

On July 1, 2013, President Obama announced Trade Africa, a new partnership to increase trade within Africa and between Africa and global markets. The initiative will focus initially on the East African Community (EAC), which includes Burundi, Kenya, Rwanda, Tanzania, and Uganda. Trade Africa sets four goals for its initial phase:

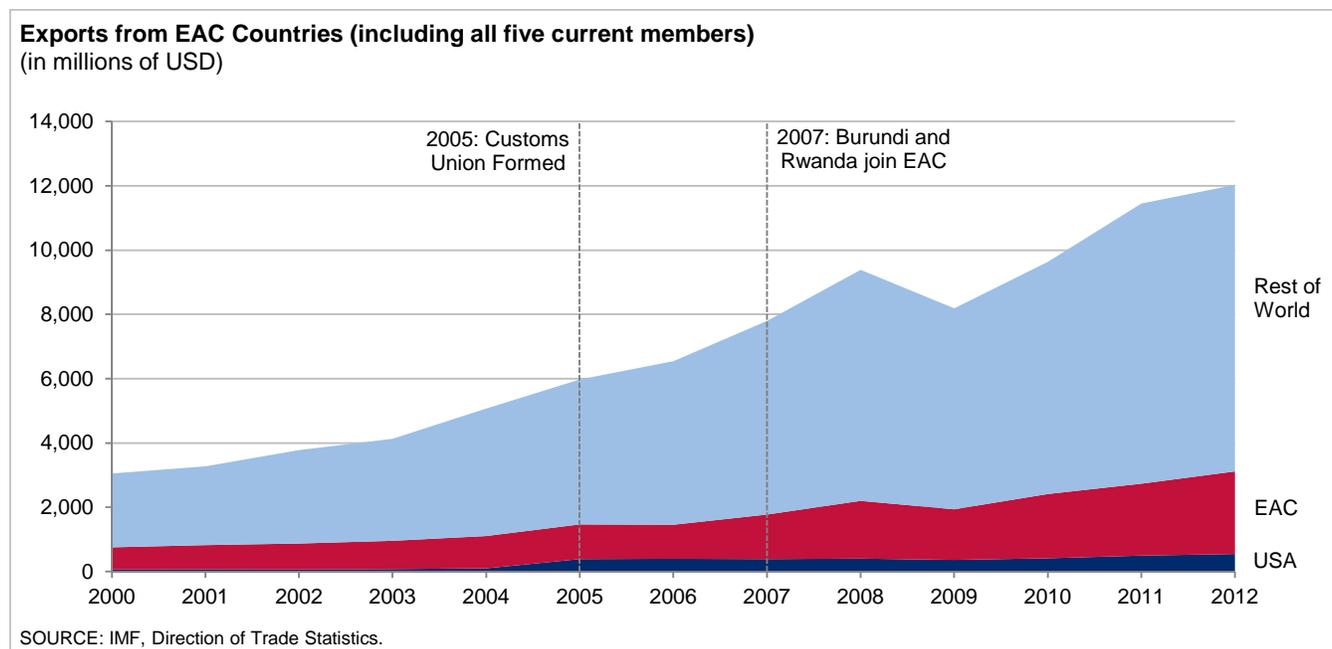
- Double intra-regional trade in the EAC;
- Increase EAC exports to the United States by 40 percent;
- Reduce by 15 percent the average time needed to import or export a container from the ports of Mombasa or Dar es Salaam to land-locked Burundi and Rwanda in the EAC's interior; and
- Decrease by 30 percent the average time a truck takes to transit selected borders.

This snapshot looks at the EAC's trade patterns and the US's role in promoting EAC trade, and then considers each of Trade Africa's initial goals.

East African Community Overview

Kenya, Tanzania, and Uganda implemented the current EAC in 2000. The EAC put into effect a customs union in 2005 and a common market in 2010 with discussions ongoing for further integration in the future. Burundi and Rwanda joined the EAC in 2007 and the customs union in 2009. All five members are low-income countries and received over \$2 million in USAID assistance in FY2011.

