid-2016, six more SADC countries had joined SIRESS (Malawi, Mauritius, Seychelles, Tanzania, Zambia and Zimbabwe), bringing the total number of participating countries to 10. SIRESS has facilitated major achievements as exemplified by the volumes and values of financial transactions and cross-border payments. The system offers a faster and more secure way of transferring funds electronically across the borders without the need to use the more cumbersome cheque payments system.

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
invoiced, under-valued goods). 2. Poor coordination between EAC government agencies and TSIs[159] responsible for inspecting and approving import/export transactions, coupled with insufficient financial and technical capacity of the agencies to perform their functions efficiently; leading to alleged "illegal imports originating from China and India".	malpractices (including trade in counterfeits, under invoicing, mis-declarations, and smuggling of uncustomed goods)	b) Develop harmonised measures to address other trade malpractices not categorised under dumping and subsidies (counterfeited, un-customed, under-invoiced/ undervalued, mis-declared goods). c) Establish a multi-agency team in each Partner States comprising key TSIs mandated to inspect and impound suspected imports without political influence as part of efforts to eliminate trade malpractices; in conformity with the WTO Agreements on Trade Remedies and PSI; aimed to protect domestic/regional producers from unfair competition. d) Design harmonised penalties to discourage local inspection of imports which ends up clogging the EAC ports and delaying access to inputs by genuine domestic/regional manufactures. e) Use WTO dispute settlement mechanism and peer pressure whenever deviations from EAC integration commitments are noted (e.g. on applied customs tariffs, mutual recognition of quality and SPS standards). f) Designate a lead agency in each Partner State to coordinate trade promotion and facilitation, including continued improvement of Partner States' Single Window Systems to enhance knowledge about incoming imports and outgoing exports among the TSIs so as to prepare for timely inspections and related approvals, and to eliminate illegal imports from accessing EAC markets. g) Build the capacity of TSIs byprioritising provision of financial and technical needs, and strengthen synergies between TSIs in both public and private sector to apply efficient measures for supporting export promotion activities. h) Entrust the responsibility of trade/investment negotiations or backstopping to a Partner State or its foreign missions whenever the need arises to negotiate trade remedy measures with third parties without full involvement of all Partner States. Such negotiations should however be based on prior agreed specific TORs. i) Strengthen increased EAC presence and effectiveness in	EAC Affairs with technical assistance by competent national authorities Regional and National Business Organisations/Associations	RTP Progress reports National Focal Points bi-annual RTP progress reports	

[159] Trade Support Institutions

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		WTO forums by notifying the WTO decision making body that EAC will henceforth participate on matters related to trade remedies negotiations as a Customs Union. j) Ensure the envisaged EAC harmonised Trade Remedies Law conforms to the Customs Union Protocol on anti-dumping measures (Article 16), subsidies (Article 17), countervailing measures (Article 18), safeguard measures (Article 19), co-operation in investigations on cases related to dumping, and subsidies and application of safeguard measures (Article 20); aimed in ensuring imports from China and India access EAC markets as genuine but not illegal imports. k) Operationalise EAC Committee on Trade Remedies (EACTR) as provided in Article 24 of Customs Union Protocol, and support it with sufficient financial and technical capacity to handle trade malpractices and disputes within EAC. Where such cases and/or disputes are not satisfactorily settled by EACTR, fast track their settlement/final determination by the East African Court of Justice (EACJ) as provided in Article 32 of EAC Treaty on arbitration and settlement of trade disputes. l) Conduct national and regional workshops to fast track adoption and implementation of the envisaged harmonised EAC Trade Remedies Law as proposed in the RTP Strategy. In addition to provisions on anti-dumping, subsidies and counter-failing measures, the harmonised law should incorporate provisions to fight other trade malpractices (trade in counterfeits, un-customed, mis-declared, and under-invoiced/ undervalued goods).			
Infringement of intellectual property rights of creators/innovators of goods and services, leading to unfair competition	Use provisions of WTO TRIPs[160] Agreement to develop a harmonised EAC law to protect Intellectual Property Rights holders from infringement of their creations and to encourage	a) Develop a harmonised EAC IPR law based on WTO TRIPS Agreement, aimed to protect intellectual rights of regional producers/creators in the areas of: (i) patents and trademarks, (ii) utility models, (iii) industrial designs, and (iv) technology innovations (including traditional knowledge), (v) creative arts (incl. copyrights and cultural industries, and (vi) geographical indications; and in order to boost expected	EAC Secretariat with coordination by competent national authorities	EAC Secretariat annual reports on trade and investment	Short Term

[160] Agreement on Trade-Related Aspects of Intellectual Property Rights

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
with counterfeits while discouraging creators to venture into production of innovative products and services with trade potential.	cross border trade in innovative products and service offers	monetary gains of the intellectual property rights holders from their creations. b) Strengthen initiatives pursued by Partner States to make use of the TRIPS flexibilities; such as the regional IP Protocol and Policy on the Utilization of Public Health Related WTO-TRIPS Flexibilities adopted by the Council of Ministers in 2013; and incorporation of traditional medicines based on standards developed under ARSO. c) Reduce distortions and impediments to international trade on innovative products and services, d) Promote effective and adequate protection of intellectual property rights holders by fast-tracking conclusion and domestication of the EAC Anti-Counterfeit Bill which intends to provide a legal framework for EAC Partner States to prohibit trade in counterfeit goods. e) Ensure measures and procedures used by EAC countries to enforce intellectual property rights do not themselves become barriers to legitimate trade as required by TRIPS Agreement. f) Support the promotion of technological innovations, transfer and dissemination of innovations for mutual benefit of producers and users in order to boost social and economic welfare of East African citizens. g) Enhance capacity of Partner States to implement the envisaged harmonised IPR law in order to promote protection of IP rights holders. h) Build capacity of enforcement agencies to coordinate compliance with international norms and legal frameworks. This should be reflected in the envisaged harmonised IPR law; taking into account the three main features required under TRPS, namely; standards, enforcement and dispute settlement. i) Ensure the harmonised regional IPRs law incorporates: publication systems, examination systems, timeframes, awareness campaigns, reporting and enforcement mechanisms, infrastructure development, and capacity building as required by the TRIPS agreement.	National Focal Points (Ministries of EAC Affairs with technical assistance by competent national authorities Regional and National Business Organisations/Associations	EAC Secretariat bi-annual RTP Progress reports National Focal Points bi-annual RTP progress reports	
1. Insufficient knowledge by	a) Design and implement a capacity building program	a) Improve capacity of public and private sector TSIs to offer knowledge to EAC businesses and exporters on provisions of regional, bilateral and multilateral trade agreements and how	EAC Secretariat with coordination	EAC Secretariat	Short to Long Term

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
business and exporters on content of trade and market access preferences provided under regional, bilateral and multilateral trade agreements; necessary to facilitate access to regional and global markets. 2. Insufficient knowledge about global economic,trade developments and financial trends and application of international commerce terms to increase competitiveness of trade	for public and private sector TSIs[161] aimed to offer advisory services to producers and exporters on how to apply trade facilitation systems and measures[162]focusing on increasing trade efficiency and competitiveness of trading on value added goods in regional markets, and compliance withinternational quality standards and SPS measures. b) Design and implement a programme to facilitate producers and exporters to build knowledge on bulking of produce for exports, formation of networking relationships with bulk buyers, and how to apply INCOTERMS in international trade transactions.	to apply such provisions in business and trade transactions. b) Integrate all ongoing trade facilitations systems and mechanisms into the EAC trade regime as provided in the EAC Trade Facilitation Agreement (TFA), and the WTO Trade Facilitation Agreement (TFA)[163], which aims to boost global trade by expediting the movement, release and clearance of goods. The integration of trade facilitations systems and mechanisms into the EAC trade regime will aim to simplify procedures for cargo clearance from first port of entry to receipt of goods by importer. Relevant TF systems and mechanisms in this regard include: i) The SCT, OSBP and IBM initiatives. i) The Regional Customs Transit Guarantee Scheme (RCTGS), the single customs document & integrated system measures; which aims to. ii) The EAC Customs Management Act provisions. iii) The Trade Logistics Information Pipeline (TLIP); which aims to simplify exchange of trade information across EAC borders through an electronic platform c) Allocate adequate financial and technical resources to facilitate export and import systems development. d) Implement measures to boost compliance with customs requirements on imports and exports by traders. e) Implement all provisions of SQMT Act, 2006 for goods produced and traded in the community, focusing in facilitating adoption and enforcement of harmonized standards, recognition and acceptance of certification marks; and approximation and alignment of relevant standards laws and regulations.	by competent national authorities National Focal Points (Ministries of EAC Affairs with technical assistance by competent national authorities Regional and National Business Organisations/Associations	annual reports on trade and investment EAC Secretariat bi-annual RTP Progress reports National Focal Points bi-annual RTP progress reports	

[161]Trade Support Institutions

[162] Trade Facilitations Systems and measures include the Single Window Systems (SWS), One Stop Border Posts (OSBPs) and related Integrated Border Management (IBM) procedures, harmonised customs declarations and valuation methods; and Single Customs Territory Framework provisions,

[163]The WTO Trade Facilitation Agreement was adopted at the 9th Ministerial Conference held in Bali, Indonesia in December 2013. Once it enters into force, the TF Agreement is expected to reduce total trade costs by more than 14% for low-income countries and more than 13% for upper middle-income countries by streamlining the flow of trade across borders

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
transactions		f) Identify all domestic taxes applied on national commerce and design a strategy to speed up their harmonization into EAC domestic taxes. g) Facilitate clustering of producers and exporters around sectors and products with export potential; and establish targeted interventions to build knowledge on bulking of produce for exports, formation of networking relationships with bulk buyers, and application of INCOTERMS in international trade transactions to enable exporters/importers to have proper understanding of their responsibilities as part of measures to increase business efficiency and avoidance of unnecessary losses.			
Poor knowledge about standards, SPS and public health measures required to undertake efficient intra- EAC trade	Harmonise and apply SPS and public health measures on foods and horticultural produce traded by EAC countries at EAC, Tripartite FTA, AfCFTA and global markets	a) Harmonize SPS measures across EAC by ensuring ratification of the SPS protocol by all Partner States; aimed to improve the competitiveness of EAC food and agricultural products in external markets, and to contain major threats related to production of food and agricultural products, including attacks by aflatoxin and pests. b) Prioritise elimination of NTBs related to SPS such as certification so as to increase access to Tripartite, AfCFTA and international markets. c) Build capacity of producers to comply with SPS measures through farmers' and producers outreach programmes.	EAC Secretariat with coordination by competent national authorities National Focal Points (Ministries of EAC Affairs with technical assistance by competent national authorities Regional and National Business Organisations/Associations	EAC Secretariat annual reports on trade and investment EAC Secretariat bi-annual RTP Progress reports National Focal Points bi-annual RTP progress reports	Short Medium Term
STRATEGIC OBJECTIVE 3 Facilitate strengthening of enterprise competitiveness and value added production of goods and services by building synergies between sector-based policies and trade policy reforms and provision of targeted market information for trading at EAC, Tripartite, AfCFTA and global levels; aimed to achieve maximum exploitation of inclusive trade opportunities at regional, continental and global levels; and efficiency in implementation of farm and firm level interventions (including interventions targeting agro-					

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
processing/agri-business, protection of IPRs; elimination of NTBs; and mainstreaming of MSMEs in regional and global trade)					
Lack of effective measures to support growth of competitive EAC businesses (including MSMEs[164]) to withstand stiff competition from imports	Implement intervention measures to improve industrial competitiveness as part of efforts to increase Partner States' trade performance at intra-EAC, Tripartite, AfCFTA, and global levels Continue implementing the ongoing focused business environment reforms aimed to improve the EAC business and investment climate and trade competitiveness in order to ensure reliable supplies, production of high poor quality goods, and to reduction of high transaction costs; thus ensuring production of competitive goods in national, regional and international markets	a) Support focused implementation of sector and product based interventions aimed to increase intra-EAC trade; including building regional industrial capacities, linkages between producers/manufactures, and regional value chains in key priority sectors and products agreed by the 34th meeting of the Council (June 2019); aimed to reduce the region's high trade deficit as a result of substantial imports of manufactured goods. Promotion of regional value chains should lay emphasis on analysis of comparative advantages of each Partner State in specified goods and services (manufactured, agricultural, natural resources, service categories, and availability of modern facilities for clearing import/export transactions in EAC ports). b) Identify weak points in the EAC high growth sectors with potential regional value/supply chains, and technical assistance needs to address such challenges (including product innovations, manufacturing expertise, standards improvements, marketing improvements, networking between producers and buyers, improved supply chain logistics, etc). This approach should start by focusing on the six strategic regional value chains identified in the EAC Industrial Development Strategy[165] and the eight regional value chains adopted by the 34th meeting of the Council[166] (June 2019);. c) Design and implement an effective dialogue mechanism between public and private sectors aimed to raise knowledge about trade and investment development matters (policy and	EAC Secretariat with coordination by competent national authorities National Focal Points (Ministries of EAC Affairs with technical assistance by competent national authorities Regional and National Business Organisations/Associations •	EAC Secretariat annual reports on trade and investment EAC Secretariat bi-annual RTP Progress reports National Focal Points bi-annual RTP progress reports	Short to Long Term

[164] Micro, Small and Medium Enterprises

[165] The EAC Development Strategy identifies the following 6 priority sectors: (1) Agro-processing, (2) Energy and Bio-fuels, (3) Fertilisers and agrochemicals, (4) Iron-ore and other mineral processing, (5) Petro-chemicals and gas processing, and (6) Pharmaceuticals

[166] The 34th Council meeting adopted the following regional value chains (1) Cotton, textile and apparel sectors (2) Leather & Foot wear (3) Argo-processing (tea, coffee, livestock, fisheries, meat & meat products, sugar, grains-rice, maize, fruits & juices, vegetable oils, etc.) (4) Wood & wood products (5) Iron & steel, iron ore & other mineral processing (6) Energy, renewable energy, bio-fuels, coal, oil, natural gas and gas producers (power plants, factories, refineries and other CO_2 gas emitters) (7) Petro-chemicals (fertilizers, agro-chemicals, pharmaceuticals (8) Automobile industry with emphasis on parts

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		regulatory frameworks, liberalisation of services, and implementation of relevant measures). d) Support MSMEs to access modern production technologies, knowledge about international supply chain logistics and access to market information. e) Implement business friendly regulations to facilitate application of legislated business laws, policies, and legal frameworks. f) Pay focused attention to improving provision of hard infrastructure; affordable and reliable utilities (including electricity and water); fiscal regimes (national and local/county government tax rates, VAT refunds predictability of the number, types and rates of taxes payable to national and local/county governments); transport, communication and supply chain logistics. g) Improve networking mechanisms between small producers/suppliers and bulk buyers to enable efficient access to regional (particularly COMESA and SADC) and international markets (such as EU and USA markets). h) Support improvement of agriculture and manufacturing productivity and competitiveness by designing a strategy for improved access to and adoption of modern processing and marketing technologies focusing particularly on SMEs (including uptake of ecommerce platforms). i) Support improvement of managerial and technical expertise in plant and enterprise management and operations; facilitate building of knowledge and application of trade related regulations and procedures (such as customs declarations and documentation, compliance with quality standards and SPS measures, and market entry requirements amongst producers, manufacturers and exporters; targeting increased marketing and export promotion in Tripartite, AfCFTA and global market. j) Promote consumption and use of local/regional products in EAC markets by adopting a Buy East Africa Built East Africa as opposed to national slogans; increased sourcing of regionally produced products by public institutions (such as the disciplined forces, schools, health institutions among others),increased branding of regional products			

