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The Voice of the Private Sector  
in East Africa

# IMPACT OF COVID-19 ON EAC TRADE

EABC BRIEF

EAST AFRICAN BUSINESS COUNCIL  
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# 1.0 Introduction



- Following the outbreak of COVID-19, there has been a significant disruption in the global value chains with China being the hub of manufacturing for most business operations.
- The spillover effect of this disruption has been felt by other African economies and largely by East African businesses being suppliers and importers of goods and services in the global economy.
- This has led to Partner States imposing different measures that have affected trade within EAC and with the rest of the world. Some of the significant measures that affect trade include:

- Restriction on movement of people at the borders
- Curfews & Lock downs
- Restriction of movement of non-essential goods
- Closure of businesses
- 14-day Mandatory quarantines



# Contribution of Trade to EAC GDP

However, trade has also emerged as a remedy that could reduce this adversity through flow of essential goods like food, medical supplies and other hygiene products. Its importance to the economies of EAC is due to the characteristic nature of cross-border trade being conducted informally and mostly occupied by the vulnerable, small, unregistered traders. **This contribution is estimated to account to an average of 50% of the GDP in EAC economies.**

**Figure 1: Contribution of Trade to GDP of EAC Economies: 2011-2017**

Year	2011	2012	2013	2014	2015	2016	2017
Trade in goods and services (%percentage of GDP)	57.2	54.6	50.5	49.1	46.2	40	37.5

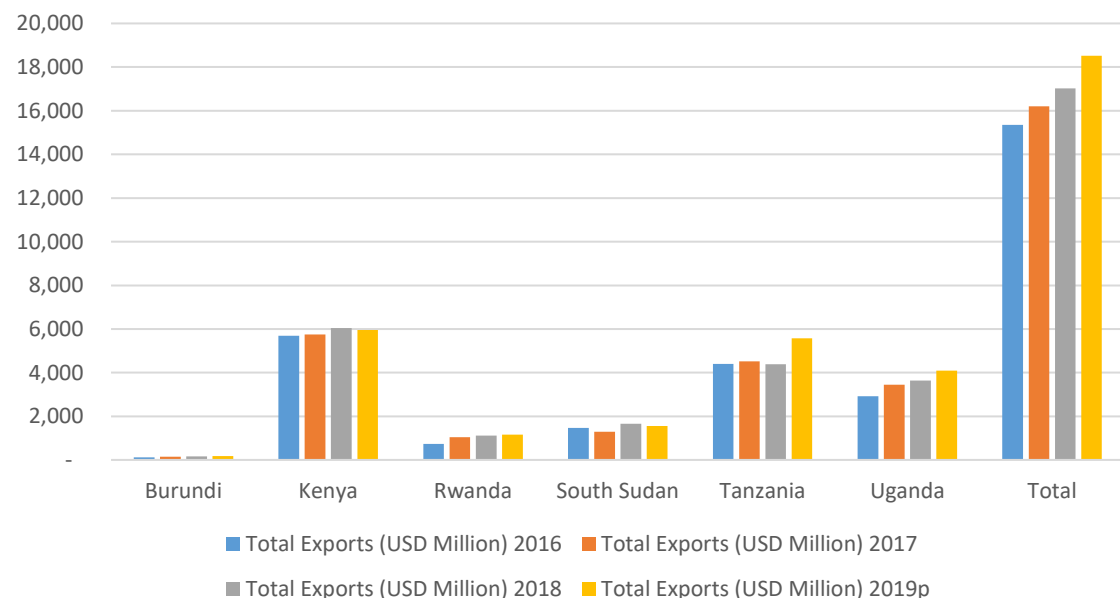
**Source:** EAC Trade and Investment Report, 2018

Similarly, **with about 76% of informal cross-border trade being accounted by women**, it has been seen to have significant discrete gender impacts. This female-intensive sector highly contributes to the economy through ensuring food security but has broad poverty and development ramifications.



