

# **Trade Facilitation of Essential Goods and Services in Times of Crises/Pandemic in the East African Community**

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## **Executive Summary**

If there was ever a time for effective economic integration in the East African Community (EAC), it is now during this COVID-19 pandemic. The pandemic almost scuttled hopes of building a cohesive region. National interests in health have taken priority over regional trade agreements protocols leading to border closures which are affecting the export of essential goods and services along with cross-border export interruptions which are at their worst ever. This comes at a time when global leadership is in disarray with China, the United States and the European Union squabbling without a moral compass about saving lives and livelihoods in the wake of the coronavirus. Although the EAC is not alone in this crisis, there are a set of best practices in other regions that the EAC could learn from. It is projected that the growth of the global economy will fall by 3% to 6% even if the pandemic is curbed. The recession and unemployment rate projections are being compared to the great depression of the 1930s<sup>1</sup>. Until a vaccine is developed, the region's trade cooperation will take a beating. In turn, virtually every economy across the globe will be severely affected such that when the virus is gone, there will be enough adrenalin to fix the economy by opening borders to trade. This paper analyses the weak points of the EAC's cooperation, challenges and opportunities, as well as how the Community can deal with such issues in the future.

## **Introduction**

The COVID-19 pandemic has exposed the fragility of numerous economies around the world and within EAC, similar fault lines have been exposed. Often referred to as the most cohesive trading block in Africa, EAC is struggling to respect the existing regional trade agreements (RTAs). Accusations and counteraccusations of who is spreading the virus have affected the free movement of goods, including essential goods and services. Although the secretariat issued policy guidelines to facilitate the movement of goods and services during the Covid-19 pandemic<sup>2</sup>, some of the conditions therein have worsened the situation. The requirement, for example, of mandatory screenings of truck drivers and crew at border posts takes up to two weeks for their results to come out. This has resulted in border closures with traffic into and out of member states stretching hundreds of miles. Urgent negotiations to solve the impasse within the shortest period have often been disrupted by political statements made outside of formal mechanisms. In May 2020, President Kenyatta ordered the closure of the country's borders, making exceptions for cargo vehicles, and Tanzania retaliated by banning all cargo trucks with Kenyan drivers<sup>3</sup>.

The cost of moving cargo in the EAC continues to escalate due to cross-border delays. The cost of moving goods to Kampala and Kigali from the Mombasa port is up by an average of US\$200 while the cost of transportation to South Sudan has jumped by US\$900<sup>4</sup>. This in turn is affecting pricing and distribution of essential goods within the member states. On their part, importers have put the blame on the new health protocols in place to prevent the spread of COVID-19. In formulating these protocols, the EAC secretariat did not factor in the time it takes for results to come out. Even

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<sup>1</sup> J. K. Jackson, M. A. Weiss, A. B. Schwarzenberg, & R. M. Nelson, '*Global Economic Effects of COVID-19*'. (Congressional Research Service, 2019).

<sup>2</sup> EAC, '*East African Community Administrative Guidelines to Facilitate Movement of Goods and Services During the COVID19 Pandemic*'. (EAC, 2019).

<sup>3</sup> O. Guguyo, '*Why Tanzania, Kenya Trade Ties blow Hot and Cold*'. (Daily Nation, 2020).

<sup>4</sup> M. Mwita, '*Border Delays push up Transport Costs through Mombasa Port*'. (The Star Web, 2020).

in the best-case scenario, it takes between 10 and 14 days which forces the distribution costs to escalate. The certificates issued after the test is done have a 14-day validity, and since they are issued 48 hours before cargo is loaded, the delays at the port and border points force the drivers to take new tests again, delaying them even further. Consequently, the truck turnaround has increased from 10 days, pre-COVID-19, to 26 days. Thus, the enforcement of these protocols has adversely affected the movement of goods and services. Against this background, this paper explores the following questions: (i) Are there challenges faced, or preventative actions taken to trade during COVID-19 and possible measures and provisions to be considered in future trade agreements? (ii) Are there best practices or crisis initiatives that could be included in future RTAs? (iii) How does the EAC address or not trade in times of crises and pandemic?