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		k) Expand trade and market access for manufactured products by building increased knowledge on market potentials, market identification and segmentation, marketing strategies, supply chain logistics, market entry requirements, and key distribution networks among priorities. l) Promote application of Total Quality Management practices along the regional value chains through business membership organisations, aimed to ensure production of high quality products and compliance to standards at all points of the value chain. m) Strengthen evolvement of a friendly regional business and regulatory environment by building capacity of regional business associations[167] to formulate regional trade and investment development measures and to participate effectively in RTP implementation aimed to facilitate equitable industrial development in the EAC region. n) Develop supportive infrastructure for industrialization along Selected Economic Corridors (EAC Northern and Central Corridors, LAPPSET), aimed to reduce distance from source of inputs to markets. o) Promote regional collaboration initiatives in areas of industrial R&D, technology and innovations. p) Expand trade and market access for manufactured products by supporting business associations to continually identify NTBs which is a major challenge to the free movement of goods and services across the region. q) Sensitize and create focused awareness among trade and investment stakeholders and the general public on various trade policies and procedures, import/export taxes, fees and charges, export market potentials, and trade facilitation systems and procedures applied at EAC, Tripartite FTA and AfCFTA and key international markets (EU under EPA and US under AGOA) r) Formulate measures to fast track establishment of regional free zones and special economic zones for production of			

[167] Regional business associations include East African Business Council (EABC) and East African Chamber of Commerce and Industry

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		goods targeting the EAC regional market. s) Design and implement a programme for sensitizing manufacturers on the Tripartite Rules of Origin as part of efforts to increase exports to the expansive regional market. t) Facilitate full compliance with international market access requirements (notably quality, SPS, rules of origin and other customs formalities). u) Implement the EAC AGOA Strategy 2015-2025, paying particular attention to increasing awareness and knowledge about AGOA provisions within the private and public sectors so as to facilitate increased exploitation of potential export opportunities. Further, evaluate the US market entry provisions as provided under AGOA, key competitors in the targeted sectors, and support producers'/exporters to comply with AGOA market entry requirements and standards as part of efforts to increase production of value added goods for US market. v) Facilitate achievement of competitive ocean air freight costs and delivery time to the US, and enhance institutional capacity to support exporters to utilize AGOA. w) Provide timely and competitive trade and investment financing to exporters, particularly SMEs.			
Poor implementation of export promotion strategies amongst Partner States	Implement priority export strategy and investment promotion interventions in line with EAC Export Promotion Strategy (2013-2016); aimed to: i) Promote production of diversified high value exports from EAC ii) Enhance market entry and market access iii) Streamline business environment for	a) Prioritize and operationalise equal representation of all Partner States in external missions aimed to promote exports in existing and new markets in line with the EAC Export Promotion Strategy 2020-2025, which setsa 20% p.a. export growth target in line with the EAC Vision 2050, focusing on further expansion of intra-EAC trade, as well as to tapping into potential new market opportunities in TFTA, AfCFTA, and global markets (particularly EU (through EPA) and USA (through AGOA). b) Support attraction of foreign investment into EAC (in line with the EAC Model Investment Treaty 2016); so as to increase efficiencies in allocation of resources and allow for presence of weaker States in events/forums which may be conducted by	EAC Secretariat with coordination by competent national authorities National Focal Points (Ministries of EAC Affairs with technical assistance by competent	EAC Secretariat annual reports on trade and investment EAC Secretariat bi-annual RTP Progress reports	Short to Long Term

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
	exportsamong Partner States iv) Strengthen financial and technical capacity of trade facilitationinstitutions involved in export promotion	one EAC Partner State with aim of promoting exports and to attract FDI[168]. c) Coordinate and rationalize investment incentives offered by Partner States to domestic of industries through their national taxation regimes d) Adopt efficient implementation of external and internal tariff arrangements as part of measures to achieve increased export promotion; including efficient CET, internal tariffs on intra-EAC trade, application of the harmonised Rules of Origin; application of common safety measures for regulating importation of goods from third parties (such as SPS measures, customs documentation, coding and description of tradable goods, harmonised valuation method for duty purposes. e) Improve Trade logistics/ infrastructure and corridor management. f) Build business knowledge about provisions of existing duty exemption schemes to enable exporters to venture more aggressively into exports markets outside EAC while utilising the EAC rules of origin to undertake efficient intra-EAC trade as provided in the EAC Customs Union Protocol and Single Customs Territory framework. g) Develop electronic systems/ platforms to enhance access to market information and access to target markets especially for small holders. h) Develop new and upgrade existing storage capacity (especially cold storage for perishable products) and warehouses for grains and cereals in domestic markets and at border stations for export markets. i) Implement the warehousing receipt system to enable preservation of agricultural produce during periods of surplus harvests and sales during deficit periods in order to increase farmers' incomes. j) Create knowledge amongst producers/exporters on	national authorities (Incl. Investment Promotion, EPZ, SSEZ and Free Zones Authorities) Regional and National Business Organisations/Associations	National Focal Points bi-annual RTP progress reports	

[168] Foreign Direct Investment

Problem/s to be addressed	Intervention Measures	Specific Actions		Responsibilities	Means of Verification	Timeframe[137]
		compliance with specified product standards and technical regulations, SPS and market driven standards for regional and export markets k) Support harmonisation and domestication of regulatory frameworks on liberalization of services l) Enhance participation of importers and exporters of goods and services in regional and international trade discussions to enable them to take advantage of potential trade opportunities. m) Adopt a regional approach to improving the business environment particularly in provision of physical infrastructure (roads and rail) and utilities (cost, provision and procedures in provision of electricity and water).				
	Harmonise EAC Export Processing Zones (EPZ), SEZ and Free Zones schemes as provided in Customs Union Protocol	a) Formulate an investment agreement between Partner States aimed to coordinate and rationalize investment incentives offered to investors in EPZs, fee zones and SEZs; aimed to promote uniform application of overall export strategies and related regulations, and guide competent authorities in the development of national operational manuals. b) Promote forward and backward linkages between industries involved in the region's EPZs, fee zones and SEZs. c) Coordinate regional market research activities and sharing of information between competent authorities involved administration of EPZs; SEZs and fee zones at national and regional levels. d) Identify and implement best practices for implementation of EPZs; SEZs and fee zones within the Customs Union. e) Promote and market the investment and trading opportunities available in EPZs; SEZs and fee zones among investors. f) Establish measures to facilitate issuance of certificates of origin to investors operating in EPZs; SEZs and fee zones in order to exploit export opportunities provided under generalized system of preferences and other trade preferences through bilateral or multilateral trade agreements.				Short to Medium Term
Insufficient capacity of public and private sector TSIs to implement sector based strategies for growth and/or	Design and implement strategy for growth and/or strengthening of the eight regional value chains agreed by Council in its 34th meeting of June 2019; starting with	Design a grains and cereals sector strategy and implement	a) Design strategy to expand market access and reduce production and marketing obstacles experienced in EAC cross border trade in grains and cereals (such as occasional export bans, insufficient warehousing facilities, insufficient uptake of the warehousing receipt	EAC Secretariat with coordination by competent national authorities	EAC Secretariat annual reports on trade and investment	Short to Long Term

Problem/s to be addressed	Intervention Measures	Specific Actions		Responsibilities	Means of Verification	Timeframe[137]
strengthening of potential regional value chains	piloting of grains and cereals sector, CTA[169] value chain, and leather and leather goods value chain.	relevant measures in close consultation with EACG[170]	system, insufficient supply chain logistics, attacks by pests and aflatoxin, poor systems for early diagnosis and warnings against the Maize Lethal Necrosis Disease,poor knowledge in compliance with SPS measures, and Poor access to affordable finance for farm operations). Implementation of these measureswould facilitate growth of the regional agricultural sector. b) Fast track implementation of the EAC agricultural policy frameworks which aim to promote trade in safe to use food and agricultural commodities and strengthen the application of a harmonized approach for implementation of SPS measures and activities; minimize the marketing costs of commodities; facilitate increased access to food/agricultural products as part of measures to improve food security and rationalize agricultural production; and enable the region to address production challenges such as attacks by aflatoxin and pests. Some of the key policy documents which have outlined actions that need urgent implementation include: i) The EAC Food Security Action Plan 2011-2015, ii) The EAC Aflatoxin Policy and Program for the East Africa Region (APPEAR) 2013-2016,	National Focal Points (Ministries of EAC Affairs with technical assistance by competent national authorities (including sector based business membership organisations) Regional and National Business Organisations/Associations Organisations/Associations	EAC Secretariat bi-annual RTP Progress reports National Focal Points bi-annual RTP progress reports	

[169] EAC Cotton-Textile-Apparel Strategy

[170] East Africa Grains Council

Problem/s to be addressed	Intervention Measures	Specific Actions		Responsibilities	Means of Verification	Timeframe[137]
			iii) The SPS Protocol 2016 iv) The Final EAC CAADP Compact; adopted in Kigali, Rwanda in August 2015[171]			
		Implement measures outlined in EAC CTA Strategy (2019-2029)	a) Implement all outlined measures targeting to achieve the strategic objectives spelt out in the CTA Strategy by 2029; namely: i) Increased annual production of seed by about 900, 0500 MT per annum ii) Increased spinning capacity by more than 500 times the current number of spindles installed in the region iii) Increased EAC production of cotton lint to close to 400,000 MT per annum iv) Enhanced capacity of EAC firms to capture and retain at least 50% of the EAC domestic market for apparels. v) Facilitated upgrading, linkages and business partnerships of SME garment clusters in each Partner State. vi) Increased availability of quality domestic/regional fabrics, trims, and other inputs by double the current supplies. vii) Double the EAC current exports of textiles, garments and made ups b) Incorporate measures in EAC CET framework to facilitate EAC to take collective actions aimed in upholding the March 2016 EAC Summit decision to phase out importation of used clothes and promote a viable EAC CTA industry in collaboration and with technical assistance of the US AGOA facility and other development partners.			

[171]The EAC CAADP has prioritised four pillars in its Food Security Action Plan for immediate implementation; namely; (1) provision of an enabling policy, legal and institutional framework; (2) increasing food availability and access in sufficient quantity and quality; (3) improving stability of food supply and access in the EAC region; and (4) enhancing the efficiency of food utilization, nutrition, and food safety

Problem/s to be addressed	Intervention Measures	Specific Actions		Responsibilities	Means of Verification	Timeframe[137]
		Implement measures outlined in EAC Leather and Leather Products Strategy (2019-2029)	Implement all outlined measures targeting to achieve the strategic objectives spelt out in the Leather and Leather Products Strategy (2019-2029) by 2029; namely: a) Improved quality and quantity of hides and skins, and leather available in the region and preserve the critical raw materials for domestic value addition b) Modernized livestock husbandry practices and processing infrastructure for sustainable supply of renewable resource for downstream industries c) Increased investment in integrated tanneries and downstream manufacturing industries in order to achieve diversification and linkages in the sector: d) Enhanced productivity of footwear manufacturers and other leather goods producers for increased exports. e) Promote the leather sub-sector by taking local producers through study tours, national and international shows and exhibitions of leather and leather products as well as manage tariff on the export of wet blue and crust to encourage production of finished leather and finished goods. f) Strengthened governance, policy, regulatory systems, institutional coordination mechanisms and supporting services in order to streamline business environment g) Mainstreaming of best practices in environmental management technologies, corporate social responsibility principles and innovations in leather industries.			
STRATEGIC OBJECTIVE 4 Facilitate strengthening of institutional mechanisms for collaboration and coordination between authorities and agencies responsible for trade and investment development functions to enable implementation of all RTP Intervention Measures						

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
Lack of a sustainable outreach program to raise awareness and knowledge about benefits and challenges associated with regional and international economic integration.	a) Design appropriate mitigation measures to ensure potential challenges associated with implementation of RTP are efficiently and sufficiently addressed in order to create buy-in amongst public and private sector stakeholders. b) Implement an outreach programme to sensitize RTP stakeholders[172] about the potential benefits of implementing the RTP for purpose of buy-in and exploitation of potential trade and investment opportunities	a) Prepare a schedule of RTP outreach activities and priority messages to be communicated to RTP stakeholders as proposed in the RTP (part 9 on outreach programme) b) Discuss and agree on the RTP outreach programme communication medium c) Discuss and agree on the outreach programme implementation responsibilities at regional and national levels d) Publicise the potential benefits and challenges of implementing the RTP strategy as elaborated in the RTP report (part 8.1), and design appropriate mitigation measures e) Discuss and agree on the sources of funding for the outreach programme	EAC Secretariat with coordination by competent national authorities National Focal Points (Ministries of EAC Affairs with technical assistance by competent national authorities Regional and National Business Organisations/Associations	EAC Secretariat annual reports on trade and investment EAC Secretariat bi-annual RTP Progress reports National Focal Points bi-annual RTP progress reports	Short Term
Insufficient capacity in public sector institutions to coordinate implementation and monitoring of regional and international economic integration programmes and relevant measures	Establish regional and national RTP focal points and institutional framework with requisite financial and technical resources to support efficient implementation of RTP strategy interventions at regional and national levels	a) Specify responsibilities and modalities for coordinating implementing of RTP strategy at national and regional levels (the latter to include EAC policy making organs). b) Identify funding sources to facilitate implementation of the RTP strategy based on proposals recommended in the RTP, and implement a coordinated approach to accessing requisite funding and technical resources from amongst development partners and other investment finance providers through the EAC Resource Mobilisation Department. c) Improve current skill shortages amongst public and private sector Trade Support Institutions involved in trade and investment development matters as part of requirement for efficient coordination of RTP strategy measures at national			

[172] RTP stakeholders include EALA, Government Ministries, Departments and Agencies; National Parliaments, Private Sector, Civil Society organizations, and the Academia.

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		levels of Partner States. d) Implement mesures to enhance Institutional capacity for RTP implementation, including: i) Establishment of an EAC Tariff Board and related National Tariff Boards ii) Strengthening institutional capacities of EAC Ministries of Trade and Industry to coordinate implementation of outlined RTP strategy measures. iii) Promote effective dialogue on trade and investment development matters between public and private sectors iv) Adopt the RTP proposed Trade Development Facility for mobilization of resources to facilitate RTP implementation at regional and national levels.			
	Develop and implement an RTP monitoring framework to facilitate periodic tracking of RTP measures implementation progress in and results achieved, and to enable dissemination of progress results to stakeholders	a) Establish an RTP monitoring committee at EAC level charged with development of appropriate RTP indicators to be tracked using existing systems such as the East Africa Monitoring System (EAMS), and to coordinate monitoring of regional and national level actions, achievement of targeted results and dissemination of progress reports to RTP stakeholders. b) Track how knowledge about potential benefits of RTP is utilised and resultant benefits for potential beneficiaries (particularly businesses) c) Disseminate periodic information on progress of RTP implementation and results achieved to stakeholders and wider East African public d) Identify the main resource gaps (financial, managerial & technical) for successful RTP implementation. e) Identify feasible and cost effective communication media and key messages for the outreach program based on RTP recommendations. **NB**: Priority issue es to be monitored include: i) Uptake of export opportunities ii) Compliance with quality and market entry standards for exportable products iii) Progress in application of provisions on intellectual property rights protection iv) Progress in eliminating Non-Tariff Barriers			

Problem/s to be addressed	Intervention Measures	Specific Actions	Responsibilities	Means of Verification	Timeframe[137]
		v) Progress with the fight against counterfeiting and piracy vi) Key benefits resulting from implementing the RTP interventions vii) Progress of education/ capacity building activities at regional and national levels viii) Achievements, challenges and gaps in institutional coordination of RTP interventions ix) Involvement of stakeholders in RTP implementation x) Media engagements in RTP implementation xi) Progress with advertisements carried out to create visibility about the RTP xii) Sensitization activities undertaken to fast track RTP implementation xiii) Sponsoring of events			

ANNEX 1: STAKEHOLDERS CONSULTED

BURUNDI

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3	Ministry of Environment, Agriculture and Livestock	Ir. Emmanuel NDORIMANA	Permanent Secretary
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6	Burundi Association of Industry	Olivier SUGURU	President
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16	RUDI PAINTS	Guillaume BIMARI	Head of Laboratory and Quality Control
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47. Trade Remedies Bill 2017 – Memorandum by Coalition for Reforms and Democracy (CORD)
48. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
49. The North American Free Trade Area Agreement (NAFTA) – Renegotiated Agreement culminating into United States-Mexico-Canada Agreement (USMCA); November 2018
50. ASEAN Trade in Goods Agreement; February 2009

ANNEX 3: BURUNDI'S MAJOR MERCHANDISE EXPORTS 2009-2018 (US$'000)