# Total EAC Exports & Imports

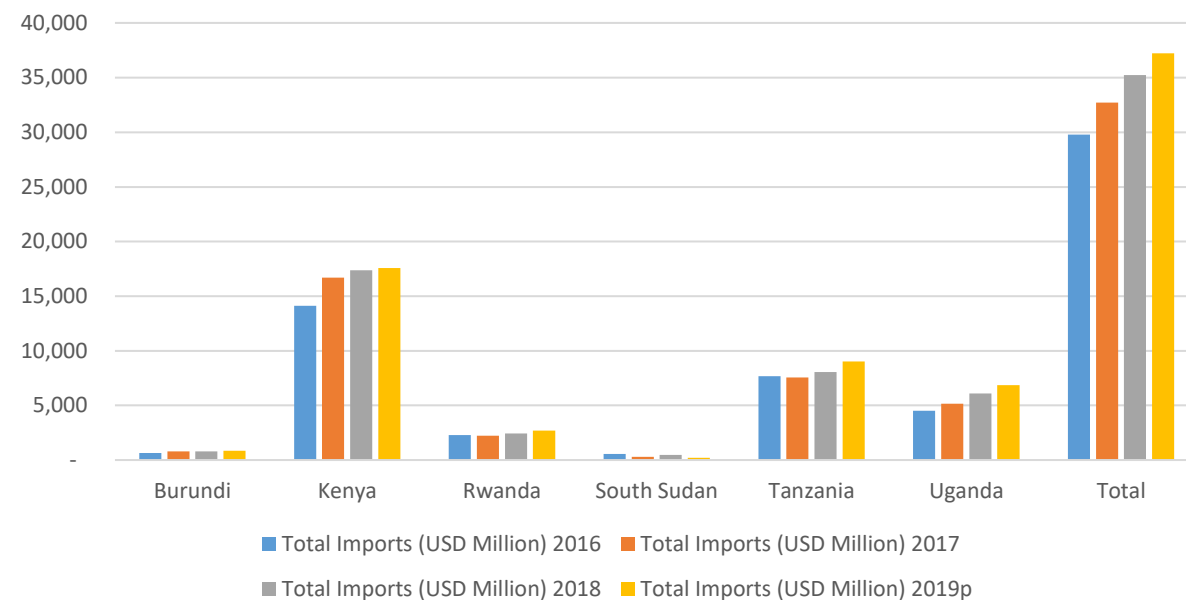
**Total EAC Exports (USD Million)**



**Figure 2: EAC Exports: 2016-2019 (US\$ million)**

Country	Total Exports (USD Million)			
	2016	2017	2018	2019p
Burundi	126	150	169	176
Kenya	5,698	5,747	6,049	5,955
Rwanda	731	1,042	1,121	1,166
South Sudan	1,475	1,291	1,662	1,561
Tanzania	4,400	4,524	4,380	5,573
Uganda	2,921	3,450	3,642	4,096
<b>Total</b>	<b>15,351</b>	<b>16,203</b>	<b>17,022</b>	<b>18,526</b>

**Total EAC Imports (USD Million)**




**Figure 3: EAC Imports: 2016-2019 (US\$ million)**

Country	Total Imports (USD Million)			
	2016	2017	2018	2019p
Burundi	639	786	794	868
Kenya	14,112	16,691	17,380	17,564
Rwanda	2,279	2,239	2,445	2,703
South Sudan	549	300	459	213
Tanzania	7,689	7,552	8,067	9,018
Uganda	4,518	5,164	6,100	6,853
<b>Total</b>	<b>29,786</b>	<b>32,732</b>	<b>35,244</b>	<b>37,220</b>

**Source:** Central Banks of EAC Partner States & ITC TradeMap



## 2.0 EAC Trade with the Rest of the World



A significant portion of trade between East Africa and the rest of the world largely constitutes of **primary commodities** with huge prospects in exporting finished products.

# Impact on EAC Trade with the Rest of the World

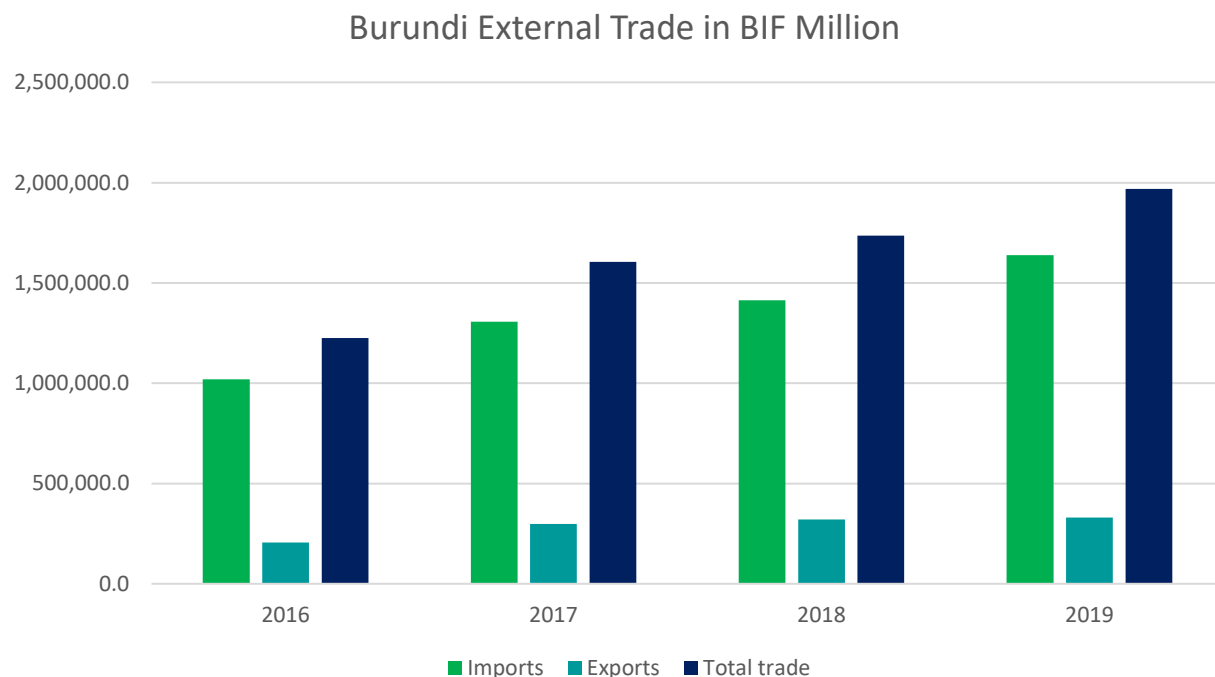
The EAC Trade and Investment Report 2018, notes that main exports from the EAC in 2018, included minerals (mineral ore, gold and diamond), tea, coffee, cocoa and horticultural products. Similarly, **total EAC imports grew by 19.2 percent to USD 38.3 billion in 2018 from US\$ 32.2 billion in 2017 .**

