

# **INVESTMENT AND TRADE IN THE EAC: PROGRESS AND PRIORITIES**

**A presentation by**

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## EAC TRADE PERFORMANCE

### *Total Intra-EAC Trade*

Total intra-EAC trade has continued to grow following the establishment of the EAC Customs union on 1<sup>st</sup> January 2005. Total Intra EAC trade grew from US\$1,617.1 million in 2006 to US\$ 3,800.7 million in 2010. This is more than doubling of the trade in a period of 5 years. The increase of the intra EAC trade has been on the account of increased imports and exports within the EAC bloc. **Table 1** presents details on Intra-EAC trade for the period 2006 to 2010.

The increase in total intra EAC trade has also seen the share of intra EAC trade in total trade rise from 7.8% in 2006 to around 11.38% in 2010. Though this still remains low compared to Europe where intra -regional trade account for around 60% of total trade, the trend is appreciable.

What is also noticeable from **Table 2** is that the EAC region is becoming increasingly important as an export market for all the Partner States. The share of intra-EAC exports to total exports has been rising from 14% in 2006 to around 20.2% in 2010, while the share of intra-EAC imports in total imports has remained around 5% within the same period.

### *Priority*

If the regional integration process is to contribute to economic development in the region in terms of promotion of export led growth, industrialization, economic growth and employment creation, priority has to be given to growing intra-regional trade to 20% of total trade within the next 5 years.

This can be achieved through Partner States embracing policies that promote intra-regional trade such as: implementation of the Common Market Protocol; removal of non- tariff barriers; and development of adequate infrastructure that support increased production capacity and links production areas to markets.

**Table.1: Total Intra-EAC Trade, 2006-2010 (US\$ million)**

		2006	2007	2008	2009	2010	Percentage Changes				
							2006	2007	2008	2009	2010
<b>Imports</b>	Uganda	429.7	526.5	566.8	547.0	576.5	(22.0)	22.5	7.7	(3.5)	5.4
	Tanzania	220.6	110.1	425.3	316.9	295.9	25.4	(50.1)	286.3	(25.5)	(6.6)
	Kenya	76.7	188.0	181.0	162.5	256.8	28.9	145.1	(3.7)	(10.2)	58.1
	Burundi	61.2	79.6	84.9	86.8	89.2	13.7	30.1	6.6	2.3	3.3
	Rwanda	139.8	201.9	303.3	363.5	344.6	43.8	44.5	50.2	19.8	(5.2)
	<b>Total</b>	<b>727.0</b>	<b>824.6</b>	<b>1,173.1</b>	<b>1,476.7</b>	<b>1,563.0</b>	<b>(7.5)</b>	<b>13.4</b>	<b>42.3</b>	<b>25.9</b>	<b>5.8</b>
<b>Exports</b>	Uganda	101.8	148.8	195.2	398.8	428.6	15.8	46.2	31.2	104.3	7.5
	Tanzania	147.4	169.4	310.5	285.0	462.7	3.8	14.9	83.3	(8.2)	62.3
	Kenya	641.0	830.4	1,036.6	1,169.5	1,280.0	(22.9)	29.5	24.8	12.8	9.4
	Burundi	27.0	15.4	10.7	14.2	16.0	536.0	-35.63	-38.39	32.5	12.7
	Rwanda	36.6	45.1	43.4	93.2	50.4	(0.3)	23.0	(3.8)	114.8	(45.9)
	<b>Total</b>	<b>890.2</b>	<b>1,148.6</b>	<b>1,542.2</b>	<b>1,960.6</b>	<b>2,237.7</b>	<b>(16.1)</b>	<b>29.0</b>	<b>34.3</b>	<b>27.1</b>	<b>14.1</b>
<b>Total EAC</b>	Uganda	531.4	675.3	762.0	945.7	1,005.1	(16.8)	27.1	12.8	24.1	6.3
	Tanzania	368.0	279.5	735.8	601.9	758.6	15.8	(24.0)	163.2	(18.2)	26.0
<b>Trade value</b>	Kenya	717.7	1,018.4	1,217.6	1,332.0	1,536.8	(19.4)	41.9	19.6	9.4	15.4
	Burundi	88.2	95.0	95.6	101.0	105.2	51.9	7.7	0.6	5.7	4.1
	Rwanda	176.4	247.0	346.7	456.6	395.0		40.0	40.3	31.7	(13.5)
	<b>Total</b>	<b>1,617.1</b>	<b>1,973.2</b>	<b>2,715.4</b>	<b>3,437.3</b>	<b>3,800.7</b>		<b>22.0</b>	<b>37.6</b>	<b>26.6</b>	<b>10.6</b>

**Source:** Partner States Revenue Authorities, Central Banks and National Statistics Offices

Partners States also need to support creation of a single customs territory with a view to enhancing free circulation of goods. Though the Customs Union became fully fledged in January 2010, the internal customs borders still remain thereby hindering free circulation of goods. This has been necessitated by a lack of a regional mechanism for collection, accounting and sharing of customs revenue. A study towards identifying a suitable mechanism is on-going.