HS Product Code	Product Description	Total 2009-2018	Average market share2009-2018
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes	493,417	31%
7108	Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured	462,241	29%
0902	Tea, whether or not flavoured	155,022	10%
3401	Soap; organic surface-active products and preparations for use as soap, in the form of bars	39,998	3%
2203	Beer made from malt	39,683	3%
2402	Cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes	36,289	2%
1101	Wheat or meslin flour	36,077	2%
2615	Niobium, tantalum, vanadium or zirconium ores and concentrates	26,968	1.7%
2617	Ores and concentrates (excluding iron, manganese, copper, nickel, cobalt, aluminium, lead)	25,808	1.6%
7010	Carboys, bottles, flasks, jars, pots, phials, ampoules and other containers	22,446	1.4%
Total top 10 merchandise exports		1,337,949	85%
All other merchandise exports		237,337	15%
Total all merchandise exports		1,575,286	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 4: BURUNDI'S MAJOR MERCHANDISE EXPORT MARKETS 2009-2018 (US$'000)

Export destinations	Total 2009-2018	Average market share2009-2018
United Arab Emirates	401,608	26%
Switzerland	188,690	12%
DR Congo	166,656	11%
Kenya	95,534	6%
Belgium	82,264	5%
Germany	55,448	4%
United Kingdom	49,628	3%
Rwanda	47,621	3%
Uganda	40,468	3%
Singapore	37,749	2%
Total top 10 export destinations	1,127,917	73%
All other export destination markets	409,725	27%
Total merchandise exports	1,537,642	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 5: BURUNDI'S MAJOR MERCHANDISE IMPORTS 2009-2018 (US$'000)

HS Product Code	Product Description	Total 2009-2018	Percentage share2009-2018
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude)	1,339,061	19%
3004	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	392,168	6%
3105	Soya beans, whether or not broken	223,336	3%
8703	Motor cars and other motor vehicles principally designed for the transport of persons	215,959	3%
8517	Cement, incl. cement clinkers, whether or not coloured	197,151	3%
1701	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen	143,069	2%
1001	Telephone sets, incl. telephones for cellular networks or for other wireless networks	137,553	2%
2523	Wheat and meslin	136,138	2%
7210	Motor vehicles for the transport of goods, incl. chassis with engine and cab	133,638	2%
3002	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-rolled	120,634	2%
Top 10 merchandise imports		3,038,707	43%
All other merchandise imports		4,003,697	57%
Total merchandise imports		7,042,404	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 6: ORIGIN OF BURUNDI MERCHANDISE IMPORTS 2009-2018 (US$'000)

Import originating country	Total 2009-2018	Average market share 2009-2018
Saudi Arabia	784,055	11%
China	740,838	11%
India	634,303	9%
Tanzania	573,853	8%
Belgium	456,108	6%
Kenya	416,172	6%
Uganda	379,601	5%
United Arab Emirates	353,978	5%
France	276,258	4%
Japan	249,382	4%
Top 10 import origin countries	4,864,548	69%
All other import origin countries	2,177,955	31%
Total merchandise imports	7,042,503	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 7: BURUNDI'S SERVICES EXPORTS 2009-2018 (US$'000)

Service category	Total 2008-2017	Average market share2008-2017
All other services (professional services)	807,179	46%
Government goods and services not included elsewhere	649,253	37%
Memo item: Commercial services	157,926	9%
Telecommunications, computer, and information services	53,972	3%
Other business services	31,712	2%
Travel	22,048	1%
Transport	18,288	1%
Insurance and pension services	14,457	0.8%
Financial services	10,327	0.6%
Construction	6,767	0.4%
Personal, cultural, and recreational services	252	0.01%
Charges for the use of intellectual property not included elsewhere	105	0.01%
Total Service Exports	1,772,286	100%

Source: ITC trade in services database based on IMF statistics

ANNEX 8: BURUNDI'S SERVICES IMPORTS 2009-2018 (US$'000)

Service category	Total 2008-2017	Average export market share2008-2017
All other services (professional services)	2,210,969	34%
Memo item: Commercial services	2,004,934	31%
Transport	1,255,333	20%
Travel	436,081	7%
Government goods and services not included elsewhere	206,033	3%
Other business services	178,298	3%
Telecommunications, computer, and information services	55,537	1%
Financial services	31,113	0.5%
Insurance and pension services	26,524	0.4%
Construction	20,716	0.3%
Personal, cultural, and recreational services	298	0.0%
Charges for the use of intellectual property not included elsewhere	998	0.02%
Total Service Exports	6,426,834	100%

Source: ITC trade in services database based on IMF statistics

ANNEX 9: TOP 10 RWANDA EXPORTS 2009-2018 ('000 USD)

HS Product Code	Product Description	Total 2009-2018	Average market share2009-2018
7108	Gold, incl. plated with platinum, unwrought or not further worked than semi-processed/ manufactured	1,065,368	19%
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes	607,512	11%
0902	Tea, whether or not flavoured	616,504	11%
2615	Niobium, tantalum, vanadium or zirconium ores and concentrates	601,931	10%
2609	Tin ores and concentrates	570,538	10%
2611	Tungsten ores and concentrates	155,771	3%
4103	Other raw hides and skins, fresh, or salted, dried, limed, pickled or otherwise preserved	25,906	0.5%
1302	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar	16,954	0.3%
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled	15,056	0.3%
4101	Raw hides and skins of bovine "incl. buffalo" or equine animals, fresh, or salted, dried, limed	53,730	1%
Total top 10 exports		**3,729,270**	**65%**
All other exports		**2,013,133**	**35%**
Total Exports		**5,742,403**	**100%**

Source: ITC trade in services database based on IMF statistics

ANNEX 10: RWANDA MAJOR MERCHANDISE EXPORT MARKETS2009-2018 (US$ '000)

Export Destinations	Total 2009-2018	Average market share2009-2018
DR Congo	1,468,183	26%
Tanzania	627,489	11%
Kenya	572,775	10%
United Arab Emirates	536,170	9%
Switzerland	423,544	7%
Uganda	367,910	6%
Belgium	203,933	4%
Burundi	164,990	3%
United States of America	148,307	2.6%
United Kingdom	137,849	2.4%
Top 10 export destinations	4,651,150	81%
All other export destinations	1,091,264	19%
Total Exports	5,742,414	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 11: RWANDA TOP 10 IMPORTS 2009-2018 (‘000 USD)

HS Product Code	Product Description	Total 2009-2018	Percentage share2009-2018
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks	734,224	3.5%
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude)	696,329	3.3%
2523	Cement, incl. cement clinkers, whether or not coloured	614,692	2.9%
8703	Motor cars and other motor vehicles principally designed for the transport of persons	565,731	2.7%
3004	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	545,569	2.6%
1701	Cane or beet sugar and chemically pure sucrose in solid form	446,895	2.1%
1001	Wheat and meslin	347,968	1.7%
7210	Flat-rolled products of iron or non-alloy steel of a width >= 600 mm, hot-rolled or cold-rolled	273,630	1.3%
1511	Palm oil and its fractions, whether or not refined (excluding chemically modified)	253,692	1.2%
8704	Motor vehicles for the transport of goods, incl. chassis with engine and cab	239,196	1.1%
Total top 10 imports		**4,717,926**	**23%**
All other imports		**16,181,582**	**77%**
Total Imports		**20,899,508**	**100%**

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 12: RWANDA’S MAJOR MERCHANDISE IMPORT MARKETS 2009-2018 (US$‘000)

Import originating country	Total 2009-2018	Average market share2009-2018
China	3,290,256	16%
Uganda	2,199,381	11%
India	1,902,000	9%
United Arab Emirates	1,853,946	9%
Kenya	1,516,700	7%
Tanzania	900,975	4%
Japan	753,565	4%
Germany	596,717	3%
Belgium	566,516	2.7%
South Africa	544,104	2.6%
Top 10 import origin countries	**14,124,160**	**68%**
All other Import origin countries	**6,775,339**	**32%**
Total Export to World	**20,899,508**	**100%**

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 13: RWANDA'S SERVICES EXPORTS 2009-2018 (US$'000)

Service category	Total 2009-2018	Average export market share2009-2018
All other services (professional services)	6,684,615	39%
Memo item: Commercial services	4,678,910	28%
Travel	2,702,640	16%
Government goods and services	1,710,671	10%
Transport	750,649	4%
Telecommunications, computer and information services	180,230	1%
Construction	115,284	0.7%
Financial services	89,052	0.5%
Maintenance and repair services	22,123	0.1%
Other business services	18,590	0.1%
Insurance and pension services	2,358	0.0%
Personal, cultural, and recreational services	217	0.0%
Charges for the use of intellectual property	140	0.0%
Total Service Exports	16,955,479	100%

Source: ITC trade in services database based on IMF statistics

ANNEX 14: RWANDA'S SERVICES IMPORTS 2009-2018 (US$'000)

Service category	Total2009-2018	Percentage import share2009-2018
All other services (professional services)	7,753,004	37%
Memo item: Commercial services	6,582,407	31%
Transport	3,438,692	16%
Travel	1,296,932	6%
Government goods and services	1,042,730	5%
Other business services	353,465	2%
Construction	192,753	1%
Maintenance and repair services	151,822	0.7%
Telecommunications, computer and information services	141,776	0.7%
Financial services	55,805	0.3%
Insurance and pension services	19,293	0.1%
Charges for the use of intellectual property	993	0.0%
Personal, cultural, and recreational services	114	0.0%

Source: ITC trade in services database based on IMF statistics

ANNEX 15: KENYA'S MAJOR MERCHANDISE EXPORTS 2009-2018 (US$'000)

HS Product Code	Product Description	Total 2009-2018	Percentage Share 2009-2018
0902	Tea, whether or not flavoured	11,981,749	21%
0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes	4,856,137	9%
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude)	3,430,115	6%
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes	2,204,421	4%
2614	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	995,033	2%
0804	Cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes	968,436	2%
3004	Carbonates; peroxocarbonates "percarbonates"; commercial ammonium carbonate containing ammonium	928,656	2%
6203	Leguminous vegetables, shelled or unshelled, fresh or chilled	924,475	2%
0802	Other vegetables, fresh or chilled (excluding potatoes, tomatoes, alliaceous vegetables)	840,846	1%
7210	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-rolled	822,693	1%
Total top 10 merchandise exports		27,952,561	49%
All other merchandise exports		28,917,802	51%
Total Merchandise Exports		56,870,361	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 16: KENYA'S MAJOR MERCHANDISE EXPORT MARKETS 2009-2018 (US$'000)

Export destination countries	Total 2009-2018	Average market share2009-2018
Uganda	6,882,172	12%
United Kingdom	4,412,626	8%
Tanzania	4,034,145	7%
Netherlands	3,999,652	7%
United States of America	3,660,246	6%
Pakistan	3,431,631	6%
United Arab Emirates	2,664,800	5%
Egypt	2,086,608	4%
DR Congo	1,916,782	3%
Somalia	1,739,729	3%
Top 10 merchandise export destinations	34,828,391	61%
All other export destinations	22,041,987	39%
Total merchandise exports	56,870,378	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 17: KENYA'S MAJOR MERCHANDISE IMPORTS2009-2018 (US$'000)

HS Product Code	Product Description	Total 2009-2018	Percentage share2009-2018
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude)	25,486,857	17%
1511	Palm oil and its fractions, whether or not refined (excluding chemically modified)	4,985,318	3%
8703	Motor cars and other motor vehicles principally designed for the transport of persons	4,494,992	3%
2709	Petroleum oils and oils obtained from bituminous minerals, crude	4,309,770	3%
8802	Powered aircraft "e.g. helicopters and aeroplanes"; spacecraft, incl. satellites	4,000,468	3%
3004	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	3,926,365	3%
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks	3,662,838	2%
1001	Wheat and meslin	3,318,508	2%
7208	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled, not clad	3,229,124	2%
8704	Motor vehicles for the transport of goods, incl. chassis with engine and cab	2,247,324	1%
Total top 10 merchandise imports		59,661,564	39%
All other merchandise imports		92,739,428	61%
Total merchandise imports		152,400,992	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 18: ORIGIN OF KENYA MERCHANDISE IMPORTS 2009-2018 (US$'000)

Import originating countries	Total 2009-2018	Average market share 2009-2018
China	25,040,252	16%
India	20,457,363	13%
United Arab Emirates	13,802,377	9%
Japan	8,213,453	5%
United States of America	7,846,786	5%
Saudi Arabia	7,336,413	5%
South Africa	7,108,020	5%
Indonesia	4,742,869	3%
United Kingdom	4,576,404	3%
Germany	4,239,860	3%
Top 10 import origin countries	**103,363,797**	**68%**
All other Import origin countries	**49,037,227**	**32%**
Total merchandise imports	**152,401,024**	**100%**

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 19: KENYA'S SERVICES EXPORTS2009-2018 (US$'000)

Service category	Total 2009-2018	Average market share2009-2018
All other services (professional services)	44,708,181	36%
Memo item: Commercial services	36,071,388	29%
Transport	18,100,292	15%
Travel	8,553,911	7%
Government goods and services	7,649,751	6%
Telecommunications, computer, and information services	4,333,644	4%
Financial services	1,707,656	1%
Insurance and pension services	826,018	0.7%
Other business services	505,382	0.4%
Charges for the use of intellectual property not included elsewhere	488,037	0.4%
Maintenance and repair services not included elsewhere	160,848	0.1%
Personal, cultural, and recreational services	72,471	0.1%
Manufacturing services on physical inputs owned by others	6,463	0.01%
Total	123,184,042	100%

Source: ITC trade in services database based on IMF statistics

ANNEX 20: KENYA'S SERVICES IMPORTS2009-2018 (US$'000)

Service category	Total 2009-2018	Average market share2009-2018
All other services (professional services)	27,732,531	35%
Memo item: Commercial services	25,510,460	32%
Transport	11,537,136	15%
Other business services	3,841,911	5%
Travel	2,107,381	3%
Construction	1,956,321	2%
Government goods and services not included elsewhere	1,929,195	2%
Insurance and pension services	1,308,226	2%
Financial services	814,606	1%
Charges for the use of intellectual property not included elsewhere	808,433	1%
Maintenance and repair services not included elsewhere	655,448	0.8%
Telecommunications, computer, and information services	635,952	0.8%
Personal, cultural, and recreational services	35,660	0.05%
Total service imports	78,873,260	100%

Source: ITC trade in services database based on IMF statistics

ANNEX 21: TANZANIA'S MAJOR MERCHANDISE EXPORTS2009-2018 (US$'000)

HS Product Code	Product Description	Total 2009-2018	Percentage share2009-2018
7108	Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured	14,371,077	31%
2616	Precious-metal ores and concentrates	3,642,750	8%
0801	Coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled	2,354,933	5%
2401	Unmanufactured tobacco; tobacco refuse	1,846,200	4%
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes	1,439,307	3%
0304	Fish fillets and other fish meat, whether or not minced, fresh, chilled or frozen	1,203,605	3%
0713	Dried leguminous vegetables, shelled, whether or not skinned or split	1,200,657	3%
1207	Other oil seeds and oleaginous fruits, whether or not broken (excluding edible nuts, olives, ...	1,191,846	3%
2602	Manganese ores and concentrates, incl. ferruginous manganese ores and concentrates	918,194	2%
5201	Cotton, neither carded nor combed	577,657	1%
Top 10 merchandise exports		28,746,226	62%
All other merchandise exports		17,256,020	38%
Total merchandise exports		46,002,246	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 22: TANZANIA MAJOR MERCHANDISE EXPORT MARKETS2009-2018 (US$'000)

Export destinations	Total 2009-2018	Average market share 2009-2018
India	6,674,930	15%
South Africa	6,665,335	14%
Switzerland	5,005,065	11%
China	4,441,988	10%
Kenya	3,384,427	7%
Japan	2,029,691	4%
DR Congo	1,864,498	4%
Germany	1,531,932	3%
Belgium	1,467,391	3%
Netherlands	897,762	2%
Top 10 export destinations	33,963,019	74%
All other export destinations	12,039,294	26%
Total merchandise exports	46,002,313	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 23: TANZANIA'S MAJOR MERCHANDISE IMPORTS2009-2018 (US$'000)