Exports from the EAC to the rest of the world have doubled since 2000 and grown by 48 percent in the past five. Forty-six percent of EAC exports are of agricultural products and natural resources comprise 30 percent of exports. The ten-year growth rate of imports from non-EAC countries is nearly twice that of exports, with mineral fuels comprising almost a quarter of the region's imports.



Differences Between EAC Member Countries

Despite similarities between the EAC member countries, there are also significant economic and trade differences. The table below outlines some basic statistics the five countries.

Burundi is the smallest and poorest member of the EAC. It has the lowest exports and lowest export value per capita in the region. Coffee and tea are 44 percent of its exports, and precious stones and metals are 30 percent.

Kenya is the largest economy in the region, with the highest GDP per capita and most of the EAC's exports. Its trade is 70 percent of GDP (its exports are only 16 percent). More than half of Kenya's exports are of agricultural products.

Rwanda has had strong economic and trade growth in recent years. It is the second-smallest country in the EAC and has the lowest trade as a percent of GDP. Its primary exports are coffee and tea and mineral products.

Tanzania, the most populous EAC member, has the second-highest exports, though it trails Kenya by about half. Trade is 49 percent of Tanzania's GDP. In addition to agricultural products, Tanzania exports natural resources, especially precious stones and metals.

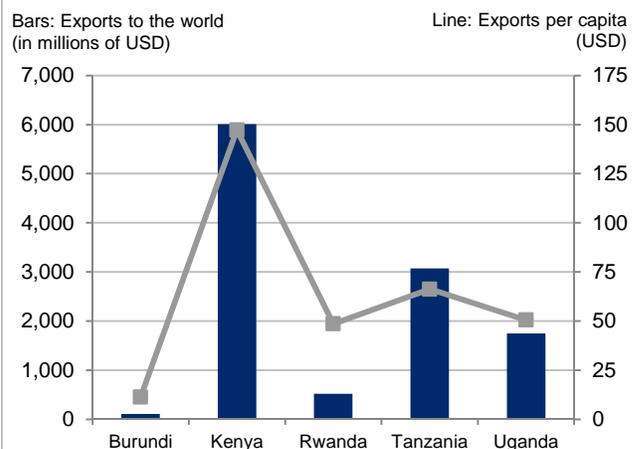
Uganda tends to fall in the middle of the region in several measures. It has the third-largest population and the third-largest trade volumes. Like Burundi and Rwanda, it is landlocked and depends on its neighbors (primarily Kenya) for access to the sea. Uganda's largest export category is coffee and tea, accounting for just under 20 percent of its export value.

Selected Statistics on EAC Members

Country	Population	GDP per capita (USD)	Total trade (percent of GDP)	Exports (percent of GDP)
Burundi	9,849,569	251	30	4
Kenya	43,178,141	862	70	16
Rwanda	11,457,801	620	27	7
Tanzania	47,783,107	609	49	11
Uganda	36,345,860	547	30	9
Median for all Sub-Saharan countries		862	63	22

SOURCES: World Bank, World Development Indicators and IMF, Direction of Trade Statistics.