The main source of imports from the rest of the world are Asia and the middle East signifying the importance of countries like China, India and UAE as trading partners. To put this into perspective, according to the ITC Trade Map, **EAC imports from China increased by 6 percent from USD 6.9 billion in 2017 to USD 7.3 billion in 2018.** On other hand the **EAC exports to China increased by 22 percent from USD 1.5 billion in 2017 to USD 1.9 billion in 2018.**



*Source: EAC Trade and Investment Report, 2018*

# Exports & Imports – Burundi



**Figure 8:** *Burundi Balance of Trade in BIF Million*  
| **Source:** Bank of the Republic of Burundi

Period	Imports	Exports	Total trade	Trade Balance
2016	1,019,595.6	206,309.5	1,225,905.1	-813,286.1
2017	1,307,187.7	298,500.1	1,605,687.8	-1,008,687.6
2018	1,414,662.0	321,255.5	1,735,917.6	-1,093,406.7
2019	1,638,427.5	331,344.4	1,969,771.8	-1,307,083.1

In 2018, Burundi's key trading partners were the EAC, European Union, United Arab Emirates and China. Total trade with the EAC amounted to US\$ 150.9 million in 2018 down from US\$ 162.6 million in 2017 and accounted for 15.5 percent of total trade.

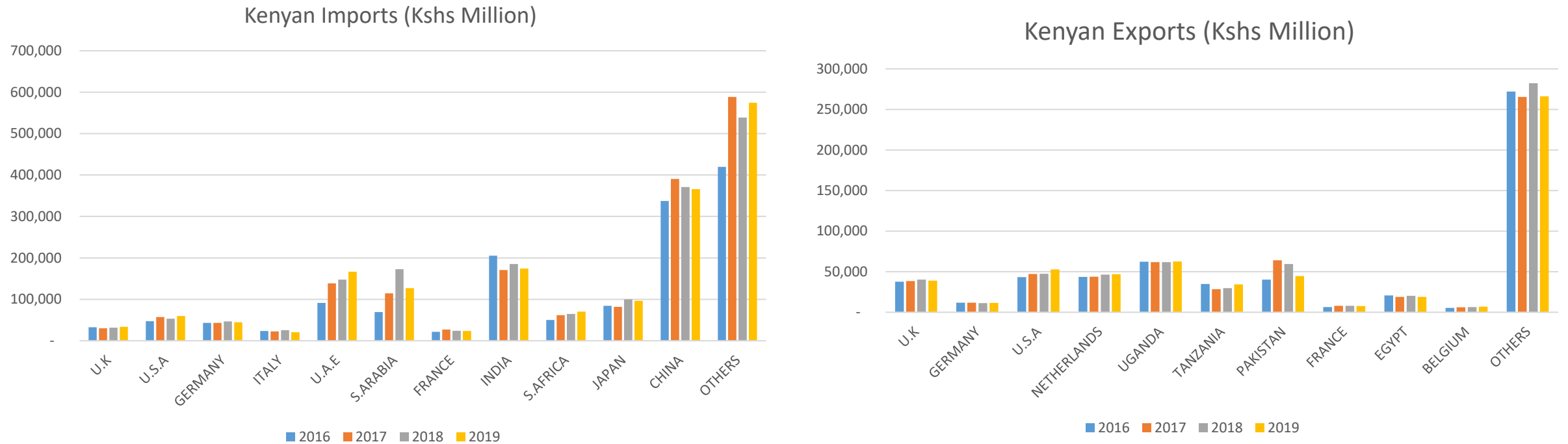
Burundi's imports from the EAC were dominated by maize and cement from Tanzania while exports to EAC were especially coffee exported to Kenya and Uganda.

Trade with European Union amounted to US\$ 143.9 million and accounted for 14.8 percent of total trade while trade with United Arab Emirates amounted to US\$ 131.2 million, about 13.5 percent of total trade over the year 2018. Other notable trade partners in 2018 included the COMESA Member States.