HS Product code	Product description	Total 2009-2018	Average market share2009-2018
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude)	30,505,747	30%
8703	Motor cars and other motor vehicles principally designed for the transport of persons	2,513,800	2%
1001	Wheat and meslin	2,354,669	2%
1511	Palm oil and its fractions, whether or not refined (excluding chemically modified)	2,335,198	2%
3004	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	2,105,662	2%
8704	Motor vehicles for the transport of goods, incl. chassis with engine and cab	2,053,675	2%
7208	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled, not clad, ...	1,718,239	2%
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks	1,557,048	1.5%
8701	Tractors (other than tractors of heading 8709)	1,485,997	1.5%
4011	New pneumatic tyres, of rubber	1,322,099	1.3%
Top 10 merchandise imports		**47,952,134**	**47%**
All other merchandise imports		**53,565,968**	**53%**
Total merchandise imports		**101,518,102**	**100%**

Source: Computations from ITC Trade Maps datawww.intracen.org

Annex 24: Origin of Tanzania Merchandise Imports 2009-2018 (US$'000)

Imports Originating Countries	Total 2009-2018	Average market share 2009-2018
China	14,188,378	14%
India	13,948,875	14%
United Arab Emirates	8,839,159	9%
Saudi Arabia	8,405,587	8%
Switzerland	6,796,826	7%
South Africa	6,550,300	6%
Japan	4,654,379	5%
Kenya	3,427,474	3%
United States of America	2,456,671	2%
United Kingdom	2,257,065	2%
Top 10 import origin countries	71,524,714	70%
All other Import origin countries	29,993,410	30%
Total merchandise imports	**101,518,124**	**100%**

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 25: TANZANIA'S SERVICES EXPORTS 2009-2018 (US$'000)

Service category	Total 2009-2018	Average market share2009-2018
All other services (professional services)	30,221,827	33.56%
Memo item: Commercial services	29,892,726	33.20%
Travel	17,901,786	19.88%
Transport	8,173,632	9.08%
Other business services	2,698,346	3.00%
Telecommunications, computer, and information services	355,983	0.40%
Insurance and pension services	313,015	0.35%
Government goods and services not included elsewhere	309,589	0.34%
Financial services	142,188	0.16%
Personal, cultural, and recreational services	35,292	0.04%
Charges for the use of intellectual property not included elsewhere.	593	0.001%
Total service exports	90,044,977	100.00%

Source: ITC trade in services database based on IMF statistics

ANNEX 26: TANZANIA'S SERVICES IMPORTS2009-2018 (US$'000)

Service category	Total 2009-2018	Average market share2009-2018
All other services (professional services)	22,306,205	34%
Memo item: Commercial services	21,739,880	33%
Travel	9,295,631	14%
Transport	9,250,474	14%
Other business services	1,667,008	3%
Government goods and services not included elsewhere	499,139	1%
Insurance and pension services	486,104	1%
Telecommunications, computer, and information services	327,040	0.5%
Construction	202,428	0.3%
Financial services	54,975	0.1%
Charges for the use of intellectual property not included elsewhere	12,598	0.02%
Personal, cultural, and recreational services	10,038	0.02%
Total service imports	65,851,520	100%

Source: ITC trade in services database based on IMF statistics

ANNEX 27: UGANDA'S MAJOR MERCHANDISE EXPORTS2009-2018 (US$'000)

HS Product Code	Product description	Total 2009-2018	Average market share2009-2018
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes	4,004,242	17%
7108	Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured	1,368,569	6%
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude)	1,102,199	5%
0304	Fish fillets and other fish meat, whether or not minced, fresh, chilled or frozen	884,334	4%
2523	Cement, incl. cement clinkers, whether or not coloured	788,351	3%
0902	Tea, whether or not flavoured	754,729	3%
1701	Cane or beet sugar and chemically pure sucrose, in solid form	724,730	3%
2401	Unmanufactured tobacco; tobacco refuse	625,850	3%
0602	Live plants incl. their roots, cuttings and slips; mushroom spawn (excluding bulbs, tubers)	528,345	2%
1801	Cocoa beans, whole or broken, raw or roasted	510,775	2%
Top 10 merchandise exports		11,292,124	49%
All other merchandise exports		11,818,368	51%
Total merchandise exports		23,110,492	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 28: UGANDA'S MAJOR MERCHANDISE EXPORT MARKETS 2009-2018 (US$'000)

Export destinations	Total 2009-2018	Average market share2009-2018
Kenya	3,420,023	15%
United Arab Emirates	2,106,133	9%
Rwanda	1,989,897	9%
DR Congo	1,937,172	8%
Sudan	1,390,508	6%
South Sudan	1,277,937	6%
Netherlands	936,693	4%
Italy	797,647	3%
Germany	789,326	3%
Sudan (before 2012)	722,387	3%
Top 10 export destinations	15,367,723	66%
All other merchandise export markets	7,742,827	34%
Total merchandise exports	23,110,550	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 29: UGANDA'S MAJOR MERCHANDISE IMPORTS2009-2018 (US$'000)

HS Product Code	Product description	Total 2009-2018	Average market share2009-2018
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing ...	10,846,665	20%
3004	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	2,285,659	4%
1511	Palm oil and its fractions, whether or not refined (excluding chemically modified)	2,114,245	4%
8703	Motor cars and other motor vehicles principally designed for the transport of persons	1,802,454	3%
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks	1,614,431	3%
8704	Motor vehicles for the transport of goods, incl. chassis with engine and cab	1,272,656	2%
1001	Wheat and meslin	1,226,884	2%
2523	Cement, incl. cement clinkers, whether or not coloured	958,617	2%
1701	Cane or beet sugar and chemically pure sucrose, in solid form	931,162	2%
7208	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled	860,029	2%
Top 10 merchandise imports		23,912,802	43%
All other merchandise Imports		31,247,755	57%
Total merchandise Imports		55,160,557	100%

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 30: ORIGIN OF UGANDA MERCHANDISE IMPORTS 2009-2018 (US$'000)

Import origin countries	Total 2009-2018	Average market share2009-2018
India	9,991,539	18%
China	7,293,872	13%
Kenya	5,392,247	10%
United Arab Emirates	4,683,419	8%
Japan	3,188,236	6%
Saudi Arabia	2,651,147	5%
South Africa	2,599,385	5%
Indonesia	1,858,451	3%
Germany	1,140,501	2%
United Kingdom	1,045,429	2%
Top 10 import origin countries	**39,844,226**	**72%**
All other Import origin countries	**15,316,386**	**28%**
Total merchandise imports	**55,160,612**	**100%**

Source: Computations from ITC Trade Maps datawww.intracen.org

ANNEX 31: UGANDA'S SERVICES EXPORTS 2009-2018 (US$'000)

Service Category	Total 2009-2018	Average market share2009-2018
All other services (professional services)	18,079,008	35%
Memo item: Commercial services	15,735,851	30%
Travel	9,539,945	18%
Government goods and services not included elsewhere.	2,343,155	5%
Other business services	2,207,880	4%
Transport	1,429,730	3%
Construction	1,296,274	2%
Telecommunications, computer, and information services	617,258	1%
Financial services	267,132	1%
Insurance and pension services	216,611	0.4%
Charges for the use of intellectual property not included elsewhere	78,814	0.2%
Personal, cultural, and recreational services	67,438	0.1%
Manufacturing services on physical inputs owned by others	8,802	0.02%
Maintenance and repair services not included elsewhere	5,969	0.01%
Total Service Exports	51,893,867	100%

Source: ITC trade in services database based on IMF statistics

ANNEX 32: UGANDA'S SERVICES IMPORTS 2009-2018 (US$'000)

Service Category	Total 2009-2018	Average market share 2009-2018
All other services (professional services)	22,258,323	33%
Memo item: Commercial services	22,047,387	33%
Transport	11,493,650	17%
Other business services	5,144,306	8%
Travel	2,598,753	4%
Construction	1,025,906	2%
Insurance and pension services	715,093	1%
Telecommunications, computer, and information services	630,777	1%
Government goods and services not included elsewhere	210,937	0.3%
Personal, cultural, and recreational services	130,804	0.2%
Charges for the use of intellectual property not included elsewhere	114,814	0.2%
Financial services	97,773	0.1%
Maintenance and repair services not included elsewhere	54,718	0.1%
Manufacturing services on physical inputs owned by others	40,794	0.1%
Total Service Imports	66,564,035	100.0%

Source: ITC trade in services database based on IMF statistics

Annex 33: BURUNDI: Trade and Investment Priorities to Unlock Burundi's and EAC Trade Potential

National Priorities	Regional and International Priorities[173]
Macroeconomic Framework	
Harmonise and coordinate monetary and exchange rate policies applied by EAC Partner States Central Banks in order to promote favorable trade between EAC countries	Implement all provisions of the EAC Protocol on Monetary Union (particularly Art.5 (1)(c); which commits Partner States to harmonise and coordinate their monetary and exchange rate policies.
Trade policy and business development	
• Promotion of a dynamic, competitive and diversified productive sectors (agriculture and manufacturing). • Promotion of agriculture through adoption of modern farming technologies and practices, and value addition in agri-businesses. • Development of priority sectors with high growth and export potential such as tourism, mining, transport and telecommunications, value added food products, livestock, and manufacturing; focusing on enabling the country to become more competitive in the regional market. • Boosting transport and energy related infrastructure in order to support business operations. • Develop a favourable enabling environment for industrialization and private sector development through provision of requisite physical and soft infrastructure (particularly roads network and energy) • Support growth and development of physical infrastructures, transport, and regional trade networks. • Promote value chains on targeted industries, namely (i) agro-processing; (ii) agro-chemicals and fertilizers; (iii) mining and mineral processing; (iv) textile industries; (v) ICT[174]; and (v) hotels and tourism.	• Promotion of trade liberalization through removal of internal tariffs as well as charges of equivalent effect to tariffs on intra-EAC traded goods. • Elimination of all existing NTBs[175] on goods originating from EAC Partner States. • Formulation of CET[176] of 3 bands: 0% duty on agricultural goods, raw materials and capital goods; 10% duty on intermediate goods and other essential industrial inputs; and 25% duty on finished goods. • Implementation of common Rules of Origin for all partner states. • Establishment of common customs rules and procedures. • Adoption of common valuation method for tradable goods. • Enactment of a common external trade policy to guide trade negotiations with third parties. • Development of a list of sensitive products: 59 tariff lines with rates higher than the 25% tariff on non- sensitive list • Promotion of regional integration and international cooperation that is beneficial to Burundi businesses • Support capacities for promoting exports to EAC countries and European Union • Promote targeted regional industrialization based on potential regional value chains with the eventual goal of generating economic benefits for the entire EAC region
Fair Business Competition	
• Provision of legal and regulatory framework on trade policy: • Establishment of an independent competition commission with legal personality, administrative and financial autonomy;	

[173]These are priorities on exports to EAC, COMESA, SADC, African continental and global markets

[174]Information and Communication Technologies

[175]Non-tariff Barriers

[176]Common External Tariff

Annex 33: BURUNDI: Trade and Investment Priorities to Unlock Burundi's and EAC Trade Potential

National Priorities	Regional and International Priorities[173]
• Regulating the use of compulsory licenses, traditional knowledge and handicrafts, and unfair competition.	
Investment Promotion	
• Creation of an environment favourable to investment through the adoption and harmonization of the new investment code with those of other EAC partner states. • Granting fiscal advantages to Burundi's investors. • Adopt common policies and standards on trade statistics	• Exemption on customs duties for certain capital goods imported by investors, • Investors will enjoy a proportion of 37% tax credit for depreciable capital goods, • Exemption from payment of VAT for investment projects over BIF 500 million for investors (equivalent to USD 265,000), • Reduction of countervailing duties from 5% to 1.5% if an investment exceeds one billion BIF (USD 530,000); • Further reduction of tax by 2% if a company creates between 50 to200 jobs. • Implement all provisions of the Protocol on the establishment of the EAC Monetary Union (Art.4 (2)(g); which commits Partner States to adopt common policies and standards on statistics • Harmonise EAC taxation regimes and incentives in order to eliminate competition in offering tax holidays and waivers as investment promotion measures among EAC Partner States, which lead to loss of the much need tax revenue, forcing Partner States to continue begging for development and recurrent aid from donors. • Establish a common programme for the promotion of cross-border investments amongst EAC countries • Remove administrative, fiscal and legal restrictions on investments
Quality Standards	
Improve the quality and reputation of products processed in Burundi and with potential for trade in the regional market (particularly EAC and COMESA)	
Trade Facilitation	
• Implement appropriate support measures on trade facilitation to enable efficient intra-EAC trade	• Implement all provisions of the EAC Customs Union Protocol; particularly related harmonisation of trade documentation and procedures, rules of origin and verification

Annex 33: BURUNDI: Trade and Investment Priorities to Unlock Burundi's and EAC Trade Potential

<table>
<tr><th>National Priorities</th><th>Regional and International Priorities[173]</th></tr>
<tr><td>Build capacity of small scale cross border traders
Prioritise rehabilitation of Bujumbura port with an aim of facilitating reduction of high cost incurred in transporting goods through Lake Tanganyika to international markets</td><td>procedures, cargo clearance at border stations, application of internal tariff arrangements and CET, execution of laws on restricted and prohibited trade[177]; and customs cooperation requirements for cases that relate to joint verifications, import declarations, and inspections.
Identify and implement efficient trade facilitation systems and measures for promoting intra-EAC trade,
Develop physical infrastructure (roads & rail) for efficient transport of intra-EAC trade
Promote intra-EAC trade by improving operational efficiency of Bujumbura port to facilitate cross-border trade through Lake Tanganyika</td></tr>
<tr><td>Review of the EAC Common External Tariff</td><td></td></tr>
<tr><td></td><td>The ongoing CET review should focus on:
Promoting intra-EAC trade as opposed to the current structure which favour imports of industrial inputs (raw materials and machinery) from outside EAC region at low costs.
Formulating a structure that encourages only imports of processed intermediate goods which are not available in the region and importation of power from third countries at moderate tariffs.
Discouraging the current practice of frequent requests for stays of application, the categorization of a large number of products under exemptions, duty remissions and sensitive items.
Resolving misclassification of products which lead to market access limitations for EAC manufacturers, and which ends up favouring large scale firms as opposed to smaller manufacturers that need support to grow.
Reducing high taxation of sensitive products, which lead to negative impacts on consumer welfare for EAC citizens.
Creating a 4-tariff band structure comprising (i) % for raw materials and capital goods, aimed at enabling Burundi to meet its social development goods including access to pharmaceutical and agricultural products that cater for the</td></tr>
</table>

[177] The relevant EAC laws on restricted and prohibited trade cover: (i) security laws and regulations for control of arms, ammunition and other military equipment or items; (ii) protection of human life, the environment and natural resources, public safety, public health or public morality; and (iv) protection of animals and plants

Annex 33: BURUNDI: Trade and Investment Priorities to Unlock Burundi's and EAC Trade Potential

National Priorities	Regional and International Priorities[173]
	well- being of society; (ii) 5% for intermediate products that are available within the region; (iii) 10% for intermediate products considered as inputs for further production and which are not available in the region; and (iv) 25% for finished goods imported from third countries. Any higher rates that the 4 bands (e.g. 35%) should apply only to sensitive products. Burundi favours the 4 tariff band structure higher rate would complicate the administration of the CET and impact negatively on EAC firm competition and consumer welfare.