### **The East African Community**

The EAC's history dates to 1917, when the colonial administration created a customs union between Kenya and Uganda. Ten years later, in 1927, the United Republic of Tanzania, then Tanganyika, joined the union<sup>5</sup>. Between 1948 and 1961, the three countries formed the East African High Commission which was headquartered in Nairobi and chaired by the Governor of Kenya<sup>6</sup>. The intentions of the High Commission were to provide common services, such as the railways, energy and telecommunications to the British colonies in Kenya, Tanganyika and Uganda<sup>7</sup>. In 1967, the three founding members formally created the EAC and were mandated with the responsibility of overseeing and regulating the industrial and commercial relations of the member countries in an effort to create a common market with common policies and tariffs that would in turn ensure balanced economic growth among its members. It, however, collapsed in 1977 with a lack of trust and political goodwill among member countries being cited as the root cause. On July 7, 2000, the EAC was revived. Membership to this Regional Economic Community (REC) expanded with Burundi and Rwanda joining the EAC in 2009 and South Sudan in 2016<sup>8</sup>. The EAC is currently headquartered in Arusha and the sitting chairman is President Paul Kagame of Rwanda.

### **The EAC Economy**

The EAC is comprised of Burundi, Kenya, Rwanda, Tanzania, Uganda and South Sudan, with an estimated total population of 177.2 million and a combined GDP estimated at US\$193 billion as of 2018<sup>9</sup>. Kenya, Tanzania and Uganda are the largest economies of the Community accounting for about 46.4%, 30.5% and 16.0% of the total GDP, respectively. Rwanda and Burundi accounted for 5.3% and 1.8% of GDP, respectively. All the EAC countries are in the low-income group, except for Kenya which is in the lower-middle-income group<sup>10</sup>. Like all common markets, the EAC's common market is guided by the operational principles of the Community namely: non-discrimination of nationals of other partner states on the grounds of nationality; equal treatment to

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<sup>5</sup> J. Banfield, 'Federation in East Africa'. (International Journal, 1963), pp. 181–193.

<sup>6</sup> D. E. Apter, 'The Political Kingdom in Uganda: A Study in Bureaucratic Nationalism'. (Routledge, 1961), pp. 256–261.

<sup>7</sup> J. Banfield, 'Federation in East Africa'. (International Journal, 1963), pp. 181–193.

<sup>8</sup> R. Mshomba, 'The Rise and Fall of the Former East African Community. In *Economic Integration in Africa: The East African Community in Comparative Perspective*'. (Cambridge University Press, 2017), pp. 49–73.

<sup>9</sup> EAC, 'East African Community Facts and Figures – 2019'. (East African Community, 2019).

<sup>10</sup> IEA-Kenya, 'Trade Policy Review – East African Community (EAC)'. (Institute of Economic Affairs Kenya, 2019).

nationals of other partner states; ensuring transparency in matters concerning the other partner states; and sharing information for the smooth implementation of the Community's protocols<sup>11</sup>.

The Protocol on the Establishment of the EAC Common Market contains seven provisions in the following areas aimed at boosting the economies of its member states: The Free Movement of Goods and Services, The Free Movement of Persons, The Free Movement of Labour, The Right of Establishment, The Right of Residence, Access to and Use of Land & Premises, and the Free Movement of Capital<sup>12</sup>. The EAC underwent its third Trade Policy Review from March 20–22, 2019, in Geneva, Switzerland, covering all the Partner States of Burundi, Kenya, Uganda, Rwanda and the United Republic of Tanzania. The member countries are, however, yet to harmonise their customs procedures as each country uses its own system. The use of these different systems is a source of delays in cargo clearance for transit goods within the EAC. Further, each revenue authority has its own distinct revenue management system with taxes and duties being assessed and paid at the destination. The EAC Treaty requires members to harmonise and mutually recognise standards and implement a common trade policy for the Community under the CM Protocol. In addition, EAC countries are to implement the TRIPS Agreement to promote copyright and cultural industries, traditional knowledge, geographical indications and technology transfer in the region. The main challenge to intellectual property is the counterfeiting and piracy of trademarks and copyrights. An EAC Policy on Anti-Counterfeiting, which resulted in the Draft EAC Anti-Counterfeit Bill (2013), provides a legal framework for EAC members to prohibit trade in counterfeit goods<sup>13</sup>.