**Source:** EAC Trade and Investment Report, 2018



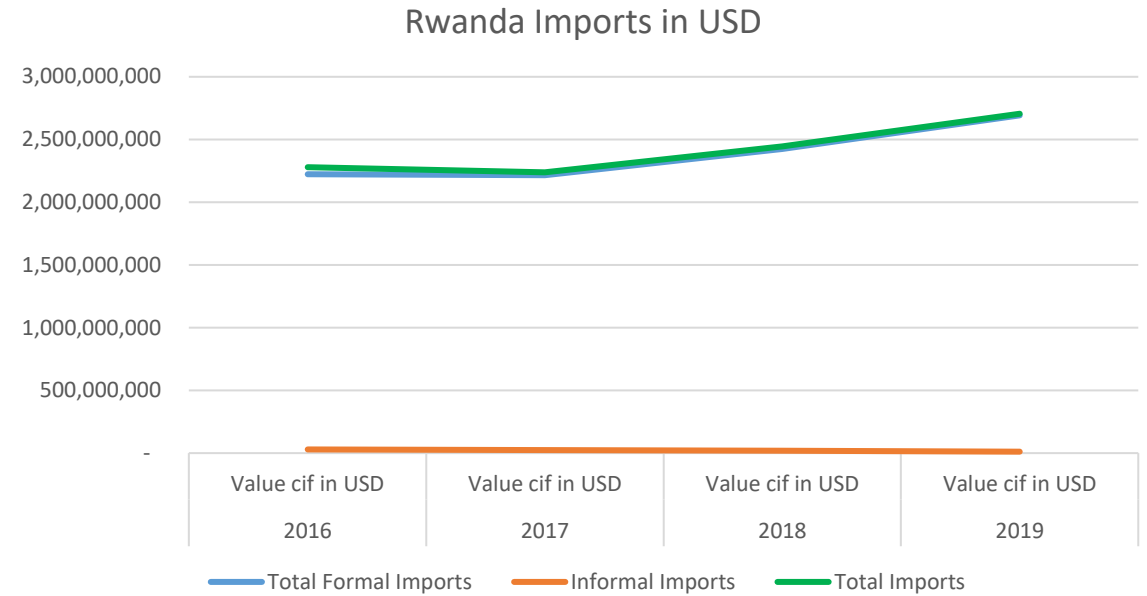
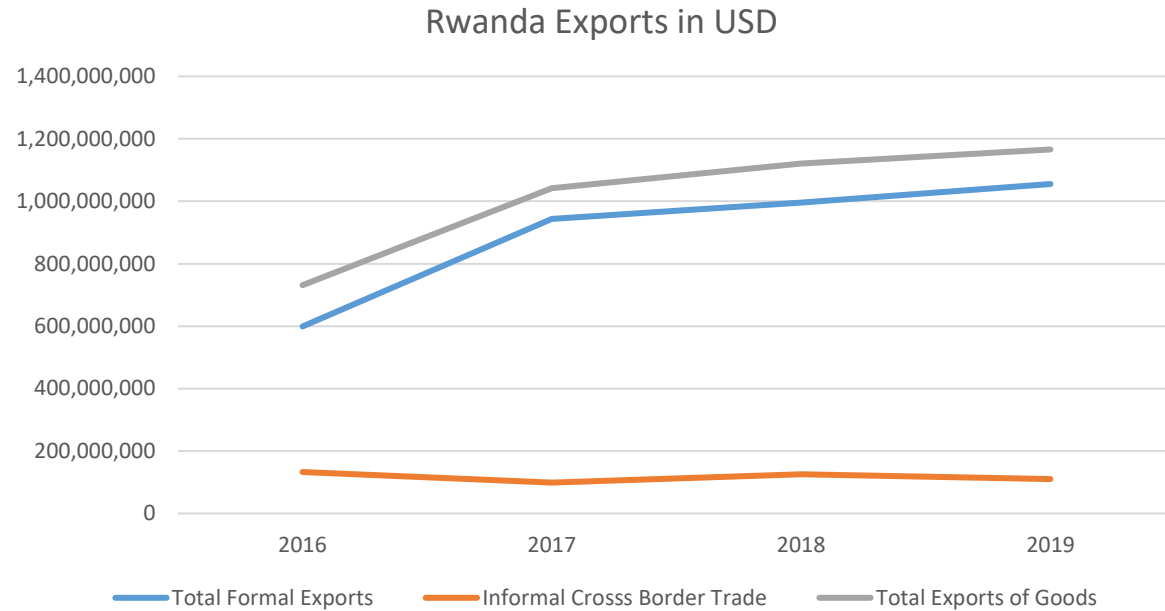
# Exports & Imports - Kenya



**Figure 4:** Kenyan Exports and Imports to and from top destinations | **Source:** Central Bank of Kenya

In Kenya, before the COVID-19 outbreak, the exported fresh produce was valued at approximately **Ksh.144 billion per year and Kshs.12.7 billion per month**. Additionally, Kenya exported 5000 tons of perishable products per week by air against capacity of 6000tons. Currently, **the capacity has gone down to 1500 tons per week against demand of 4000tons**. Similarly, **in the floriculture subsector, before COVID-19, Kenya was exporting 30,000MT of flowers per week. Currently, the industry is exporting 12,000MT per week**. This is expected due to the restrictions imposed by various countries as mitigation measures of COVID-19 pandemic.