Annex 34: RWANDA: Trade and Investment Priorities to Unlock Rwanda's and EAC Trade Potential

National Priorities	Regional and International Priorities
Overall macroeconomic framework on trade and investment	
• As per the targets of Rwanda Vision 2020, Rwanda Vision 2050, and Rwanda Private Sector Strategy,transform Rwanda into an upper-middle income economy by 2035 and into a high-income economyby 2050 as per of efforts to achieve Millennium Development Goals, and as part of efforts to promote the private sector into a vibrant economic engine that contributes to increasing the country's socio-economic development and competitiveness. • Pursue an economic reform agenda aimed to promote the country's investment, trade and entrepreneurship, and industrial growth and development. • Pursue achievement of an economic growth rate averaging 11.5% per annum in order to increase GDP per capita from $900 to $1,240. • Achieve an average annual growth rates of 13.5% in services, 8.5% in agriculture, and 14% in industry. • Promote the service sector as it has more economic growth potential compared to other sectors in Rwanda. • Transform domestic enterprises into more competitive enterprises through agricultural modernization and pursuance of higher productive growth as the main source of the country's long-term growth • Establish capable and accountable public institutions. • As per the targets of Rwanda's Second Economic Development and Poverty Reduction Strategy (EDPRS II); – Increase the domestic interconnectivity of the Rwandan economy through investments in hard and soft infrastructure, – Promote private sector development by increasing investments in priority sectors, and – Pursue a 'green economy' approach to economic transformation.	• Increase the country' annual exports growth to an average 28% of GDP, targeting to achieve $3.6 billion of formal exports by 2020 while maintaining imports at 17% of GDP. • Increase external trade as a proportion of GDP from 41.5% to 60%. • Support human capital development, export dynamism and achievement of regional integration goals. • Increase external connectivity of Rwanda's economy as well as boost exports.
Overall Private Sector Development	
• Address all constraints hindering business growth and investment. • Address all constraints that hinder private sector to realise its full potential in creation of jobs; and contribution to boosting exports, investment and economic growth. • Support development of an entrepreneurial, innovative and competitive private sector that delivers broad-based and inclusive economic growth. • Support emerging priorities and challenges related to private sector development in order to achieve an accelerated, broad-based, diversified economic growth. • Establish a framework for reform initiatives to aid in monitoring economic progress and inform priorities.	• Tackle all constraints faced by local and international businesses in order to accelerate economic growth and investment in Rwanda.
Promotion of Sustainable Investment and industrial sector development	
• Increase domestic savings in order to promote investments and position Rwanda as a hub for provision of affordable financial services. • Modernize and increase agricultural and livestock productivity through value added production of raw materials. • Promote sustainable management of the environment and natural resources focused in transitioning Rwanda into a Green Economy. • Implement relevant measures for upgrading, modernizing and expanding Rwanda's industrial sector. • Boost the manufacturing sector focused in increasing output as part of measures to meet domestic market	• Promote industrialization and attain a structural shift in the country's export base targeting production of high-value goods and services with the aim of growing exports by 17% annually. • Promote industrial growth to produce competitive goods for regional and

Annex 34: RWANDA: Trade and Investment Priorities to Unlock Rwanda's and EAC Trade Potential

National Priorities	Regional and International Priorities
consumption needs. • Review Rwanda's investment law no. 06/2015 of 28/03/2015; focusing in making it an effective tool for investment promotion and facilitation in Rwanda.	international markets. • Sustain the ongoing efforts to improve ease of doing business in Rwanda, focusing particularly in maintaining the country's status as the fastest business registration economy in Africa. • Encourage the implementation of concluded bilateral investment treaties between Rwanda and respective third countries.
Export Development	
• Increase productivity, competitiveness and diversified sustainable productive capacities for trading. • Increase investment and production of competitive goods and services for regional and international export markets. • Enhance human resource skills for trade and development through training in both private and public institutions. • Strengthen science, technology and innovation policies, strategies and institutions including intellectual property laws, aimed to support industrial development and creative knowledge-based industries with export potential. • Formulate measures to support implementation of law No 05/2011 of 21/3/2011 which aims to regulate enterprise operations under the Special Economic Zones in Rwanda. • Support development of targeted investments with potential to meet local and regional market demand; including:heavy and light manufacturing industries, large scale industrial plants, commercial wholesalers; chemical, pharmacy and plastics sectors; warehousing, tourism and service industry; ICT and logistics providers.	• Enhanced participation of importers and exporters of goods and services in regional and international trade taking advantage of trade opportunities. • Increase foreign direct investment.
Application of ICT in Commerce	
• Support identification and implementation of ICT based programs/platforms that would contribute to achievement of strategic goals on private sector development. • Enhance the infusion of ICT in Rwanda's industrial, commercial and export sectors. • Develop modalities through which trade, commerce and industry can be enhanced through digital innovation for key sectors; focusing on use of digital platforms such as e-commerce and the Internet of Things (IoT). • Utilise the Kigali International Financial Centre (KIFC) as a trade promotion initiative that contributes increasing Rwanda's visibility in the global trade environment; focusing in boosting Rwanda's GDP, increasing • business growth, investments and ICT services; and increasing capital markets operations	• Implement the KIFC initiative to enable Rwanda to handle successful cash transactions for regional and international financial service providers. • Establish measures to enable Rwanda to handle offshore accounts and attract Rwanda diaspora to bank their money back home even when their projects are situated in other countries.
Promoting Consumption of Locally Produced Goods	
• Boost the capacity of local industries to produce goods needed in the local markets through the "Made in Rwanda Initiative" as part of measures to achieve sustainable economic growth	• Promote locally made products at regional and global markets. • Enhance value addition for exports to regional and international markets.

Annex 34: RWANDA: Trade and Investment Priorities to Unlock Rwanda's and EAC Trade Potential

<table>
<tr><th>National Priorities</th><th>Regional and International Priorities</th></tr>
<tr><td colspan="2">Development of Small and Medium Enterprises (SMEs)</td></tr>
<tr><td>
Promote growth of the SME[178] sector through backward and forward linkages; focused particularly on improving productivity and efficiency, stimulating and enabling innovation, facilitating commercialization, and facilitating new business formations.
Develop business and technical skills in order to enhance the quantity and quality of Rwandan workforce.
Support value-addition clusters and evolvement of an enabling environment for SMEs growth, aimed to spur the country's tax base and promote industrial growth.
Establish measures to bridge the gap between economic policies which cut across various sectors, targeting to grow SMEs into large scale industries and to facilitate their access to investment finance.
Reduce the country's trade imbalance by increasing export earnings through value addition.
</td><td></td></tr>
</table>

[178] Small and Medium Enterprises

Annex 35: KENYA: Trade and Investment Priorities to Unlock Kenya's and EAC Trade Potential

National Trade and Investment Priorities	Regional and International Priorities
Overall Structural Foundation for Trade Promotion	
• Incorporate national trade priorities as spelt out in Kenya National Trade Policy (2016) into RTP as part of measures to support operationalise the Kenya Vision 2030, which spells out long term policy framework for guiding implementation of sector priorities for Kenya. • Incorporate UN Sustainable Development Goals (SDGs) in national and regional trade priorities to ensure adherence with sustainable development principles. • Prioritise measures to make Kenya an efficient domestic market, export-led and globally competitive economy. • Create opportunities for equal participation of the socially and economically disadvantaged groups in trade activities by supporting entrepreneurial development through tailor-made support measures. • Nurture and utilize public-private partnership (PPP) in formulation, implementation and monitoring of interventions related to trade policy.	• Incorporate trade priorities as spelt out in regional and international treaties and agreements into the RTP. The relevant treaties/agreements in this regard include: WTO Agreements, EAC and COMESA Treaties, Cotonou Agreement[179], and IGAD[180]) • Prioritise measures to enhance regional integration, and to widen Kenya's participation in domestic and international trade. • Prioritise development of domestic and international trade at the national and county government levels • Provide an enabling environment for private sector to compete in global markets • Identify and implement measures to enable regional producers to withstand the adverse effects of global competition by invoking trade defense measures, taking into account the applicable multilateral trade disciplinary measures spelt out under WTO trade remedies and TRIPs agreements.
Trade Policy Framework	
• Create a coherent framework for coordination, formulation and implementation of Kenya National Trade Policy (NDP 2016); focusing on harmonization of sector/subject-based policies, measures to address the trade deficit, and exploitation of trade opportunities in the domestic, regional, and global markets. • Improve inter-relationships between trade and economic sectors; focusing particularly in ensuring policy coherence, synergies and complementarities between NDP and sector/subject-based policies; boosting and/or diversifying Kenya's export trade structure; and building and/or strengthening value-chains in manufacturing, agriculture, capital goods industries, and service sectors. • Promote the distributive trade sector (including the retail sub-sector), aiming to increase its economic contributions from the current levels; namely 15.7% of GDP, 10% of formal employment, and 58.7 % of the informal sector employment. • Create an enabling environment for increased trade in stocks, shares and outsourced	• Sustain efforts towards harmonisation of foreign exchange policies with Tripartite member countries.

[179] The Cotonou Agreement (2000) specified priorities for conclusion of reciprocal EU-ACP Economic Partnership Agreements

[180]The Intergovernmental Authority on Development Agreement (of 18th April 1995), which incorporates six Eastern African countries: Djibouti, Ethiopia, Kenya, Somalia, Sudan and Uganda.

Annex 35: KENYA: Trade and Investment Priorities to Unlock Kenya's and EAC Trade Potential

National Trade and Investment Priorities	Regional and International Priorities
business services as part of trade promotion measures for services sector	
Implementation Modalities of Regional Trade Policy by Kenya National and County Governments	
Roles of both National and County Government: • Prioritisation of measures for ensuring domestically produced goods remain competitive against imported equivalents in the domestic market. • Implementing the provisions of the Fourth Schedule of Kenya's Constitution 2010 relating to responsibilities of the National and County Governments in formulating, coordinating and implementing the trade policy interventions. • Joint provision of an enabling legal and regulatory framework to support the growth and development of distribution, wholesale and retail trade sub-sectors, and to strengthen backward and forward linkages in the productive sector value-chains. • Promoting the development of wholesale markets and trade support infrastructures. • Developing vibrant information systems (particularly ICT platforms) that have potential to drive and support robust agricultural production supply chains (through retail, distribution and wholesale trade. • Promoting Public Private Partnership investment in retail markets and business premises. • Enhancing business management skills training for retail entrepreneurs • Establishing accessible business development financial schemes suitable for retail traders. • Promoting the MSE sub-sector through creation of a business enabling environment characterised by a friendly legal and regulatory framework, improved work place infrastructure and services, and business incubation support services. • Reducing domestic taxes burden as well as excessive chargesapplied by National and County Governments on export products, which ends up affecting final export prices, leading to low competition in the regional and global markets. • Expanding and diversifying Kenya's export market destinations and export products portfolio. This requires addressing the current package of inadequate supply of export quality merchandise, which is identified in Kenya's National Export Development and Promotion Strategy as one of the major constraints that limits the country's export trade performance. • Facilitating increased investment promotion in sectors with export potential as part of measures to stimulate increased export development as spelt out in the National Export Development and Promotion Strategy. **Role of the National Government**:	**Roles of both National and County Government**: • Promoting and developing cross-border markets and trade support infrastructures. • Establishing and/or strengthening Cross-Border Trade Associations (CBTAs) at the respective border stations aimed in supporting traders' needs (export/import documentation, declarations, clearance, identification of potential export/import markets, interventions with government border trade facilitation agencies, etc). • Providing an institutional framework for MSE cross-border traders to collaborate with the National and County Governments and EAC Regional Organizations on issues affecting cross-border trade. **Roles of the National Government**: • Facilitating full exploitation of existing market potentials at regional and global levels as spelt out in preferential market access agreements to which Kenya has sealed its commitment. • Facilitate increased exports to the regional market (EAC, COMESA and SADC) by availing tailor-made sector and product information to exporters (market potentials, product-specific rules of origin, supply chain logistics[181], product standards, SPS measures, axle load requirements, applicable duties and taxes, etc). • Facilitating implementation of the Tripartite FTA focusing in overcoming and/or minimizing the structural challenges associated with EAC Partner States' membership to multiple regional economic communities (EAC, COMESA and SADC). • Implementing the EAC Duty Exemption Scheme to support competitive production for domestic and export markets. • Advocating for effective implementation of Regional Economic

[181] Supply chain logistics include transport routes, border clearance measures, documentation, border clearance and freight forwarding procedures, applicable duties and taxes, distribution outlets and agents among others.

Annex 35: KENYA: Trade and Investment Priorities to Unlock Kenya's and EAC Trade Potential

National Trade and Investment Priorities	Regional and International Priorities
• Addressing the deteriorating balance of payments situation catalysed by the liberalized trade regime. • Creating and implementing capacity building programs to enhance awareness on administrative and legal provisions specified in the EAC/COMESA Rules of Origin for exporters. • Formulating requisite trade remedial measures including as part of implementing the Kenya Trade Remedies Act. • Boosting the export sector competitiveness, productivity and resilience in order to withstand the negative impacts of climate change. • Facilitating achievement of the national annual export growth target of 25% set in the Kenya National Export Development and Promotion Strategy, which requires robust export trade promotion interventions.	Communities (RECs) Rules of Origin that are supportive of export trade. • Leading re-evaluation of the EAC's import substitution policy measures focused in identifying and implementing measures to promote the region's industrial development**.**
Exports to International Markets (particularly US and EU)	
• Support producers'/exporters' compliance with the US market entry requirements and standards as provided for under AGOA • Evaluate the US market entry provisions as provided in AGOA and key competitors in the targeted sectors in order to undertake targeted production for US market. • Enhance institutional capacity of exporters to support their utilization of AGOA provisions. • Increase private and public sector knowledge of AGOA market access provisions and modalities of implementation. • Boost productivity and supply capacity of MSMEs in the key sectors of manufacturing, agriculture, fisheries. • Provide timely and competitive trade and investment financing to exporters, particularly SMEs. • Provide facilitated support to producers to invest in creative value adding ventures targeting niche markets (such as CTA value chain, leather value chain, and honey making) • Supply capacity and productivity of SMEs in the target sectors. • Support SMEs to improve their supply capacity and productivity in target sectors with export potential.	• Facilitate negotiation of competitive ocean air freight costs with shipping lines between EAC ports and the US as part of measures to reduce shipping costs and enhance full utilisation of AGOA preferences. • Facilitate exporters understanding of the market preferences provided by the EAC-EU EPA to ensure EA exporters increase exports to EU.
EAC CET Review	
Support establishment of a coherent EAC regional trade policy with clear supporting legislation at national level on CET bands and rates. Support the *eventually* agreed CET structure with a national programme for promoting consumption of regionally originating goods based on compliance with set EAC quality standards and SPS measures; aimed to protect human, animal, and plant health and to safeguard against environmental degradation.	• Lead sustained and focused efforts towards comprehensive review of EAC CET to classification of imports into their correct tariffs as part of measures to eliminate misclassifications of raw materials/inputs and intermediate products as finished goods. The eventual goal of the review should be to enable EAC manufacturers to produce value added goods for the regional markets, reduce the excessive importation of goods that can be manufactured within EAC region, provide incentives for re-establishment of

Annex 35: KENYA: Trade and Investment Priorities to Unlock Kenya's and EAC Trade Potential

National Trade and Investment Priorities	Regional and International Priorities
	local/regional manufacturers which may have migrated to other regions since the onset of economic liberalisation in EAC, and enhance access to sufficient imported inputs by regional manufacturers (volume and quality) which may not be available in EAC. • The CET review should aim to provide a framework for upholding the March 2016 EAC Summit decision to phase out importation of used clothes and promote a viable EAC CTA[182] industry in collaboration and with technical assistance from the US government (as part of enhancing utilisation of AGOA facility) and other development partners. • Support the *eventually* agreed CET structure with a programme to facilitate implementation of the envisaged EAC trade remedies law, aimed to protect regional/local manufacturers against unfair competition from imports • Lead efforts towards harmonization of excise duty rates among EAC Partner States.
Institutional Framework on Exports	
• Facilitate access to export trade finance by mainstreaming export trade within the Kenyan Banking Industry so as to increase the allocation of financial resources for export trade. • Establish a specialised Export Finance Agency and Export Development Fund to promote export development and ease of access to finance. • Develop a Kenya export-import bank aimed to provide trade finance for export trade development and strengthening of linkage between national export trade agenda and foreign market representation. • Establish an effective foreign market representation for export development and promotion. • Create operational linkages between foreign representation, national trade regulatory institutions, and private sector actors involved in export trade.	• Develop and implement a comprehensive policy to integrate EAC major commodity value-chains. • Ensure incentives and organizational structures in EAC, COMESA and SADC are conducive to integrity and effectiveness of customs administrations in the Tripartite region
Resolution of Non-Tariff Barriers	
• Strengthen the National NTB Committee as provided for in the EAC NTB Act so as to	• Strengthen the mechanisms for monitoring and reporting unjustified