Exports by EAC Member, 2012

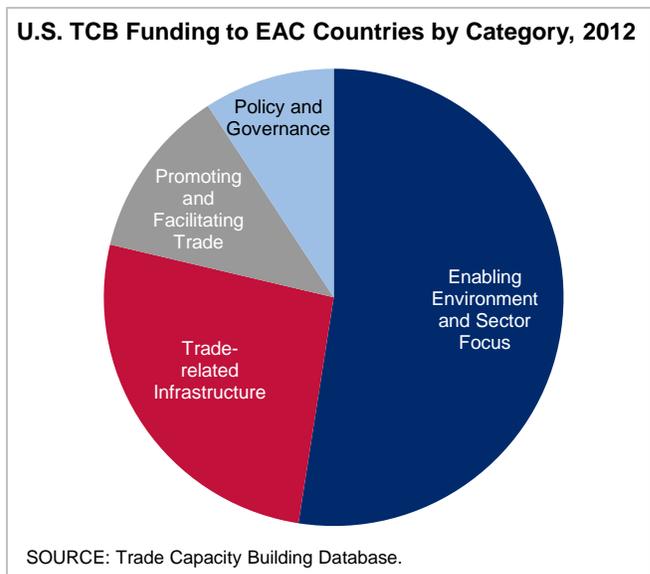


SOURCES: Trade flows from IMF, Direction of Trade Statistics and population from World Bank, World Development Indicators.

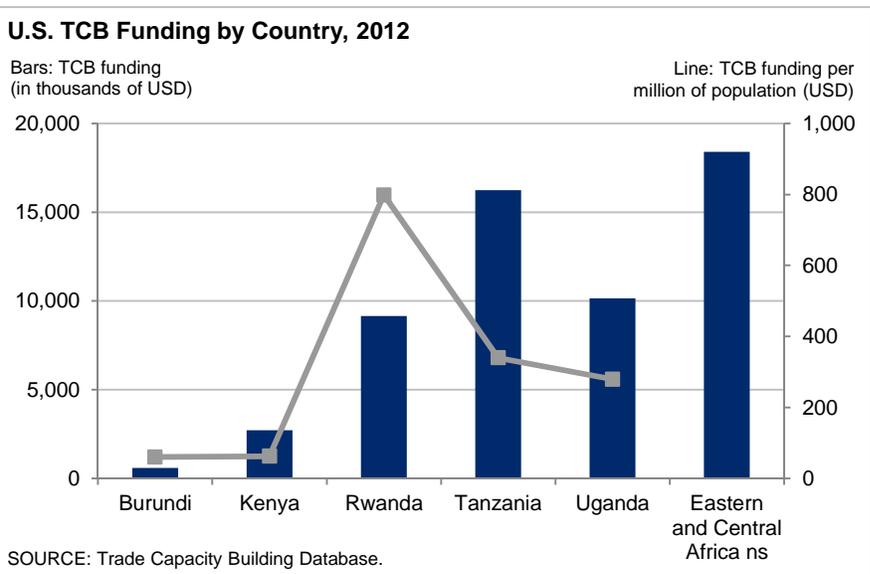
U.S. Support to the EAC

The U.S. supports the EAC's ability to trade through Trade Capacity Building (TCB) assistance. TCB includes measures, initiatives, and programs that strengthen the capacity of developing countries to engage in international trade. TCB funding from all U.S. government agencies to specific EAC member countries increased 185 percent since 2007 and tenfold since 2000. It peaked in 2008 when the Millennium Challenge Compact for Tanzania was enacted but in 2009 returned to levels more in line with the trend seen during 2005–2007. The majority of TCB funding to the EAC member countries is for trade-related agriculture (included in the graph under enabling environment), followed by trade-related infrastructure.

The U.S. Government also gave TCB funding regionally; non-country-specific (ns) TCB to Eastern and Central Africa increased by a quarter in the past five years, but it is difficult to say how much of this applies directly to the EAC. The largest regional project, the \$11.7 million East Africa Trade Hub, comprises 63 percent of the TCB to Eastern and Central Africa ns and supports trade in the EAC and other regional markets. The Trade Hub focuses on increasing the capacity of African firms to export under AGOA and other trade arrangements, reducing barriers to trade, and strengthening agricultural markets. 52 percent of TCB to Eastern and Central Africa ns goes to enabling environment and sector focus categories (especially agriculture and financial sector) and 46 percent to trade facilitation, especially customs operations and trade promotion activities.