# Exports & Imports - Rwanda

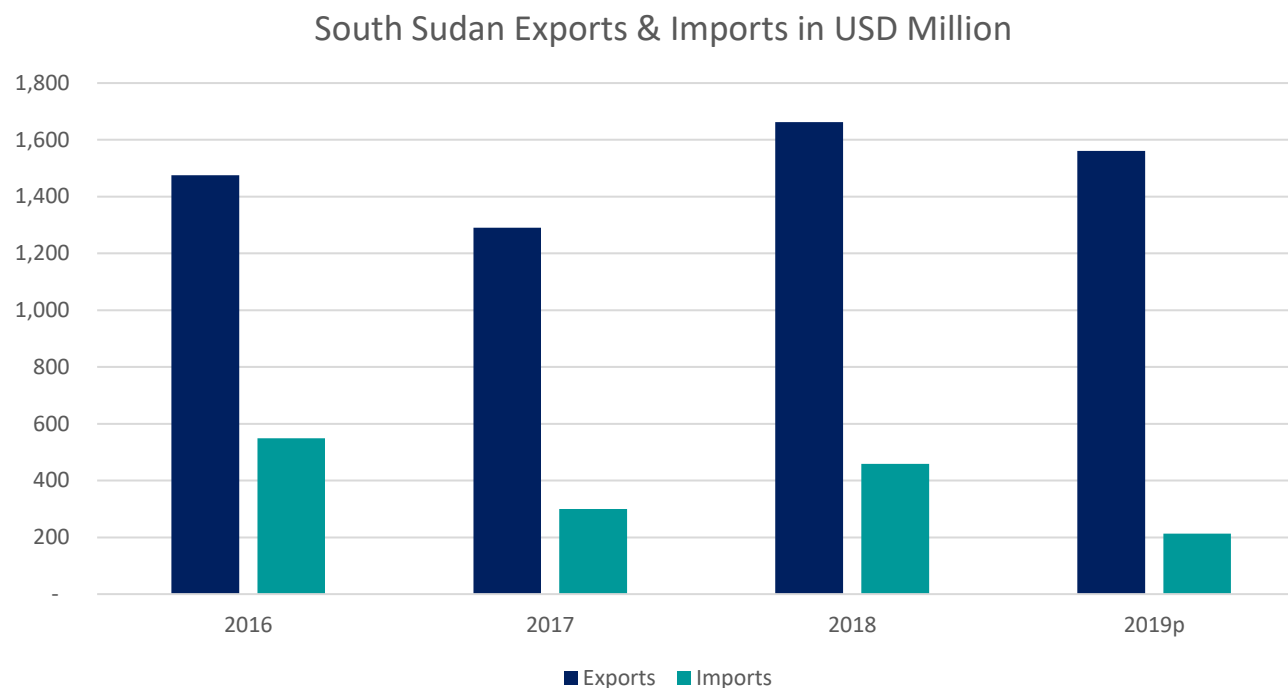


**Figure 7:** Rwandan Exports and Imports Values in USD | **Source:** National Bank of Rwanda

Rwanda (Value in USD)	2016	2017	2018	2019
Total Formal Exports	598,692,202	943,531,926	995,710,921	1,055,599,752
Informal Cross Border Trade	132,689,172	98,410,676	125,287,772	109,972,679
Total Exports of Goods	731,381,103	1,041,942,602	1,120,998,693	1,165,572,432
Total Formal Imports	2,223,295,790	2,215,366,640	2,425,028,306	2,691,517,515
Informal Imports	30,587,407	23,283,057	20,297,838	11,945,732
Total Imports	2,279,065,181	2,238,649,698	2,445,326,145	2,703,463,247

***“In Rwanda, due to COVID-19 effects, there has been a decline of 150tons per week in horticulture products that were carried by RwandAir.”***

# Exports & Imports – South Sudan



South Sudan total trade increased by over 19.5 percent to US\$ 2,121 million in 2018 from US\$ 1,591 million in 2017.

The main trading partners were the EAC, EU, UAE and China.

Overall, the trade deficit increased by 21.39 percent to US\$ 1,203 million in 2018 from US\$ 991 million in 2017.



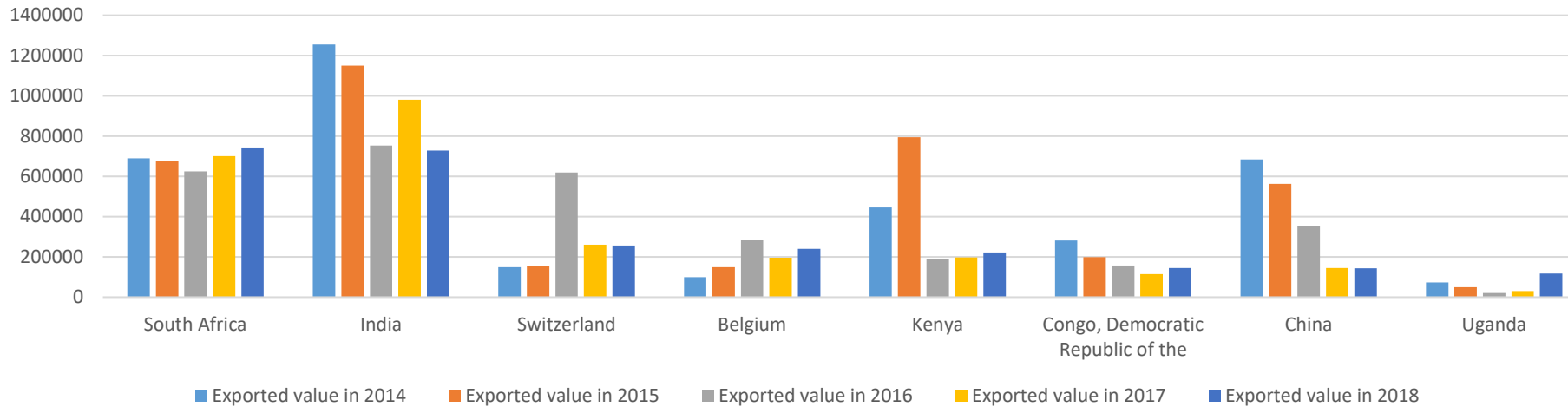
**Figure 9:** South Sudan Exports & Imports in USD Million