[182] Cotton, Textiles and Apparels

Annex 35: KENYA: Trade and Investment Priorities to Unlock Kenya's and EAC Trade Potential

National Trade and Investment Priorities	Regional and International Priorities
facilitate NTBs elimination process. • Domesticate the EAC NTBs[183] elimination Act into Kenya's legal regime to facilitate elimination of identified NTBs • Develop national level measures to ensure mutual recognition of standards marks on goods originating from EAC Partner States. • Address challenges related to costly and inefficient transport infrastructure and utilities (roads, rail, energy, communications) by among others implementing requisite trade facilitation systems and procedures, and adoption of regional approaches to accessing funding need to improve the major regional transport corridors. • Improve firm level productivity (through management and technical training) and competitiveness of goods produced and exported (through capacity building knowledge about export market requirements, quality standards, SPS measures, trade facilitation, rules of origin, etc). • Build capacity of government border agencies to efficiently inspect and manage porous borders through which illegal imports enter into the domestic market without payment of applicable duty and other taxes. • Strengthen the Kenya NTBs National Monitoring Committee to efficiently coordinate the NTBs elimination process in line with the EAC NTB Act 2016; and also to create issue-based trade policy dialogue platforms for public-private sector. Such platforms should have active participation of private sector, and should be driven by evidence based research on identified NTBs/trade obstacles. • Lead efforts towards application of the regional NTB elimination mechanism; bilateral negotiations and resolution of identified NTBs between affected countries • Support design and implementation of a capacity building and awareness creation programme in the private sector trade on Rules of Origin; and application of its administrative	non-tariff measures which end up as NTBs by creating demand-driven public/private sector partnerships and creation of awareness programmes for traders/exporters. • Lead participation in regional forums which discuss and agree on resolutions related to NTBs elimination by EAC Partner States as part of measures to increase Kenyan presence in intra-EAC trade. • Lead efforts towards harmonization of national subject specific trade laws into Tripartite regional laws on relevant subjects (e.g. customs declaration procedures, SPS, quality standards, immigration, rules of origin, etc). • Develop national level measures to facilitate mutual recognition of standards marks across Tripartite member countries. • Operationalize EAC trade related committees under Customs Union and Common Market to ensure cohesiveness by Partner States during negotiations with third parties on external trade matters. • Undertake period verification of NTBs[184] experienced by traders/businesses at ports of entry/exit, border stations, and major transport corridors; which affect intra-EAC trade as agreed during regional forums. • Harmonise weights and measures regulations in the Tripartite region. • Promote knowledge (speaking and writing) of common languages used in daily business transactions within EAC (such as Kiswahili, Luganda, Kinyarwanda, Kirundi, etc) in addition to the official languages used in Tripartite region (English, French and Arabic).

[183] Non-Tariff Barriers

[184] The NTBs include: Application of cumbersome customs documentation and administrative procedures, Non-recognition of Certificates of Origin; Varying product quality standardsand non-recognition of standardmarks issued by equivalent standards bodies; Stringent application of *sometimes unnecessary*SPS measures, Delayedcustoms clearance of imports/exports at border crossings and ports of entry/exit;Non-conformity with regionally agreed customs declaration procedures;Slow process at multiple police road blockschecks;Delayed process of checking compliance with axle loads requirements at weigh bridges;and Lack of harmonised transit charges and procedures. All these trade obstacles slowmovement of goodsacross EAC region and lead to corruption incidences in efforts by businesses/traders to speed upthe clearance and/or the compliance process.

Annex 35: KENYA: Trade and Investment Priorities to Unlock Kenya's and EAC Trade Potential

National Trade and Investment Priorities	Regional and International Priorities
and legal provisions amongst exporters and traders.	• Operationalize regional trade committees to coordinate national level consensus building and cohesion between regional and national trade-related laws and regulations.
Exportation/Importation Procedures	
• Establish a Kenya multi-agency approach towards processing of export and import documents. • Eliminate lengthy export/import procedures and inadequate information on exports/imports procedures to speed up cargo clearance at border stations and Mombasa port. • Undertake continuous sensitisation of customs officials on the need to make timely decisions at exit/entry ports and border stations regarding import declarations and clearance of cargo. • Lead efforts towards easier access of certificates of origin (and simplified certificates of origin for small scale traders) needed in each African REC[185].	• Eliminate unnecessary mandatory weighbridge requirements for transit cargo on the major transport corridors as long as axle load regulations have been complied with at the first port/border of entry. • Sustain efforts in simplification and automation of exports/ imports clearance systems within Tripartite[186] region as part of measures to enhance efficiency of cargo clearance at ports and border stations. • Sustain efforts towards harmonization of local content criteria in Tripartite as building blocks to eventual African continental rules of origin. • Fully implement the PVoC regulations to require all imports (excluding the exempted list) must be inspected in their country of origin, which conforms with the WTO PSI Agreement, so that cases of forced circumspection of imports rules and consequent entry of illegal goods are eliminated. Failure to comply with the PSI requirement should attract hefty penalties in order to discourage forced local inspection which ends up clogging the port, forcing illegal imports into the country which compete unfairly with genuine manufactures. The envisaged multi-agency team comprising KETRA, ACA, KeBS, KRA (Customs), KEPHIS and other Port/Border Control Agencies should also be allowed to perform its mandate of inspecting all suspected imports without political influence as part of efforts to eliminate trade malpractices. Such as approach would be in conformity with provisions of the WTO Agreements on Trade Remedies (the Anti-dumping Agreement, Agreement on Subsidies and Countervailing Measures, and Safeguards Agreement).
Quality standards and SPS Measures	
• Design and implement a national programme to raise producers capacity (particularly	• Sustain efforts towards harmonization of national standards into

[185] Regional Economic Community

[186] Tripartite comprises EAC, COMESA and SADC RECs

Annex 35: KENYA: Trade and Investment Priorities to Unlock Kenya's and EAC Trade Potential

National Trade and Investment Priorities	Regional and International Priorities
MSMSEs) to comply with quality standards and SPS measures for export markets	Tripartite regional standards within EAC, COMESA and SADC states as part of the building blocks towards eventual harmonising of African continental quality standards. • Sustain efforts towards harmonization and procedures for recognition of standard quality marks for products originating within Tripartite member states (EAC, COMESA and SADC). • Sustain efforts towards harmonization of national SPS measures into Tripartite measures within EAC, COMEA and SADC as part of the building blocks towards eventual harmonising of African continental SPS measures.
Export Market Information	
Design tailor-made awareness and knowledge building programme targeting Kenyan traders/businesses and public sector trade facilitation institutions focusing on requirements for exports to targeted export markets (including EAC, COMESA, SADC, rest of African countries, USA under AGOA, EU under EPA and other potential external markets). The programme should aim to build and/or strengthen awareness and knowledge in the following areas: • Export potentials (demand) for key agricultural (e.g. horticulture, cut flowers, processed coffee and tea, fishery products) and manufactured goods • Required export documentation • Required labelling and packaging • Applied tariffs and domestic taxes • Import clearance procedures at port/s of entry in target market • Applicable quality standards and SPS measures and demand driven standards (e.g. in EU and US markets) • Weighbridge regulations and transit procedures • Applicable rules of origin • Supply chain logistics for each target market including port clearance logistics; ocean, overland and air freight costs, average delivery times, contacts of clearing and freight forwarders/ agents and charges per 20-ft/40ft container load of cargo • Key competitors for specific product categories in each target market • Consumer market requirements • Supply chain logistics for accessing each market. • Information on available competitive trade and investment financing for exporters, particularly SMEs.	

Annex 36: TANZANIA: Trade and Investment Priorities to Unlock Tanzania's and EAC Trade Potential

National Priorities	Regional Priorities
Trends in Exports and Imports	
• Increasing value addition by processing and exporting finished goods that have undergone value addition. • Grow the country's exports.	
Trade Performance and Competition in International Trade	
• Boost the domestic supply by improving the business environment and investment climate issues such as those related to policy, legal and regulatory matters. • Improving the quantity and quality of domestically produced goods and services to boost the competitiveness of the supply side of the economy. This will in turn reduce transaction costs thereby making exports more competitive. • Provision of short term and long term availability of and access to finance as well as affordability of the same in general. • Development of a one stop hub for getting work, business and construction permits including business premises. • Increasing awareness of the regional trade protocols as well as proper preparations, consultation and coordination to enhance negotiation skills during international trade meetings. • Coordination of international trade to be centralized but avoiding unnecessary bureaucracy. • Increase financial and human resources so as to increase the private sector's participation in international trade negotiations as well as formulation of international trade laws, policies and regulations.	• Promotion of trade liberalization through removal of internal tariffs, transaction costs as well as charges of equivalent effect to tariffs on intra-EAC traded goods. • Elimination of all barriers to cross border trade between Partner States. • Development of a friendly, conducive and attractive business environment and investment climate for business competitiveness. • Provision of work and residence permits for foreigners to boost business and investments.
Performance in the Grains Sub-sector	
• Production of high quality products to meet the required international standards. • Increase availability of and access to finance considering only 5% of total commercial banks loans portfolio is directed to agriculture to be able to compete in the international markets. • Reduce the production cost per unit to lower the prices of products for them to be competitive in the global markets.	• Reducethe unpredictability of the EAC, COMESA and SADC's trade policies. • Remove NTBs such as export bans that lead to tremendous decrease in intra African continental trade. • Enhancing traceability of commodities/products required in order to meet international standards. • Improve branding and packagingto compete in the international markets. • Increasing awareness and uptake on International Certification and Standards.
EAC overall development vision	
• Ensure national priorities take on a more regional perspective.	• Consolidation of the Single Customs Territory (SCT) to cover all imports and intra-EAC traded goods. • Harmonization of national trade priorities, the common market and different

Annex 36: TANZANIA: Trade and Investment Priorities to Unlock Tanzania's and EAC Trade Potential

National Priorities	Regional Priorities
	partner states' external policies for a functional RTP to be realized.
EAC global commitments	
	• Boosting the EAC Partner States commitments to the remaining 10 sectors excluding tourism, within the framework of the WTO General Agreement on Trade in Services. • Implementation of EAC member states commitments to further open their markets up to each other in specific sectors so as to facilitate the implementation of the common market. • Recognition of the academic and professional qualifications from other partner States through signing of a Mutual Recognition Agreement (MRA) for accounting while MRAs for other three professions (architecture, engineering and veterinary) have also been signed by some member states to promote trade in services. • Harmonise and rationalise investment incentives, including those relating to taxation of industries to avoid revenue losses through unhealthy tax competition among the EAC Partners in the EAC region. • Promotion of the EAC as a single investment area and destination. • Protection and harmonisation of tax regulations. • Promotion of the 2006 EAC Model Investment Code to enable EAC members to be able to negotiate and agree on investment treaties with third countries of their own choice.
SCITF recommendations on the RTP	
• Harmonisation and coherence between the national trade policies at the EAC regional level.	• Identifying and integrating a strategy for negotiations at the regional, continental and global levels that is cognizant of both trade and investment regulations. • Reduce and eliminate any inconsistencies and discrepancies between partner states to give EAC a unified platform from which to negotiate trade agreements and set trade priorities and agendas. Among other things, it would be important for deciding on market access, standards, restrictions and exemptions.
The Common External Tariff (CET)	
	• Promoting intra-EAC trade through strengthening domestic and regional integration and reducing high import dependence for inputs and exports diversification. • Boost competitiveness in regional and global markets to promote EAC trade as well as expand the North-South and South-South trade. • Formulating a structure that encourages only imports of processed

Annex 36: TANZANIA: Trade and Investment Priorities to Unlock Tanzania's and EAC Trade Potential

National Priorities	Regional Priorities
	intermediate goods which are not available in the region and importation of power from third countries at moderate tariffs. • Discouraging the current practice of frequent requests for stays of application, the categorization of a large number of products under exemptions, duty remissions and sensitive items. • Resolving misclassification of products which lead to market access limitations for EAC manufacturers, and which ends up favoring large scale firms as opposed to smaller manufacturers that need support to grow. • Reducing high taxation of sensitive products, which lead to negative impacts on consumer welfare for EAC citizens. • Creating a 4-tariff band structure comprising (i) % for raw materials and capital goods, aimed at enabling Burundi to meet its social development goods including access to pharmaceutical and agricultural products that cater for the well- being of society; (ii) 5% for intermediate products that are available within the region; (iii) 10% for intermediate products considered as inputs for further production and which are not available in the region; and (iv) 25% for finished goods imported from third countries. Any higher rates that the 4 bands (e.g. 35%) should apply only to sensitive products. Burundi favours the 4 tariff band structure higher rate would complicate the administration of the CET and impact negatively on EAC firm competition and consumer welfare. • Reducing inconsistencies between the CMA and CET's lack of capacity to fully implement the CMA safeguard measures. • Elimination of excessive use of Non-Tariff barriers (NTBs) limiting trade across the region and Rules of Origin (RoO) which at times do not recognize value addition. • Promotion of adequate investment to expand supply-side capacities. • Remove of tariffs and charges of equivalent effect. • Development of a needed set of principles for clustering products which include degree of processing, minimization of lists of exemptions, duty regimes and SOAs, international commitments, criteria for goods to qualify under duty remission and exemption regions, elimination of SOAs, harmonization of tariff for RECs, industrialization, regional market access, application of SCT and universal access to remission schemes in the region for the CET product clustering and criteria (raw materials, capital, intermediate and finished goods). • Reviewing the DRS scheme to improve their administration.

Annex 36: TANZANIA: Trade and Investment Priorities to Unlock Tanzania's and EAC Trade Potential

National Priorities	Regional Priorities
Priorities for National Trade and Industrial Policy	
• The current industrial policy direction points to deepening the private sector-led industrial growth as a way of transforming the economy from its heavy reliance on agriculture. • Improve the business environment by addressing legal, policy and regulatory framework issues that are not conducive for business. • Implement the Blue Print that aims at addressing regulatory impediments to trade. • Enhancing income generation and the people's earning power at the grass-roots level as the key to poverty reduction in fulfilment of the fundamental human right of equal opportunity for all citizens as enshrined in the constitution of the United Republic of Tanzania.	• Eliminate overlapping regional blocs and trade arrangements for proper administration of regional trade policies and commitments in the EAC. • Reducing EAC Partner States' multiple REC membership to reduce complications in the implementation of the EAC Customs Union. • Remove barriers to the implementation of the Common Market.
Tanzania Small and Medium Enterprise (SME) Policy, 2003)	
• Reviewing and reconsidering public policies and regulations that discriminate against or hinder the start-up, survival, formalisation and growth of SME sector. • Enhancing the growth of the sector. • Identifying and assigning clear roles of key actors. • Developing strategies that will facilitate provision of financial and non-financial services to SMEs. • Developing and institutionalising public-private partnerships for SME sector development.	
Competition and Consumer Protection	
The main legislation for consumer protection in Tanzania is the Fair Competition Act, 2003, which largely focuses on regulating competition, misuse of market power, mergers and acquisitions, and collective consumer concerns.	
Economic Development (Based on Tanzania's Second Five Year Development Plan 2016/17– 2020/21**)**	
Promote targeted industrialization focusing on: i) Mass jobs creation ii) Use of domestic raw materials iii) Serving domestic market iv) Increased exports Enhancing high standards of human development; particularly health and education v) Attracting local and foreign investments vi) Retaining attracted investments vii) Ensuring win-win situation between investors and the country	