U.S. spending on TCB is distributed unevenly, with Burundi and Kenya receiving low levels of TCB per capita. However, countries from the region also receive funds from other donors; the OECD tracks “Aid for Trade” funding, which, while not directly comparable to TCB, does capture spending that benefits trade. When looking at all donors combined, per capita “Aid for Trade” spending is actually highest for Burundi, followed by Kenya, indicating that, although US spending is lower for these countries, they are receiving assistance elsewhere.



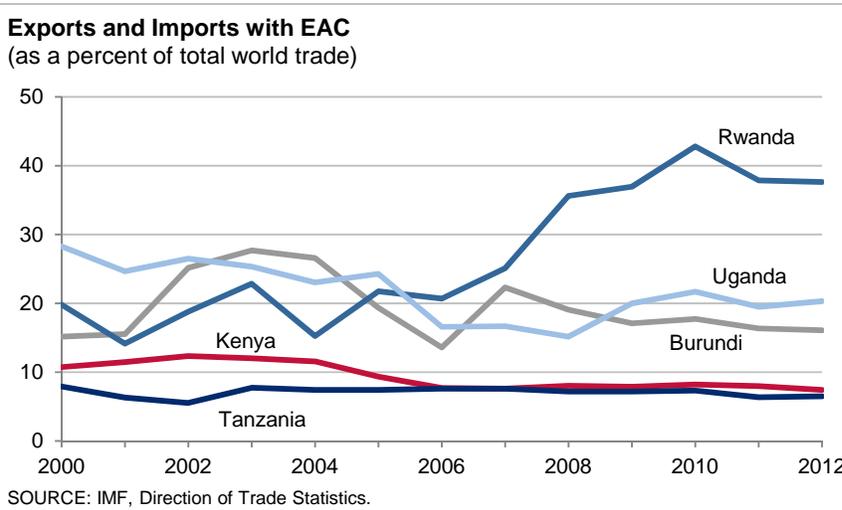
Trade Within the East African Community

Intra-EAC trade values have nearly doubled in the past five years. If that rate of growth can be sustained, it would take approximately five years for intra-regional trade to double again, achieving the first Trade Africa goal. Currently, 21 percent of exports from EAC countries go to other EAC countries. In addition to the growth in trade levels, within the region we see a greater diversity of traded goods between countries than we see with the world; mineral fuels, the top-traded product, comprises only 8.4 percent of intra-EAC trade. While EAC trade with the world is greatly concentrated, with agriculture and natural resources accounting for three-quarters of exports, these two categories only comprise 55 percent of trade within the EAC.

U.S. TCB funding helps to support intra-regional trade. Agriculture, which receives the largest share of TCB funding to the EAC, comprises nearly 30 percent of intra-EAC trade and raises incomes throughout the region. Support for infrastructure, trade policy, customs, and other forms of trade promotion also increase intra-EAC trade. In addition, the Power Africa initiative, announced concurrently with Trade Africa, aims to increase generation and access to electricity and will benefit EAC members Kenya and Tanzania. Power Africa may encourage investment in the private sector and increased trade in electricity.

Disparities Within the EAC

Despite the strong growth of trade within the EAC, there is a great deal of variation in country performance. Kenya is the largest player in the region, accounting for 62 percent of intra-EAC exports. Kenya is the only country to report a trade surplus with its neighbors; in 2012, it had over \$1 billion more in exports than imports to the rest of the EAC. The other four countries report trade deficits within the EAC. Despite Kenya's large role in the region, intra-EAC trade only represents a small percentage of Kenya's overall trade with the world, reflecting its greater integration into the world economy. Tanzania's trade with the EAC also represents a small share of its total trade. Burundi, Rwanda, and Uganda have a higher share of their trade staying in the region.



Rwanda and Burundi both joined the EAC in 2007, but have integrated their economies to different extents. Rwanda saw a spike in exports to the EAC in 2008, though its growth in exports to the rest of the world slowed somewhat. The EAC's share of Rwanda's total trade increased from 25 percent to 36 percent from 2007 to 2008. Burundi saw no increase in the EAC's share of its total trade and only eight percent of Burundi's exports go to other EAC countries.