\*2019p - provisional | **Source:** Bank of South Sudan & ITC TradeMap

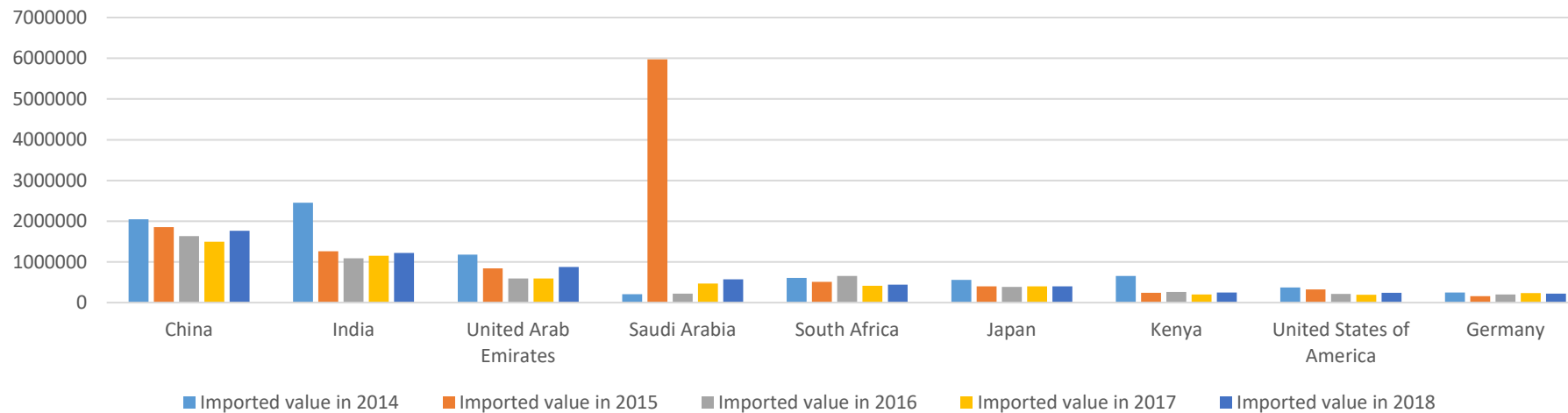
Value in USD Million	2016	2017	2018	2019p
Value of Exports	1,475	1,291	1,662	1,561
Value of Imports	549	300	459	213
Total Trade	2,024	1,591	2,121	1,774
Deficit	910	991	1,203	1,348

# Exports & Imports - Tanzania

Tanzania Exports USD'000



Tanzania Imports USD'000

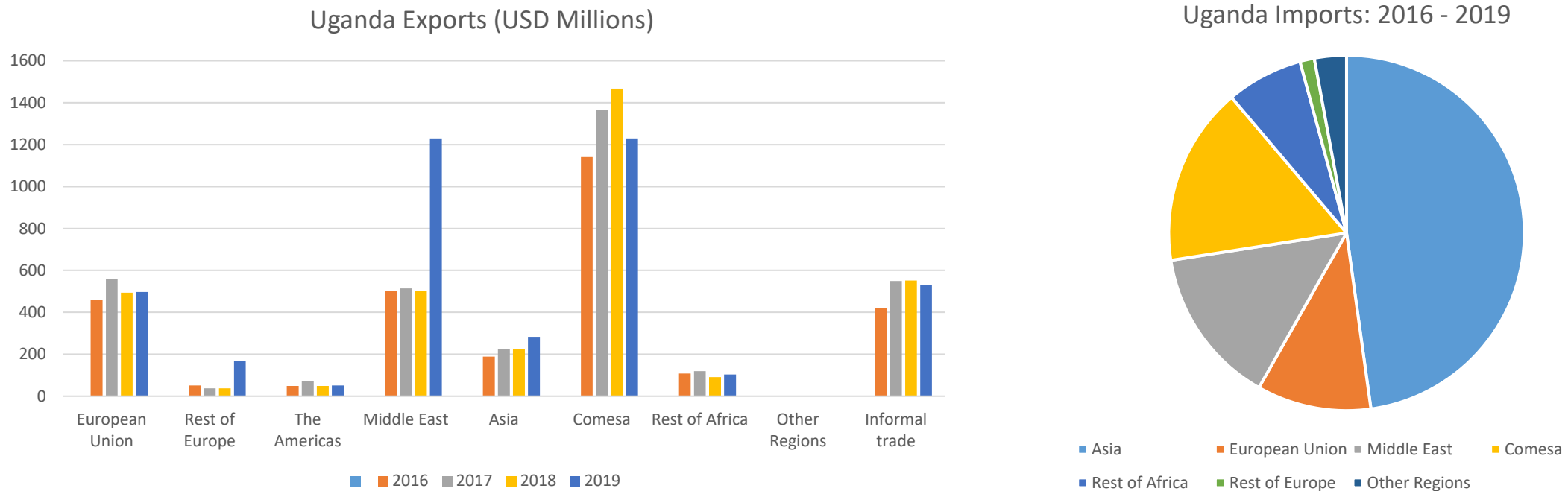


Tanzania's total trade increased by 2.6 percent to US\$ 12.4 billion in 2018, from US\$ 12.1 billion in 2017. The increase in total trade was largely attributed to an increase in merchandise imports by 9.8 percent relative to a decline of 10.2 percent in export of goods.