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
Increasing EAC Partner States' trade performance	
• Grow and maintain Uganda's high performance record in the African Regional Integration Index.	• Reduce the EAC regional trade deficit which remains high as a result of substantial net imports of manufactured goods. • Eliminate tariffs and NTBs on intra-EAC trade in order to boost trade prospects. • Facilitate growth of the intra-EAC trade through development of regional industrial capacities in the key sectors, improvement of agricultural productivity, and enhanced value addition. • Facilitate the movement of agricultural goods.
African Continental Integration	
• Pursue various agreements on trade and investment at regional and international level yet to be ratified	• Implement SSA integration commitments (AFTA[187]) • Implement fully the EAC Free Trade Agreement treaty (as provided in the Customs Union and Common Market. • Integrate necessary EAC members' customs and documentation requirements for exports. • Increase progress towards the ratification of various agreements that impact EAC trade. • Outline measures on the RTP that aim toharmonize and prioritize overlapping membership of EAC Partner States to various RECs.
Single Customs Territory, One Stop Border Posts, and Integrated Border Management initiatives	
	• Implement initiatives that are critical for successful and effective EAC RTP implementation, such as the Integrated Border Management (IBM) initiative and the OSBP. • Integrate the Single Customs Territory (SCT) to cover all imports and intra-EAC traded goods. • Implement the Regional Customs Transit Guarantee Scheme (RCTGS) including the single customs document & integrated system measures; which aims to simplify cargo clearance from first port of entry to receipt of goods by importer. • Implement fully the EAC Customs Management Act and Single Customs Territory provisions; as this is the EAC regional framework for implementing good practices and trade facilitation measures. • Implement the EAC Trade Facilitation Agreement (TFA); as this is a strong framework which is guided by various sub-national trade facilitation committees. • Implement the Trade Logistics Information Pipeline (TLIP); which aims to address information sharing challenges by developing and implementing an electronic platform to

[187] Africa Free Trade Area

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
	exchange of trade information across EAC borders. • Support plans and initiatives by the EAC to harmonize duty remissions. • Establish an EAC regional Customs Authority. • Provide adequate resources to facilitate export and import systems development. • Establish measures to boost the rate of customs compliance by traders. • Reduce misalignment between EAC ROO and FTA provisions. • Eliminate all forms of NTBs to trade. • Enhance the uniformity in application of the CET. • Speed up harmonization on domestic taxes protocols. • Boost knowledge on recognition of the EAC Partner States certificates of origin by customs authorities.
Intellectual Property Rights	
• Create awareness on the importance of IPR protection against piracy, counterfeit and IPR non-compliant products.	• Develop an IPRs agenda to support EAC Partner States in the implementation of the TRIPS Agreement. • Strengthen initiatives pursued by Partner States to make use of the TRIPS flexibilities such as the regional IP Protocol and Policy on the Utilization of Public Health Related WTO-TRIPS Flexibilities adopted by the Council of Ministers in 2013. • Implement IPRs protection against counterfeiting and piracy of trademarks and copyrights.
EAC Common External Tariff	
• Boost national investments so as to expand supply capacities.	• Establish an efficient classification system of products in the EAC Common External Tariff lines. • Create viable market access for products benefitting from specified incentives in the Customs Management Act (CMA). • Reduce the excessive use of Stays of Application (SOAs) so as to eliminate misclassifications. • Enhance consistency between CMA and CET structures and facilitate institutional capacity to fully implement the CMA safeguard measures. • Reduce Non-Tariff barriers (NTBs) limiting trade across the EAC region including the Rules of Origin (RoO) which at times does not recognize value addition. • Re-evaluate EAC exemption schemes,duty remissions and schemes of categorising sensitive products with a view to promoting regional trade in goods. • Formulate and implement a more responsive CET structure. • Ensure a successful implementation of the common market and the common external tariff (CET) provisions as part of EAC trade policy framework. • Formulate an investment agreement between EAC members to coordinate and rationalize investment incentives, including those relating to taxation of industries.

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
Export Promotion through Export Processing Zones (EPZs)	
• Establish strategies and advice on the removal of impediments to, and creation of incentives for export oriented production in areas designated as export processing zones. • Develop EPZs and formulate marketing strategies for products with export potential	• Develop a harmonized list of exemptions that would be implemented through an EAC Model Export Processing Zones Operational Manual, in order to promote the uniform application of overall regulations, and to guide competent authorities in the development of national operational manuals • Promote forward and backward linkages for industries in the export processing zones of the Partner States. • Co-ordinate regional market research activities and sharing of information between competent authorities. • Identify best practices for implementation of export processing zones within the Customs Union. • Promote and market the regional EPZs among investors. • Issue certificates of origin to export processing zones enterprises in order to benefit from generalized system of preferences and other trade preferences given under bilateral and/or multilateral trade agreements.
EAC Grain Trade	
• Strengthen Uganda's trade policy which seeks to promote the country as the regional food basket by eliminating export duty on agricultural products, export bans, and other restrictions on trade in food commodities. • Reduce the magnitude of both domestic and regional constraints to grain trade. • Enhance Uganda's trade and sectoral policies on protection against food insecurity.	• Expand market access beyond the EAC region and reduce the production and marketing costs of grains and other commodities in order to grow the regional agricultural sector. • Review and improve the agricultural policy framework in East Africa so as to minimize the marketing costs of commodities.
Standardization, Quality Assurance, Metrology and Testing (SQMT)	
• Appoint regulatory authorities to administer compulsory product standards.	• Improve the EAC Treaty by fully applying the SQMT[188] Act, 2006 for goods produced and traded in the community. • Implement the SQMT Act, 2006 fully, focusing on facilitating adoption and enforcement of harmonized standards by Partner States; recognition, declaration and acceptance of certification marks; as well as approximation and alignment of relevant standards laws and regulations necessary to support implementation of the RTP roadmap. • Identify and eliminate all NTBs related to technical barriers to trade

[188] Standardization, Quality Assurance, Metrology and Testing protocol

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
Sanitary and Phytosanitary standards	
• Enhance the EAC SPS Protocol which provides the legal basis for any further reforms regarding food safety measures, plant protection and animal health.	• Harmonize and implement the EAC Partner States' SPS measures and policies. • Prioritise elimination of NTBs particularly NTBs related to SPS such as certification so as to increase access to international markets. • Implement the SPS protocol fully so as to improve the competitiveness of EAC products in external markets, and further help the region to contain major threats related to production of food and agricultural products including attacks by aflatoxin and pests.
Overlapping membership of EAC Partner States to Multiple RECs	
	• Facilitate implementation of the Tripartite FTA[189] Agreement provisions through harmonization of customs procedures, transit procedures, tariff liberalization and Rules of Origin. • Harmonise trade remedies laws, products certification procedures, standards testing systems, quality assurance and conformity procedures. • Prioritize programs that address trade and transport facilitation so as to lower the costs of doing business and improve the competitiveness of products originating from the Tripartite region. • Implement governance systems on Inter-Regional Cooperation for the Tripartite region though a coordination mechanism that underpins the legal and institutional framework, which should comprise: Tripartite Summit of the Heads of State; Tripartite Council of Ministers; Tripartite Sectoral Ministerial Committee on Trade, Finance, Customs, Economic Matters and Home/Internal Affairs; Tripartite Sectoral Committees on infrastructure, legal affairs, and any other Ministerial Committees that the Council of Ministers may establish. • Develop and implement agreements on market integration, facilitate movement of persons across borders, put in place mechanisms to handle border disputes and spillovers, increase resources to strengthen weak public institutions and administration of long land borders where trade diversion and entry of uncustomed goods take place; and improve on infrastructural and communication links across the Tripartite RECs. • Create strong supranational institutions to boost Tripartite RECS decision-making powers and legal and institutional frameworks for enforcing compliance with cross border trade rules and procedures. • Work towards a merger of the three RECs into a single entity in the long run. • Fully operationalize the Continental Free Trade Area (CFTA) provisions so as to integrate

[189] COMESA-EAC-SADC FTA

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

<table>
<tr><th>Identified National Priorities</th><th>Identified Regional Priorities</th></tr>
<tr><td></td><td>the continental member states into one Continental Economic Community.</td></tr>
<tr><td colspan="2">Application of Stays of Application, Remissions and Duty Exemptions</td></tr>
<tr><td></td><td>• Implement the following measures as part of criteria for qualifying and approving stays of application, duty remissions and exemptions from EAC CET which is empirically implemented:
– Ensure the adopted CET band structure takes care of interests related to the need for Partner States' requests for stays of application, exemptions and remissions from the EACT CET on products with potential for cross border trade within the Community.
– Introduce specific duties in the EAC tax systems as an alternative to the ad valorem (percentage) duty rate for products prone to undervaluation, subsidies, dumping and world price fluctuations.
– Amend the EAC Customs Management Act to specifically remove blanket exemptions from the EAC CET for Government projects aimed at encouraging local and regional sourcing.
– Remove the stays of application from the EAC CET by prioritising duty remission schemes which are better regulated and manageable than stays of application, since the latter are free for all importers.
– Limit duty remission to only products whose supply capacities at EAC level cannot satisfy the regional market demand.
– Develop an independent regional board to scrutinize and approve requests for duty exemptions, remissions and stay of application. Alternatively strengthen the Directorate of Customs and trade under EAC Secretariat and empower it to make decisions on duty exemptions, remissions and stay of application based on clear and scientific evidence. Such empowerment should be backed by an EAC legislation which is domesticated into Partner States laws.
– Establish a strong regional bureau of statistics capable of generating trade data as a basis for the application of duty exemptions, remissions and stay of application.
– Harmonise Partner States' duty remission schemes into an EAC duty remission scheme in order to eliminate discrimination of some producers and suppliers from utilising the benefits associated with remission schemes.
– Rationalize the CET based on actual capacities of goods produced in the region.</td></tr>
<tr><td colspan="2">EAC Common External Tariff</td></tr>
<tr><td>–</td><td>• Implement four tariff band rates; namely:
– A minimum rate of zero percent on imported raw materials and capital goods;
– A middle rate of 10 percent on imported intermediate goods;
– A maximum rate of 25 percent on imported finished products; and</td></tr>
</table>

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
	– Rates of duties ranging between 35 percent and 100 percent for imported sensitive products.
EAC strategies for trade and investment negotiationsat the regional, continental and global levels	
	• Harmonize the conflicting interests on trade and investment regulations that appear in national development frameworks through a regional negotiating team comprising the relevant MDAs[190] in each Partner State (Ministries of Trade and Industry, Customs, Standards Bureaus; SPS, Public Health and Weighbridge competent bodies, etc) and Private Sector Organisations (East African Business Council, national Private Sector Apex bodies[191], manufactures associations, chamber of commerce and industry, clearing and forwarding associations, freight forwarders associations, and product-specific organisations[192]). • The negotiations process on trade and investment regulations should prioritise compilation of background information on the Partner States' exports and imports of goods and services, comparative strengths and weaknesses of domestic industries, foreign regulatory barriers that inhibit exports of goods and services by EAC countries to other markets, and regulatory issues that might arise in the context of negotiations. The process should be supported by a strong regional bureau of statistics capable of generating trade data so as to back up the regional negotiating team. • Conduct joint empirical studies and recommend evidence based positions on the likely positive and negative effects of harmonising trade and investment regulations. The studies should give the Partner States and the negotiators a reasonable assessment of the type and severity of difficulties that may be expected as well as areas where the greatest gains and losses are likely to occur.
EAC Regional Trade Remedies Law	
	• Develop a Partner States Plan for sector and issues based negotiations on trade remedies by agreeing through a negotiated approach on which industries to protect so that joint anti-

[190] Ministries, Departments and Agencies.
[191] The known EAC Private Sector Apex bodies are Burundi Federal Chamber of Commerce and Industry of Burundi (FCCIB), Rwanda Private Sector Federation (PSF), Kenya Private Sector Alliance (KEPSA), Tanzania Private Sector Foundation (TPSF), Uganda Private Sector Foundation UPSF), Federation of East African Freight Forwarders Associations (FEAFFA), and Shippers Council of East Africa (SCEA).
[192] Some of the EAC product specific organisations are the East African Grain Council (EACG), African Cotton & Textile Industries Federation, *Eastern Africa Farmers Federation (EAFF), and* Fairtrade Africa (which represents all African producer organisations that are certified against international Fairtrade standards for traditional export commodities such as coffee, cocoa, tea, cotton, bananas, mango and non-traditional commodities).

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
	dumping and countervailing measures that meet Partner States common interests can be invoked whenever trade malpractices are notified by national enterprises or other interested parties. • Draw lessons from the EU Union Model, where harmonization does not necessarily equate to uniformity but approximation, and where application of common definitions and agreed bands apply (i.e. lower and maximum bands). • Entrust the responsibility of negotiations or backstopping exercise to Partner States or to any of the Partner States' foreign missions that may have interest to negotiate trade remedy measures with third parties based on prior agreed specific TORs. • Strengthen increased EAC presence and effectiveness in WTO forums by notifying the WTO decision making body that EAC will henceforth participate in trade remedies negotiations as a Customs Union.
EAC Duty Remission Schemes (DRS)	
• Sensitize the private sector at national level on requirements and benefits of the remission scheme so as to enhance its application and competitiveness of beneficiary companies • Identify products with potential to strengthen industrialization, export promotion and protection of national/regional products. • Develop an electronic platform to manage the DRS process including notification of DRS procedures to private sector and online applications process at national level • Review and limit the list of products benefitting from DRS to inputs • Gazette the DRS beneficiary companies and the goods they trade in at national and regional level	• Design an electronic platform to manage the DRS process, with provisions on procedures for regional verification of materials that have supply potential • Adopt universal access to products benefitting from duty remissions at regional level in order to facilitate regional trade in such products provided they meet the RoO and do not benefit from national remission schemes
Industrial Policy and Strategy. *Uganda reaffirms the validity of EAC national and regional industrial policy and strategy priorities as summarised below*.	
• Strengthen the national business and regulatory environment. • Strengthenthe capacity of Industry Support Institutions (ISIs) to develop and sustain a competitive regional industrial sector. • Improve the capacity and competitiveness of the industrial sector States to enhance production and facilitate trade in industrial goods within and outside the EAC. • Exploit and develop natural domestic resource- based industries such as petroleum, cement, and fertilizer industries for the regional market. • Promote competitive industries that use local raw materials by improving access to technologies, promoting managerial and	• Strengthen and exploit policy synergies between the EAC Industrial Policy and other sectoral policy instruments • Promote targeted industry value chains with widespread linkages where the region has potential comparative advantages so as to deliver economic and development benefits for the entire region. This should focus on six strategic regional industries; namely: Agro-processing, Energy and Bio-fuels, Fertilisers and agrochemicals, Iron-ore and other mineral processing, Petro-chemicals and gas processing, and Pharmaceuticals. • Develop a strategic regional framework to enhance value addition. • Develop economic corridors and support infrastructure for industrialization. • Promote regional collaboration and development of industrial R&D, technology and innovation.

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
technical skills, improving and maintaining roads and rail infrastructure, transit procedures; and cost of and access to industrial power. • Support agro-processing by focusing on value addition in food processing, leather and leather products, textiles and garments, sugar, and dairy products for niche regional and international markets. • Support knowledge-based industries such as ICT, call centres and pharmaceuticals; which widely utilise emerging knowledge from science, technology and innovation. • Pursue engineering for capital goods, agricultural implements, construction materials, and fabrication/ Jua Kali operations.	• Expand trade and market access for manufactured products. • Build the industrial sector into a modern, competitive and dynamic sector fully integrated into the domestic, regional and global economies.
Consumer Protection and Competition	
• Create a governing body to regulate competition (based on Uganda being is the only EAC country without a governing body that is dedicated to regulate competition). • Review the 1964 Uganda Act of Parliament to guide and safeguard legislation in line with Article XIX of the GATT. • Formulate a National Intellectual Property Policy/ Industrial Property Legislation to regulate IPR in industrial development (particularly manufacturing and importation of essential medicines), in line with the WTO TRIPs Agreement.	• Build a strong EAC regulatory framework to implement the IPR legislation as part of EAC RTP, aimed to regulate competition and boost trade and investment both nationally and regionally. • Improve regulations that may be limiting competitive access to goods with IPR. • Address challenges affecting the development and implementation of IPR policies.
Export Development Strategy (Merchandise and Services)	
• Implement the services export strategy, Uganda Apiculture Export Strategy and the National Development Export; all which envisage positioning and branding Uganda on the world market as an exporter of good-quality and dependable services, based on models of international best practices. • Integrate Uganda's productive sectors in international export markets aimed at increasing the country's market share in goods and services in international markets. • Enhance the capacity of the country to engage in trade negotiations at regional and global levels; including establishing a national trade negotiations team. • Post and maintain Trade Officers to Embassies that participate in various trade negotiations in which Uganda has strategic trade	• Establish and harmonize the EAC Partner States' trade policies and strategies which are the building blocks for the RTP. • Integrate a regional strategy on trade and investment aimed at enhancing joint negotiations at the regional, continental and global levels and eliminating any inconsistencies and discrepancies between Partner States.