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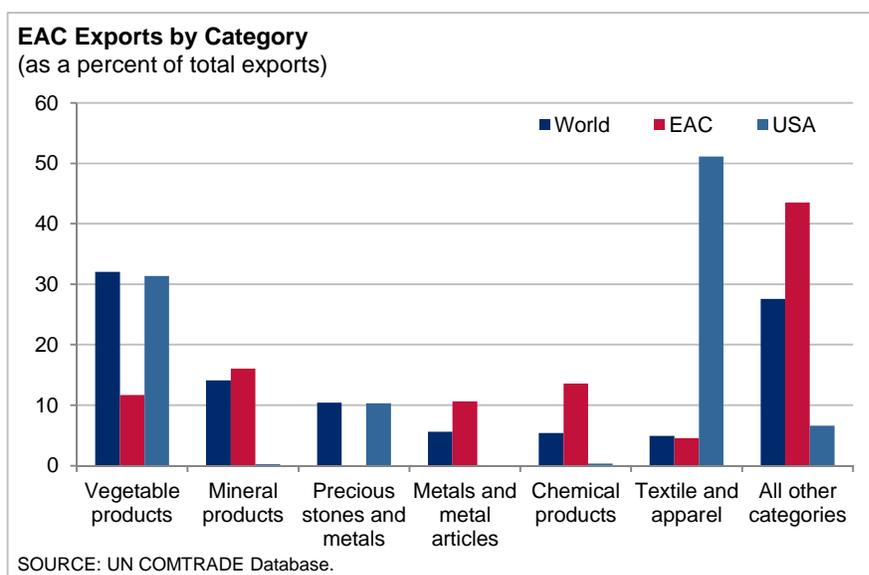
Trade with the U.S.

Exports from the EAC to the U.S. have grown 41 percent in the past five years, following rapid growth since 2000. At the average growth rate of the past five years, it would take 4.5 years to achieve the Phase I goal of increasing exports to the U.S. by 40 percent. In addition to the TCB funding described in the overview, the U.S. encourages trade through the African Growth and Opportunities Act (AGOA), which offers preferential access to U.S. markets for certain exports from East Africa. All five of the countries in the EAC are eligible for preferences under AGOA, and Kenya especially uses AGOA trade preferences to gain access to the U.S. market for its apparel industry. AGOA is set to expire in 2015, although President Obama is proposing to extend it. The 2013 AGOA Forum in Addis Ababa will include discussion of AGOA's extension.

The U.S. also encourages trade with the EAC through the Overseas Private Investment Corporation (OPIC), the Export-Import (ExIm) Bank, and the U.S. Trade and Development Agency (USTDA). Some of the funding from each of these agencies is considered TCB if it benefits the trade capacity of the host country. OPIC loans to U.S. businesses investing in the EAC have doubled since 2007, increasing especially in Kenya and Tanzania; loans for companies investing in Burundi have declined during that time. The ExIm Bank provides export financing to U.S. businesses that plan to export to East Africa. Exports from the U.S. to the EAC have grown by over 300 percent since 2000. The EAC has a negative trade balance with the U.S., importing about \$500 million more than it exports (although import figures, unlike export figures, include freight costs). Exports from the U.S. to the EAC primarily include machinery, vehicles, chemical products, and agricultural products, especially cereals. The USTDA gives funding to U.S. companies for project planning activities, pilot projects, and reverse trade missions in developing countries. These projects are intended to promote sustainable infrastructure and economic growth in the partner countries.

East Africa's Exports to the U.S.

EAC trade with the United States is different than its trade with the rest of the world. Over half of EAC exports to the U.S. are in the textile and apparel sectors, mostly coming from Kenya, despite the fact that these sectors account for less than five percent of the EAC's total exports. There are also several categories that account for a significant portion of East Africa's exports to the world but a small portion of exports to the U.S. The most conspicuous of these is mineral products, which account for 14 percent of EAC exports to the world but less than one percent of exports to the U.S.