**Table.2: Trade flow for EAC, 2006-2010 (US\$ million)**

Trade Flow	Destination/Origin	2006	2007	2008	2009	2010	% Change			
							2007	2008	2009	2010
Exports	Intra-EAC Total Exports	890.20	1,148.60	1,542.20	1,967.97	2,237.65	29.10%	34.27%	27.61%	13.70%
	COMESA	861.99	1,011.74	1,542.39	1,316.39	1,610.17	27.00%	52.45%	-14.65%	22.32%
	<i>of which</i>									
	Burundi	102.20	149.70	116.20			46.50%	-22.38%		
	Rwanda	88.80	187.10	289.10			110.70%	54.52%		
	SADC	731.67	809.89	1,111.94	947.07	1,321.59	-27.30%	37.30%	-14.83%	39.54%
	Rest of Africa	144.76	198.35	279.49	202.29	220.13	-6.00%	40.91%	-27.62%	8.82%
	EU	1,269.27	1,481.16	2,384.76	2,075.61	2,220.56	17.20%	61.01%	-12.96%	6.98%
	USA	333.53	377.83	375.15	307.63	362.57	12.10%	-0.71%	-18.00%	17.86%
	Total Exports to Rest of the World	1,265.76	1,499.52	1,727.64	1,858.36	2,052.98	15.60%	15.21%	7.57%	10.47%
	<b>Total EAC Exports</b>	<b>6,336.30</b>	<b>7,802.63</b>	<b>10,115.72</b>	<b>9,349.80</b>	<b>11,076.47</b>	<b>23.00%</b>	<b>29.64%</b>	<b>-7.57%</b>	<b>18.47%</b>
	% Intra-EAC to Total Exports	14.00%	14.70%	15.70%	21.05%	20.20%				
	% COMESA	16.50%	17.00%	19.40%	14.08%					
	<i>of which</i>									
	Burundi	1.60%	1.90%	1.20%						
	Rwanda	1.40%	2.40%	2.90%						
	% SADC	11.40%	6.80%	3.60%	10.13%	11.93%				
	% Rest of Africa	4.10%	3.10%	3.60%	2.16%	1.99%				
	% EU	18.80%	17.90%	23.30%	22.20%	20.05%				
	% USA	5.20%	4.70%	3.80%	3.29%	3.27%				
% Total exports to Rest of the World	30.90%	29.00%	30.60%	19.88%	18.53%					
Imports	Intra-EAC Total Imports	727.00	824.60	1,173.10	1,476.66	1,563.05	13.40%	42.26%	25.88%	5.85%
	COMESA	386.86	519.08	646.73	472.80	651.95	32.30%	24.59%	-26.89%	37.89%
	<i>of which</i>									
	Burundi	3.60	3.10	2.50			-13.90%	-19.35%		
	Rwanda	4.70	5.10	3.30			8.50%	-35.29%		
	SADC	1,442.48	1,470.34	2,170.91	2,147.37	2,065.56	1.00%	47.65%	-1.08%	-3.81%
	Rest of Africa	113.10	10.14	49.38	21.94	48.60	-85.40%	387.04%	-55.57%	121.51%
	EU	2,745.44	3,346.94	4,517.41	4,262.14	4,293.49	25.60%	34.97%	-5.65%	0.74%
	USA	582.83	982.37	770.19	921.46	808.96	70.70%	-21.60%	19.64%	-12.21%
	Total Imports to Rest of the World	4,122.24	4,738.00	5,621.06	5,212.23	6,642.50	33.10%	18.64%	-7.27%	27.44%
	<b>Total EAC Imports</b>	<b>14,326.70</b>	<b>19,403.68</b>	<b>24,014.49</b>	<b>22,516.51</b>	<b>26,265.31</b>	<b>28.50%</b>	<b>23.76%</b>	<b>-6.24%</b>	<b>16.65%</b>
	% Intra-EAC to Total Imports	5.07%	4.25%	4.88%	6.56%	5.95%				
	% COMESA	2.70%	2.68%	2.69%	2.10%	2.48%				
	<i>of which</i>									
	Burundi	0.00%	0.00%	0.00%	0.00%					
	Rwanda	0.00%	0.00%	0.00%	0.00%					
	% SADC	10.07%	7.58%	9.04%	9.54%	7.86%				
	% Rest of Africa	0.79%	0.05%	0.21%	0.10%	0.19%				
	% EU	19.16%	17.25%	18.81%	18.93%	16.35%				
	% USA	4.07%	5.06%	3.21%	4.09%	3.08%				
% Total imports to Rest of World	28.77%	33.07%	39.23%	36.38%	46.36%					
% intra-EAC to Total Trade	7.80%	7.50%	8.76%	11.94%	11.38%					
Total Trade	<b>Total intra EAC Trade</b>	<b>1,617.20</b>	<b>1,973.20</b>	<b>2,715.30</b>	<b>3,444.63</b>	<b>3,800.69</b>	<b>22.01%</b>	<b>37.61%</b>	<b>26.86%</b>	<b>10.34%</b>
	<b>Total Trade</b>	<b>20,663.00</b>	<b>27,214.73</b>	<b>31,013.36</b>	<b>28,860.68</b>	<b>33,392.43</b>	<b>31.71%</b>	<b>13.96%</b>	<b>-6.94%</b>	<b>15.70%</b>
	<b>EAC Trade Balance</b>	<b>-7,990.40</b>	<b>-11,601.04</b>	<b>-13,898.77</b>	<b>-13,166.70</b>	<b>-15,188.84</b>	<b>45.19%</b>	<b>19.81%</b>	<b>-5.27%</b>	<b>15.36%</b>