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
interests. • Pursue regional economic integration with a view to increasing effective market access opportunities for Uganda's goods and services. • Work within the multilateral trading system to ensure that Uganda's economic and commercial interests are an integral part of its trade work program. • Ensure a distinct relationship between trade, debt and finance. • Operate a world-wide-web based market information system through which the international community will be informed of the available trade opportunities in Uganda. • Develop and implement measures and strategies to enhance the participation of Uganda's service industry in international trade. • Identify, develop and promote products and services where the country has comparative and competitive advantages. • Maintain a liberal trade policy and enhanceinstitutional capacity to facilitate adjustment to trade liberalization, including development of social safety nets in instances where it is envisaged that economic liberalization may have negative effects. • Adopt targeted approach to implementation of trade facilitating measures.	
Business Development through Promotion of Locally Produced Goods and Services	
• Enhance the development of local private sector enterprises, particularly MSMEs that are engaged in the production, supply and manufacturing of locally produced goods and services. • Boost the consumption of local goods and services. • Promote conformity to international standards to guarantee production of quality goods and services. • Provide capacity building programs to local suppliers of goods and services.	
Development of Micro, Small and Medium Enterprise (MSMEs)	
• Provide an enabling business environment through policy, legal and institutional coordination framework. • Boost research, product process development, innovation, value addition and appropriate technologies including ICT focused in enhancing business development for improved trade.	

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
• Promote product and service standards as prerequisites for quality assurance. • Support market access and business information services. • Increase to access to credit and financial services. • Enhance capacity building in entrepreneurship, vocational, business and industrial development skills. • Develop the capacity of co-operatives to support MSMEs in production of competitive goods for the domestic, regional and international markets. • Provide cooperatives with a framework for improving capitalization and diversification of financing tools that are supportive of MEMEs development. • Facilitate cooperatives to improve delivery of BDS[193] to MSMEs in areas of supply chain efficiencies and marketing infrastructure. • Diversify the type and range of BDS that cooperatives offer to their member enterprises.	
Trade Development	
• Enhance the competitiveness of Uganda's products and services in the domestic, regional and international markets. • Facilitate the smooth flow of trade, while ensuring that trade conforms to national and international laws and regulations. • Enhance the capacity of the country to engage in trade negotiations. • Strengthen trade institutions, such as those dealing with trade policy, standards, customs, and provision of trade information. • Secure and maintain improved market access to the regional and international markets for Uganda's goods and services. • Provide market information to traders and the general business community to enable them make prudent and optimal investment decisions. • Create the capacity to exploit existing market access opportunities.	• Post and maintain trade officers to embassies and/or missions that participate in various trade negotiations or are located in countries or regions in which Uganda has strategic trade interests. • Pursue regional economic integration with a view of increasing effective market access opportunities for Uganda's goods and services. • Work within the multilateral trading system to ensure that Uganda's economic and commercial interests are an integral part of its work program and outcomes. • Operate a world-wide-web based market information system through which the international community will be informed of the available trade opportunities in and with Uganda. • Develop and implement measures and strategies to enhance the participation of Uganda's services industry in international (services) trade. • Identify and develop products, services and respective markets in which Uganda has comparative and competitive advantages, in order to promote products, services and market specialization.

[193] Business Development Services

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
• Boost the capacity of socially and economically disadvantaged sections of the community to trade. • Develop domestic trade as a foundation for developing Uganda's capacity to produce and engage in remunerative international trade. • Exploit policy synergies, coherence and complementarities between different sector based policies and the national trade policy. • Ensure gains realised from growth in trade are equitably shared, while taking cognisance of the fact that more gains and available opportunities will accrue to those who participate in trade activities.	• Maintain a liberal trade policy and enhance the capacity to adjust to trade liberalization, including development of social safety nets in instances where liberalization may have negative effects. • Continue implementing trade facilitation measures.
Fair Business Competition, Consumer Welfare and Protection	
• Set up a National Competition and Consumer Protection Commission to coordinate fair competition and respect for consumer welfare. • Foster institutional collaboration amongst agencies with mandates and competences in fair competition and consumer protection. • Promote fair competition and consumer protection by building the human resource base in both the public and private sector. • Create public awareness amongst all stakeholders on matters related to competition policy and consumer protection. • Foster a Public-Private Partnership (PPP) approach in addressing matters related to consumer policy and consumer protection. • Harmonize competition and consumer protection in various (sectoral) policies and laws. • Promote market conditions favourable for fair competition.	
Grain Trade	
• Improve the institutional policy and regulatory frameworks to enhance the competitiveness of the grain sub-sector. • Promote value addition and innovation on grains sector. • Boost research, product development and technology transfer. • Promote the development, harmonization, and enforcement of standards. • Support bulk handling and marketing of grains by farmers and	

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda’s and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
traders through improved storage facilities and enhanced market infrastructure. • Enhance human capacity development focusing on skills building for women and youth traders in order to improve access to affordable business credit.	
Promotion of Sector-Based Products **1. Leather and Leather Industry**	
• Promote establishment of appropriate production, preservation, processing and marketing infrastructure such as leather industrial parks and clusters. • Boost the application of total quality management practices along the leather value chain to ensure production of high quality products and compliance to standards at all points of the value chain. • Support the private sector in strengthening their technological capacities to develop more innovative leather and leather products from different sources of hides, skins and other related raw materials. • Promote local purchasing of leather footwear, belts, balls and holsters by national institutions such as the army, police, prisons and schools as a way of promoting local consumption of locally produced leather products. • Encourage training of skilled and semi-skilled leather technicians in tertiary and lower level training institutions. • Promote the exposure of local producers through study tours, national and international shows and exhibitions of leather and leather products. • Support processors to produce crust and finished leather. • Develop, review and enforce the relevant laws, regulations, guidelines, standards and codes of practice on quality of leather and leather products.	• Encourage local MSMEs and foreign investments in leather value addition ventures. • Manage the tariff structure on the export of wet blue and crust to encourage production of finished leather and finished goods. • Establish and strengthen linkages between national and regional leather sector institutions (whose mandate incorporate R&D, testing, training and quality of leather products) with tanneries and farmers in order to improve leather quality and production of value added leather gods in Uganda.
Promotion of Sector-Based Products **2. Textile/Garments Industry**	
• Improve the local business environment for textile sector. • Support technological up-gradation and modernization of textile sector.	

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
• Strengthen textile sub-sector support institutions. • Increase the raw materials supply base for textile sector • Enhance human resources development in textile sector.	
Standards and Quality of Products Traded	
• Rationalize, harmonize and strengthen the regulatory framework on standards, metrology, accreditation and technical regulation through; – Developing and implementing a national technical regulation framework, – Establishing sector based technical regulations, – Revision and implementation of the metrology and accreditation legislation; – Revision and effective implementation of the UNBS Act, – Streamlining the SMCA[194] institutional mandates – Separation of standards promotional activities from enforcement activities. • Establish a framework to enhance coordination and collaboration among regulatory authorities and national quality infrastructure institutions through; – Establishing the National Quality Forum (NQF) – Designation and mandating the UNBS as the apex standards authority of Uganda, – Enhancing a coordinated platform for standards related discussions. • Develop and improve the national quality infrastructure by; – Establishing the national accreditation system to provide credible and international recognition of conformity assessment services in Uganda, – Providing operational, technical and financial support for the National Accreditation Body, – Strengthening the capacity of the national inspection, testing and certification systems to demonstrate conformity of goods	

[194] EAC Standardisation, Metrology and Conformity Assessment

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

Identified National Priorities	Identified Regional Priorities
and services to international standards and technical regulations, – Establishing a National Metrology Institute, – Strengthening the national metrology and calibration system to support business development. • Strengthen human resource capacity in national quality infrastructure by; – Implementing plans for the provision of continuous training on the role of standards and quality in trade development, including integration standards and quality in educational curricula at all levels, – Evaluating the level of expertise of key technical personnel in the public and private NQI institutions, – Determining the gaps between the current standards situation and the optimal levels, – Embarking on a programme to attract and retain the appropriate expertise on standards within Uganda. • Enhance awareness and dialogue amongst all stakeholders regarding standards, metrology, accreditation and conformity assessment in order to improve compliance through; – Developing and implementing a Communication Strategy for awareness creation on SMCA – Enhancing public general understanding of the benefits of producing (including purchasing, manufacture and supply) and consumption of quality goods and services, – Raising the level of awareness amongst Government agencies on the benefits of standards in all government policies, regulatory systems and public procurement, – Widely disseminating all approved national standards, technical regulations and conformity assessment requirements as provided for in the EAC SMCA Act (2016) and WTO rules. • Support the private sector especially MSMEs to conform to set standards and to comply with technical regulations by; – Supporting the private sector to conform to national standards and to adopt relevant management systems in their operations in order to competitively produce and trade	

Annex 37: UGANDA: Trade and Investment Priorities to Unlock Uganda's and EAC Trade Potential

<table>
<tr><th>Identified National Priorities</th><th>Identified Regional Priorities</th></tr>
<tr><td>in quality goods and services,
– Encouraging and supporting enterprises to brand their goods and services so as to access the international markets,
– Supporting the private sector to adopt new and environmentally friendly technologies,
– Facilitating acquisition of skills and work practices that facilitate quality improvements,
– Designing alternative financial credit services and other initiatives that are accessible to the private sector,
– Strengthening and promoting formation of professional associations on SMCA fields.</td><td></td></tr>
<tr><td colspan="2">EAC Economic Integration</td></tr>
<tr><td>• Develop industry and investment to improve the competitiveness of Uganda's industrial sector in the EAC region as part of measures to enable industry to increase its contribution to Uganda's economic transformation.
• Enhance agricultural production in order to increase Uganda's share of EAC regional agricultural trade.
• Provide low-cost, efficient and accessible ICT services to Ugandans.
• Develop and promote a competitive tourism sector that is integrated in the EAC development programmes in order to increase the sector's contribution to the economic transformation of the country.
• Support the education and training sector as the engine of EAC integration in general and Uganda's economic growth, economic transformation and social development in particular.
• Harmonize the education sector and widespread teaching of Kiswahili as part of priorities to increase Uganda's intra-EAC trade.
• Improve the competitiveness of Uganda labour, and generate decent employment for all women and men focusing on freedom, equity, security and human dignity.</td><td>• Foster trade liberalization and development to significantly increase Uganda's share in EAC regional trade in order to create wealth and employment.
• Generate sufficient and affordable energy for households and industries within Uganda and the EAC.
• Improve and promote increased, efficient and least-cost transport connectivity networks in order to integrate Uganda in EAC regional and global markets.
• Develop the business services sector within the EAC to create an enabling environment for the development of well-regulated and vibrant professional services that are competitive within the EAC region.
• Integrate Uganda's financial sector with those of the EAC Partner States in order to achieve monetary stability, a less cumbersome but safe payments system, and a financial system that supports production of competitive goods and services.
• Integrate Uganda's health sector with those of EAC Partner States, focusing on harmonization of regulations on training, registration and practice of health professions in the EAC; aimed to benefit the health of Uganda citizens and to attract EAC citizens for health treatment in Uganda.</td></tr>
</table>

ANNEX 38: GATS CATEGORISATIONSOF SERVICES TRADED GLOBALLY

Service Category	Service Category Details
Charges for use of intellectual property not included elsewhere	Charges for the use of intellectual property (IP) is divided into franchises and trademarks licensing fees and licenses; including research and development, reproduction/distribution of computer software, audiovisual and related products. Some of the payments for the use of these rights (other than licenses to reproduce and/or distribute) may be included with the services item (or goods) to which they relate.
Construction	Construction covers works performed on construction projects and installation by employees of an enterprise in locations outside the territory of residence of an enterprise. Construction is further disaggregated into construction abroad and construction in the compiling economy.
Financial services	Financial services covers financial intermediation and auxiliary services provided by banks, stock exchanges, factoring enterprises[195], and credit card enterprises, etc. The term also covers financial intermediation service charges which are indirectly measured (FISIM).
Government goods and services not included elsewhere	Government goods and services covers all government and international organizations' transactions. It is subdivided into services transacted by embassies and consulates, military units and agencies, and all other government services offered by the government of one country on behalf of another government.
Insurance and pension services	Insurance and pension services covers the provision of various types of insurance and pension services. They are further subdivided into four components – direct insurance, reinsurance, auxiliary insurance services and pension and standardized guarantee services. Information on gross premiums and gross claims, which may be the basis for estimating the service charge, is included as supplementary items.
Maintenance and repair services not included elsewhere	Maintenance and repair services includes service on transport equipment as well as maintenance and repair of products, performed at the site of the repairer or elsewhere

[195] Factoring isa financial transaction or a debtor finance in which a financial business sells its accounts receivable (i.e., invoices) to a third party (referred to as a *factor*) at a discount. In this case a financial business sometimes factors its receivable assets to meet its present and immediate cash needs.

Service Category	Service Category Details
Manufacturing services on physical inputs owned by others	Manufacturing services on physical inputs owned by others includes activities such as processing, assembly, labelling, and packing which are hired out to enterprises that do not own the goods (e.g. oil refining, assembly of clothing, cars, and electronics). The services are carried out by an enterprise on behalf of other enterprises, and could be therefore referred to as manufacturing services under subcontracting arrangements.
Memo item: Commercial services	The term memo item: commercial services includes all service categories except government services not included elsewhere (i.e. in other service categories), which are offered by a commercial entity on behalf of a foreign commercial entity which may not have commercial presence in the country where the service if consumed. Memorandum items are: i) Freight transportation on merchandise, valued on a transaction basis (Sea freight, Air freight, Space freight, Rail freight, Road freight, Inland waterway freight, Pipeline freight, and other types of freight), ii) Travel (Expenditure on goods while on travel, Expenditure on accommodation and food and beverage serving services, and All other travel expenditures), iii) Gross insurance premiums (Gross premiums – life insurance, Gross premiums – freight insurance, and Gross premiums – other direct insurance), iv) Gross insurance claims (Gross claims – life insurance, Gross claims – freight insurance, and Gross claims – other direct insurance, v) Financial intermediation services indirectly measured (FISIM), vi) Financial services including FISIM, and vii) Merchanting gross flows and Audiovisual transactions.
Other business services	Other business services include: research and development services, professional and management consulting services (legal services, accounting, auditing, business and management consulting, public relations services, and advertising); trade-related services; and other business and technical services (such as architectural, engineering, waste treatment and de-pollution, agriculture, mining, and operational leasing services).
Personal, cultural, and recreational services	Personal, cultural, and recreational services comprises audiovisual and related services, cultural and recreational services. Audiovisual services cover production of motion pictures, radio and television programs, musical recordings, and artistic related services. Personal, cultural, and recreational services includes education services, health services, heritage and recreational services, and other personal service such as entertainment.
Telecommunications, computer & information services	Telecommunications, computer and information services are subdivided into telecommunications services, computer services (including development of computer software), news agency services (such as provision of news, photographs, and feature articles to the media), and other information services (database and web search portal services).
Transport	Transport covers all transport services performed by residents of one economy on behalf of those of another; and involves the carriage of passengers, the movement of goods (freight), rentals (charters) of carriers with crew, related supporting and auxiliary services. There are nine modes of transport: sea, air, space, rail, road, internal waterway, pipeline, electricity transmission and other supporting and post and courier services.
Travel	Travel services differs from most services categories in that it is the consumer of the products that gives travel its distinctive characterisation. Travel does not refer to a particular product but covers expenses for goods and services offered or acquired by a person during his/her visit in a country other than his/her own (including accommodation, food,

Service Category	Service Category Details
	souvenirs, etc.). If the stay of a person in a foreign country exceeds one year, the person is considered to be resident of the visited economy. This however does not apply to students studying abroad and patients receiving health care abroad, but such persons are considered as residents of their countries of origin even if they stay longer than one year. With respect to the purpose of the trip, travel is subdivided into business travel and personal travel. The latter can be further divided into – health-related expenditure, education-related expenditure, and all other personal travel expenditure such as leisure.