While the textile and apparel industries can be strong drivers of growth and employment, many of the textile exports from East Africa seem to be U.S.-bound and dependent on AGOA and other export preferences. The U.S.-focus of the EAC's textile industry and concern expressed by the African Union¹ suggest that East Africa's textile sector may not be competitive without the U.S. continuing its system of trade preferences.

Country Differences

There is a great deal of variation between countries in their links to the U.S. market, although re-exports by coastal Kenya and Tanzania may mask the origin of some products from their landlocked neighbors. Kenya is the largest exporter from the region to the U.S., accounting for 68 percent of the region's U.S. exports, while Burundi accounts for only 1 percent, almost entirely coffee and teas. Uganda's U.S. exports are also heavily dependent on coffee and teas, which are two-thirds of its exports. The other countries' exports are somewhat more diversified, though they tend to lean heavily on agricultural products and, in the case of Tanzania, gemstones.

Import and Export Times

The third and fourth goals of the initial phase of Trade Africa are to reduce by 15 percent the time needed to import or export a container from Mombasa or Dar es Salaam to Burundi and Rwanda, and to decrease by 30 percent the time a truck takes to transit selected borders. The World Bank's Doing Business survey measures import and export times. Unfortunately, we don't have specific data on the time a truck takes to transit borders, but it shares many factors (customs regulations, infrastructure) with import and export times. The time to import or export varies greatly between countries in the region, with landlocked countries tending unsurprisingly to have longer times.

Since 2005, the first year for which we have data, the (unweighted) average time to export from the EAC dropped by 16 days and the average time to import dropped by 35 days. Burundi and Rwanda, the two countries singled out in the Trade Africa goal, have seen drops in their average export and import times of 20 days for Burundi and 48 days for Rwanda. At the rate of change since 2005, Burundi will take 2 years to reach the Trade Africa goal of reducing export and import times by 15 percent, and Rwanda will take 1.3 years, though the easiest reforms may have been made first. The U.S.'s TCB assistance helps further this goal, with trade-related infrastructure receiving 26 percent of TCB funding to the EAC in 2012, although this figure is highly variable year-to-year. Trade facilitation activities, including for customs operations, were a large part of TCB funding to Eastern and Central Africa ns, which includes the EAC members.