Source: Partner States Revenue Authorities, Central Banks and National Statistics Offices

## EAC FOREIGN DIRECT INVESTMENT FLOWS 2008 - 2010

**Table 3** below shows Foreign Direct Investment into the EAC and its sources. What is noticeable is that intra-regional investment flows are increasing primarily supported by the enhanced regional integration process.

Kenya has become a major investor in other Partner States ranking number 2 in Tanzania and among the top in Uganda. A number of Kenyan firms in the distribution, insurance and banking sector have invested across the borders. Furthermore, EAC citizens have been participating in buying stocks across the borders especially primary issues, while some firms have cross listed in the stock

exchanges thereby becoming regional firms. Due to the enhanced regional integration, firms are now adopting a regional corporate strategy in order to survive the increased competition.

The region is also attracting investment from outside though this has been declining in Kenya. Nevertheless, governments continue to improve the investment climate in their respective countries as indicated in the World Investment Reports. Major attractions to investment in the region has been the improved economic, social and political environment in the region.

**Table 3 Foreign investment flows in EAC region (2007 – 2010 in US\$ Million)**

Partner State	Source	2008		2009		2010		Percent Change, (2009-2010)	
		No of Projects	Values	No of Projects	Values	No of Projects	Values	No of Projects	Values
Burundi	Tanzania	N/A	N/A	N/A	N/A	0	0.00		
	Uganda	N/A	N/A	N/A	N/A	0	0.00		
	Kenya	N/A	N/A	N/A	N/A	1	3.15		
	Rwanda	N/A	N/A	N/A	N/A	2	1.58		
	Rest of World	N/A	N/A	N/A	N/A	27	144.54		
	<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>30</b>	<b>149.27</b>		
Rwanda	Tanzania	0	0.00	3	20.59	3	15.50	0%	-25%
	Uganda	0	0.00	0	0.00	1	11.57		
	Kenya	6	17.56	8	9.79	6	14.31	-25%	46%
	Burundi	0	0.00	0	0.00	0	0.00		
	Total EAC	6	17.56	11	30.37	10	41.38	-9%	36%
	Rest of World	15	311.96	35	499.35	31	157.69	-11%	-68%
<b>Total</b>	<b>21</b>	<b>329.52</b>	<b>46</b>	<b>529.72</b>	<b>41</b>	<b>199.07</b>	<b>-11%</b>	<b>-62%</b>	
Kenya	Tanzania	3	1.43	2	0.94	1	0.52	-50%	-45%
	Uganda	2	0.57	0	0.00	0	0.00		
	Rwanda	0	0.00	0	0.00	0	0.00		
	Burundi	0	0.00	0	0.00	0	0.00		
	Total EAC	5	2.00	2	0.94	1	0.52	-50%	-45%
	Rest of World	27	4,555.14	66	1,246.86	67	591.64	2%	-53%
<b>Total</b>	<b>32</b>	<b>4,557.14</b>	<b>68</b>	<b>1,247.80</b>	<b>68</b>	<b>592.16</b>	<b>0%</b>	<b>-53%</b>	
Uganda	Tanzania	1	9.00	1	7.15	5	9.60	400%	34%
	Kenya	27	133.48	15	194.46	14	62.81	-7%	-68%
	Rwanda	0	0.00	0	0.00	1	3.00		
	Burundi	0	0.00	0	0.00	0	0.00		
	Total EAC	28	142	16	202	20	75.41	25%	-63%
	Rest of World	186	1,111.71	198	958.80	204	677.36	3%	-29%
<b>Total</b>	<b>214</b>	<b>1,254.19</b>	<b>214</b>	<b>1,160.41</b>	<b>224</b>	<b>752.76</b>	<b>5%</b>	<b>-35%</b>	
Tanzania	Kenya	72	366.34	35	49.49	27	67.23	-23%	36%
	Uganda	5	2.27	5	33.73	1	0.17	-80%	-99%
	Rwanda	3	1.03	2	0.48	1	1.64	-50%	242%
	Burundi	1	0.54	0	-	4	4.62		
	Total EAC	81	370.18	42	83.7	33	73.66	-21%	-12%
	Rest of World	340	2,858.98	530	2,201.50	476	4,992.50	-10%	127%
<b>Total</b>	<b>421</b>	<b>3,229.16</b>	<b>572</b>	<b>2,285.20</b>	<b>509</b>	<b>5,066.16</b>	<b>-11%</b>	<b>122%</b>	

**Source:** Partner States Investment Authorities

### *Priority*

The priority in the region should be implementation of policies that create an enabling environment for investments including stable macro-economic, social and political environments. Governments should also implement policies that support cross border investments, especially implementation of the Common Market Protocol.