As of 2019, the value of intra-EAC trade had increased to US\$5.98 billion in 2018, from US\$5.46 billion in 2017, representing a 9.4% growth. Intra-EAC trade in general is still low at a paltry 20% in comparison to other regional economic blocs such the South African Development Community (SADC), which stands at 58%, and the EU, which stands at 68%<sup>14</sup>. Experts say trade between the EAC partner states is projected to grow by between 5 to 8% annually if the countries fully implement joint policies and regulations, exploit individual competitive edge and eliminate non-trade barriers. This is, however, now threatened with the ongoing pandemic and nations taking on a nationalistic approach, as opposed to a regional approach, in managing the pandemic.

According to the World Bank Group (WBG) predictions, as a result of the COVID-19 pandemic, the economy of East Africa as well as other sub-Saharan African countries will decline from 2.4% in 2019 to between -2.1% and -5.1% in 2020, depending on the success of measures taken to mitigate the pandemic's effects<sup>15</sup>. The World Health Organisation (WHO) estimates that the pandemic is costing the region between US\$37 billion and US\$79 billion in terms of output losses. The biggest impacts, in terms of loss to GDP, are reductions in household and business spending

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<sup>11</sup> EAC, '*Overview of EAC*'. (East African Community, 1999).

<sup>12</sup> EAC, '*Protocol on the Establishment of the East African Community Common Market*'. (East African Community, 2009).

<sup>13</sup> J. Akoth, '*Trade Policy Review – East African Community (EAC)*'. (IEA Kenya, 2019).

<sup>14</sup> EAC, '*EAC Trade and Investment Report 2018: Accelerating Market-Driven Integration*'. (East African Community, 2018).

<sup>15</sup> WBG, '*Africa's Pulse: Assessing the Economic Impact of COVID-19 and Policy Responses in Sub-Saharan Africa*'. (World Bank Group, 2020).

(about 50%), disruption to the supply chain for key inputs in machinery and chemicals (about 30%) and tourism (about 20%)<sup>16</sup>.

Protectionism at the national level as a hindrance to competitiveness in sectors across the region have been cited as threats to free trade among the EAC member states. Experts recommend value chain collaboration between manufacturers to exploit each country's competitive advantage. However, regional trade remains an undisputed ingredient towards building resilient economies, especially during crises. With the right policies and government stimuli, the EAC can strengthen its market integration and overall economic growth. Umulisa (2020) argues that the EAC has the potential to increase trade among its members by 122% of the normal trade level and recommends investment in deeper integration through the full implementation of the customs union and the common market protocols, which will in turn increase the likelihood of creating a viable monetary union<sup>17</sup>. With the vulnerability of global supply chains to market disruptions being much higher in comparison to regional supply chains, RECs are vital now more than ever. According to Mold and Mveyange (2020), the EAC has faced numerous difficulties in an attempt to penetrate global value chains (GVCs) while simultaneously consolidating the gains from regional integration processes. Thus, investing more in regional value chains (RVCs) could yield compounding benefits<sup>18</sup>.

### **Essential Goods and Services in the EAC**

An essential good is defined as a physical item required by a consumer in order to sustain their health or life<sup>19</sup>. The list of such goods that are identified as essential will vary from country to country and from region to region, but in the case of the Covid-19 pandemic, the World Customs Organisation defines these as goods directly impacting or helping alleviate issues or situations related to the coronavirus outbreak<sup>20</sup>. Of critical importance during this period, the Organisation for Economic Co-operation and Development (OECD) notes is to ensure that supply chains for essential goods are operational and that services such as ICT services are open and functioning, in essence, ensuring that these essential goods and services are flowing and to make sure that trade is indeed supporting the fight against the pandemic<sup>21</sup>.

### **Fighting COVID-19 in East Africa**

The first COVID-19 case in East Africa was reported in mid-March 2020. By March 30, there were 172 confirmed and 51 unconfirmed cases in the region<sup>22</sup>. The EAC Secretariat immediately convened a joint meeting of the Ministers for Health and Ministers responsible for regional cooperation to come up with a response plan. The existing communicable diseases protocol of 2007, which seeks the co-operation of member states in health activities, was also activated. The

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<sup>16</sup> G. Osoro, 'EAC Regional Response to the COVID-19 Pandemic'. (Tralac, 2020).