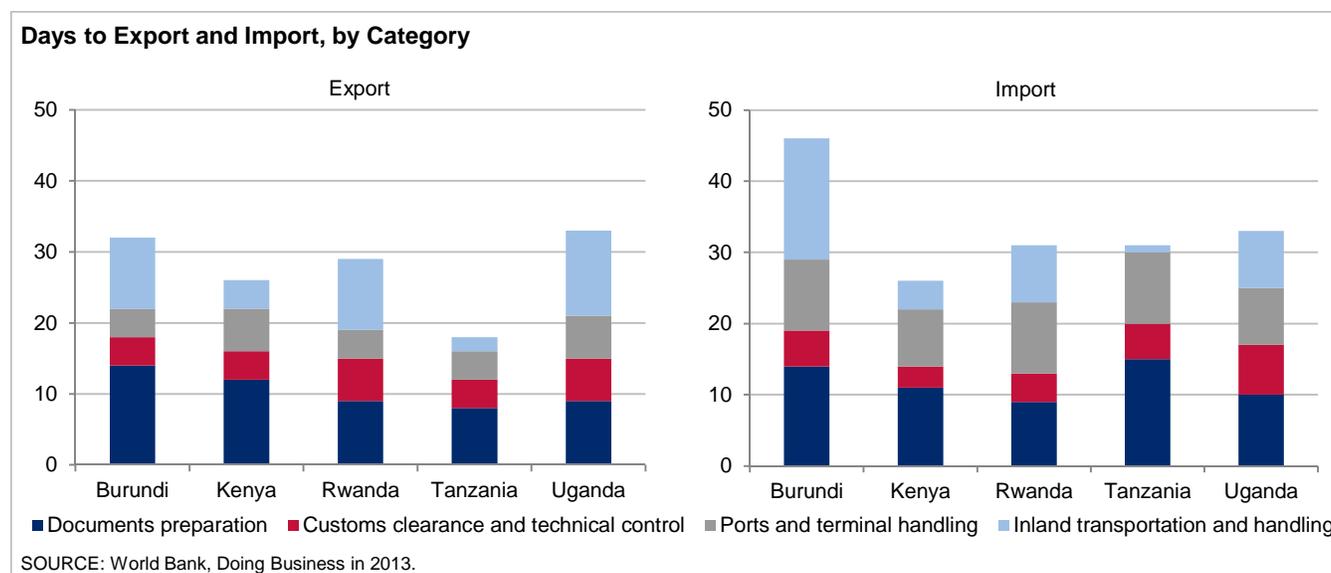
Remaining Challenges

Despite the progress made in the past several years, EAC import and export times are still long. Waits for imports and exports harm supply chains, forcing businesses to keep more in inventory, and are a problem for time-sensitive exports such as agricultural goods or apparel. The World Bank breaks down the times to import and export into time to prepare documents; time to clear customs and technical control; waiting and handling at the port; and inland transportation and handling. These data can give additional insight into how countries might further speed up trade.

Number of Days to Export and Import

Country	2005	2010	2012	Phase I goal
<i>Time for export</i>				
Burundi	47	41	32	22.4
Rwanda	60	35	29	20.3
Kenya	45	26	26	
Tanzania	30	24	18	
Uganda	38	33	33	
<i>Time for import</i>				
Burundi	71	60	46	32.2
Rwanda	95	34	31	21.7
Kenya	62	24	26	
Tanzania	51	31	31	
Uganda	64	31	33	

SOURCE: World Bank, Doing Business in 2013.



Even given landlocked countries' longer times for inland transportation, Burundi's transport time for imports seems especially long. Document preparation in Burundi also shows room for improvement; it takes fourteen days compared to Rwanda's nine days. Imports to Burundi and Rwanda lose ten days clearing the port due to backlogs in Dar es Salaam, which handles the majority of their trade. A report by the U.S. International Trade Commission² also cites frequent roadblocks; inefficient inspection procedures; and weaknesses in port, road and rail infrastructure as barriers to trade. The EAC Countries have been making reforms, however, and U.S. and other donor funding has the opportunity to address these challenges. Fortunately, progress toward the third and fourth goals of Trade Africa will help bring landlocked countries further into the regional and world economies, improving intra-EAC trade and trade with the U.S.

End Notes

1. *A Decade of African-US Trade under the African Growth and Opportunity Act (AGOA): Challenges, Opportunities and a Framework for Post-AGOA Engagement*. African Union, November 2010. Web. 30 July 2013.
2. Bonarriva, Joanna, Katherine Baldwin, Michele Breaux, and William Deese. *Trade Facilitation in the East African Community: Recent Developments and Potential Benefits*. Publication no. 4335. U.S. International Trade Commission, July 2012. Web. 30 July 2013.

Additional Information

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Trade Data: To access the IMF Direction of Trade Statistics, UN Comtrade, and World Bank Doing Business datasets, please visit the Economic and Social Database (ESDB) at <http://esdb.eads.usaidallnet.gov/>.

Trade Capacity Building Database: To view data on the U.S. Government's TCB funding, please visit the Trade Capacity Building Database (TCB) at <http://tcb.eads.usaidallnet.gov/>.

Aid for Trade data from the OECD DAC can be found at <http://www.oecd.org/dac/aft/>.

The **Trade Africa Fact Sheet** issued by the White House outlines the objectives of Trade Africa and can be found at <http://www.whitehouse.gov/the-press-office/2013/07/01/fact-sheet-trade-africa>.