India, China, South Africa, Kenya and the UAE continued to be the main Tanzania's trading partners.

**Figure 6:** Tanzanian Exports and Imports to and from top destinations | **Source:** ITC TradeMap, EAC Trade & Investment Report, 2018

# Exports & Imports - Uganda

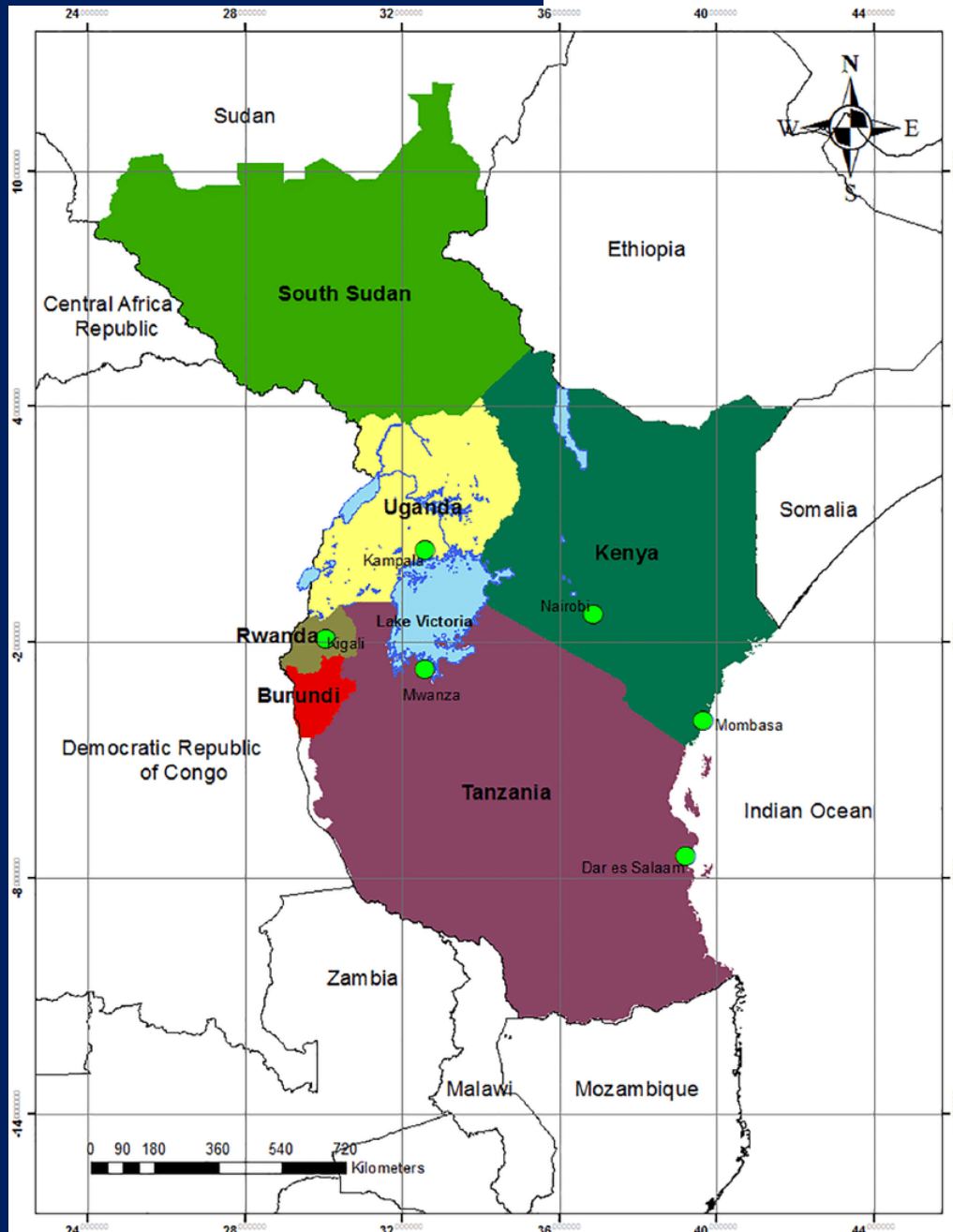


**Figure 5:** Ugandan Exports and Imports to and from top destinations | **Source:** Bank of Uganda

Imports and exports (values & volumes) have been negatively impacted by the Covid-19 pandemic. The Ministry of Trade in Uganda has reported that **Ugandan exports have declined from USD 383.62m in January 2020 to USD 352.91m in February 2020. Similarly, the imports declined from USD 711.99m in January 2020 to USD 701.34m in February 2020 to USD 593.79m in March 2020.**



## 3.0 Formal Trade within the EAC



On average, EAC countries source **6%** of their total imports from the region, and supply **20%** of their total exports to the region.