<sup>17</sup> Y. Umulisa, 'Estimation of the East African Community's Trade Benefits from Promoting Intra-regional Trade'. (African Development Review, 2020), pp. 55–66.

<sup>18</sup> A. Mold, & A. Mveyange, 'Trade in Uncertain Times: Prioritizing Regional over Global Value Chains to Accelerate Economic Development in East Africa'. (Brookings, 2020).

<sup>19</sup> BD, 'Dictionary'. (Business Dictionary, 2020).

<sup>20</sup> World Customs Organization, 'The Private Sector Consultative Group outlines Solutions to Humanitarian, Government and Business needs amidst the COVID-19 Pandemic'. (World Customs Organization, 2020).

<sup>21</sup> OECD, 'OECD: Corona Virus – Policy Responses'. (OECD, 2020).

<sup>22</sup> EAC, 'East African Community COVID-19 Response Plan'. (EAC Secretariat, 2020).

protocol states, in part, that the Partner States undertake to the following: take joint action towards the prevention and control of communicable and non-communicable diseases; control pandemics and epidemics of communicable and vector-borne diseases, such as HIV-AIDS, cholera, malaria, hepatitis and yellow fever, that might endanger the health and welfare of the residents of the Partner States; and to co-operate in facilitating mass immunisation and other public health community campaigns.

In April 2020, the EAC Secretariat released administrative guidelines to facilitate the movement of goods and services during the COVID-19 pandemic with key provisions. This included the following: the mandatory quarantine of 14 days for all travellers in the region; minimisation of cross-border movement of people while facilitating the movement of goods and services, however, this was not clarified; member states taking on a common strategy for the acquisition of protective equipment in the region; joint COVID-19 research; sharing information across member states; and providing a contingency fund to address gaps in prevention<sup>23</sup>. It is important to note that the measures outlined in the above guidelines contradicted the 2007 protocol, which clearly stated what to do in the event of such a pandemic.

In May 2020, the heads of state of Kenya, Rwanda, South Sudan and Uganda held a virtual consultative meeting. It was noted that the region's key economic sectors, such as agriculture, trade, manufacturing and industries, tourism, hospitality and entertainment, are experiencing a slowdown as a result of the pandemic, and that partner states were urged to prioritise RVCs to support local production of essential medical products and supplies, including masks, sanitizers, soaps, coveralls, face shields, processed food and ventilators, as part of the efforts to combat COVID-19 in the region. The heads of state further agreed that the partner states would strive to facilitate their farmers' farming activities to continue during and after the pandemic, support agro-processing and value chains as an import substitution measure and establish special purpose financing schemes for small and medium enterprises in an effort to cushion them from the negative effects of the COVID-19 pandemic<sup>24</sup>.

### **Political and Economic Tension During the Pandemic**

The COVID-19 pandemic has renewed calls for African states to prioritise both domestic production and regional integration. According to O'Reilly (2020), East Africa's experience over the last decade suggests that political tensions stifle these ambitions. To enact the 'Made in Africa' agenda across the continent, economic nationalism might need a rethink alongside greater dialogue between the states<sup>25</sup>. He further observes that the COVID-19 outbreak has exposed the vulnerability of many African economies and their dependency upon GVCs, which have been severely disrupted during the pandemic. Although regional integration is the way to go, most African countries often lack the alignment of national development plans and regional integration strategies<sup>26</sup>. In 2012, the then EAC members, Burundi, Kenya, Rwanda, Tanzania and Uganda, launched the EAC

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<sup>23</sup> EAC, 'East African Community Administrative Guidelines to Facilitate Movement of Goods and Services During the COVID19 Pandemic'. (The East African Community, 2020).

<sup>24</sup> EAC, 'EAC: Communiqué'. (East African Community, 2020).

<sup>25</sup> P. O'Reilly, 'A 'Made in Africa' Response to COVID-19 must address Economic Nationalism'. (LSE, 2020).

<sup>26</sup> M. E. Odijie, 'The Need for Industrial Policy Coordination in the African Continental Free Trade Area'. (African Affairs, 2018), pp. 182–193.