# Impact on Formal Trade within the EAC

According to the EAC Trade and Investment Report 2018, formal trade among the EAC partner states largely constitutes of **chemicals, textile, iron and steel**. Agricultural commodities also form a large portion with significance in food items like **rice, maize, sorghum, coffee, tobacco, wheat and other cereals**. However, manufactured goods such as **cement, petroleum, textiles, sugar, confectionery, beer, salt, fats and oils, paper, plastics and pharmaceuticals** are also traded across the Region.

## Intra-EAC Trade: 2014-2018 (USD million)

EAC Partner States		2014	2015	2016	2017	2018
Total EAC Trade Value	Uganda	1,326.9	1,401.8	1,241.4	1,691.8	2,050.7
	Tanzania	1,489.3	1,273.8	851.3	707.7	811.3
	Kenya	1,847.7	1,693.7	1,523.4	1,862.3	1,950.3
	Burundi	184.8	165.9	169.5	162.5	150.9
	Rwanda	863.4	593.0	596.4	563.2	638.8
	South Sudan				480.4	379.0
	Total	5,712.1	5,128.1	4,382.0	5,467.9	5,981.1

*“Although movement of cargo is not restricted, some Partner States have limited the movement to **essential goods** only. This has the potential of reducing the trade value of intra-EAC trade.”*

**Source:** EAC Trade and Investment Report, 2018





# 4.0

## Informal Cross-Border Trade

With a focus on  
Women & SMEs







Informal cross-border trade represents produced goods and services, which directly or indirectly do not pass through the regulatory framework for taxation and other procedures set by Partner States. Its importance in poverty reduction in EAC is significant as **women SMEs constitute about 74% of the traders.**

The estimation of the trade value in some Partner States is approximately **US\$ 145.4 million in Rwanda and US\$ 606.6 million in Uganda.** Cross border trade is also estimated to **account for the livelihood of about 60% of EAC residents** hence its significance. Due to the **Covid-19 pandemic**, there has been increased restrictions on the movement of goods and people across borders threatening the livelihoods of traders & their families, and reduced revenue for Partner States.



# Required Recovery Strategy!

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Just like a game of chess, we have to win the war against this predicament, COVID-19! - Anonymous.  
Let us move our pieces objectively.



# Recovery Strategy

## Immediate

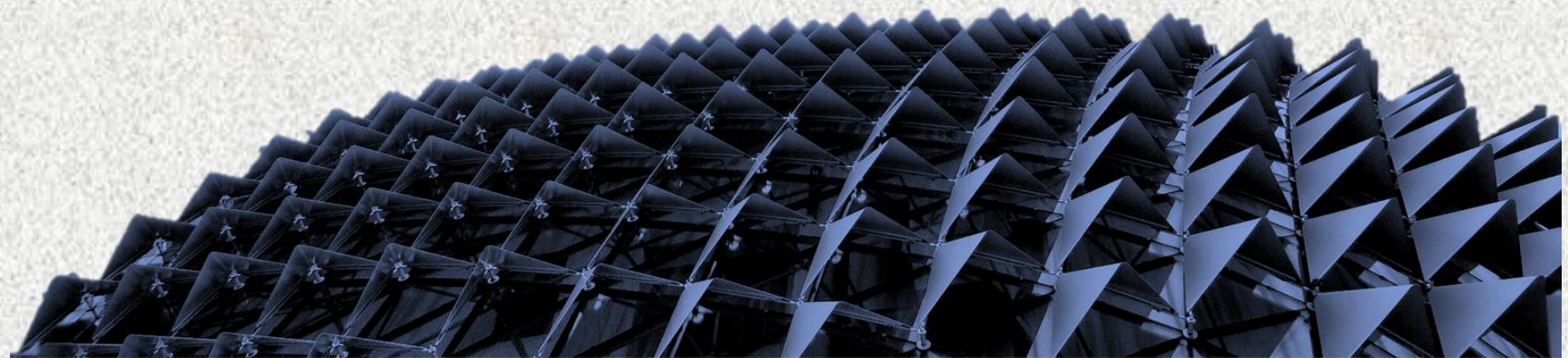
- I. Partner States to consider a regional coordinated approach on mitigating the impact of COVID-19
- II. Partner States to consider allowing free movement of both, essential and non-essential goods within and out of EAC
- III. Partner States to consider full liberalization of open skies for free movement of cargo within and out of EAC
- IV. Partner States to consider adding health workers at the borders to facilitate movement of cargo effectively and efficiently
- V. Partner States to source for alternative markets for EAC imports and exports to reduce dependency on a few countries
- VI. Embrace use of technology (online transactions) in sourcing products from outside the EAC.



# Recovery Strategy

## Medium - Long-Term

- I. Partner States to consider improving the business and regulatory environment to ensure formalization of businesses in the Partner States
- II. There is need for EAC Partner States to push for Buy East Africa Build East Africa (BEABEA). Partner States need to provide support to key industries to expand their capacity and establish new industries to manufacture import substitutes in the region. This will cushion the EAC economies from the negative impact of Covid-19
- III. Partner States to facilitate the private sector to increase production of Manufactured goods in the EAC





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