Industrialisation Strategy. The premise behind this strategy was that industrialisation was to be underpinned by leveraging East Africa's regional market and through coordinating the EAC states' national development plans.

In practice, however, industrial promotion by the EAC partner states has been pursued with a nationalistic rather than regional mind-set. This is reflected in recent strategies such as 'Buy Kenya, Build Kenya', 'Buy Uganda, Build Uganda' and 'Made in Rwanda', aimed at leveraging domestic demand and public procurement towards goods and services produced nationally. As well as going against the spirit of regional cooperation, these strategies also appear to go against the grain of the non-discrimination principles outlined in the EAC's customs union and common market protocols, i.e., that all goods produced in the region are treated equally across the partner-states<sup>27</sup>.

The heads of states' meeting, held in May 2020, did not address the issues on the ground. Trade between the countries was coming to a halt due to stringent border requirements, as, like in many nations world over, health had taken a priority over economic activities. At border points, lines of transit vehicles stretched for miles. Political anecdotes from some heads of states revealed a different picture from that of the EAC Secretariat's official documents. Some member states, Tanzania for example, denied that Covid-19 ever existed (EAC, 2020). Additionally, the absence of the Presidents of Tanzania and Burundi during the said head of states' meeting could be interpreted as a strong message of COVID-19 denial or the unwillingness to participate in a common EAC strategy for the management of the COVID-19 crisis.

The United Nations Conference on Trade and Development (UNCTAD), TradeMark East Africa (TMEA) and other regional partners have used this moment to help the region's national trade facilitation committees (NTFCs) improve their skills and work more effectively by offering them ground-breaking online training. This will help balance the necessity of imposing health controls and measures to manage COVID-19 on one hand, while still ensuring trade, especially of essential goods, flows on the other. More than 130 NTFC members from Burundi, Kenya, Rwanda, Tanzania and Uganda completed the nine-week training programme which is one of UNCTAD's contributions to the coordinated United Nations response to COVID-19<sup>28</sup>.

Although the initial response of EAC states to the pandemic was quite fragmented, there are some tentative signs that dialogue is once again re-emerging between different parties in the region. However, for a regional response to be effective, the EAC members will have to abandon the economically nationalist practices that have defined regional integration over the last decade.

### **Challenges in trade during COVID-19**

Before the COVID-19 pandemic hit, the EAC was already plagued by floods, locust invasions, as well as the ongoing civil war in South Sudan which paused threats to the supply chain of essential goods and services. Flooding and heavy rains washed away roads and rendered some areas inaccessible while civil wars are in themselves a security threat, not only to the movement of goods and people but the economy of the REC at large. The main language for trade in the region is

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<sup>27</sup> P. O'Reilly, 'A 'Made in Africa' Response to COVID-19 must address Economic Nationalism'. (LSE, 2020).

<sup>28</sup> UNCTAD, 'COVID-19 Accelerates Greater Trade Coordination in East Africa'. (UNCTAD, 2020).

English but Francophone Burundi custom officials have always insisted on the translation of documentation to French, making cross-border trade with other EAC members cumbersome and thus slowing down the effective integration of Burundi into the EAC<sup>29</sup>.

Additionally, the regions underdeveloped energy infrastructure and unstable electricity supply hikes the cost of doing business and leads to delays in the delivery of goods and services across borders, posing a huge barrier to investments and economic growth in the EAC<sup>30</sup>. Although the EAC has One-Stop Border Posts, there still exists bureaucracies in trade procedures across member states, each with varied requirements of licensing and permits. According to Karugia et al. (2009), traders encounter about two, five and seven roadblocks for every 100 km in Tanzania, Uganda and Kenya, respectively (Karugia et al. 2009). Institutional barriers also pose another challenge to regional integration. Kenya, for instance, has many bodies and institutions involved in regional trade, such as the Kenya Revenue Authority, Kenya Bureau of Standards, Kenya Ports Authority, Kenya Roads Board, Kenya Plant Health Inspectorate Service (KEPHIS), as well as other ministries, each with its own processes and procedures that tend to hinder the ease of trade. It is with this background that this section reviews the challenges faced or preventative actions taken to trade during COVID-19 by the EAC or measures and provisions that we propose be considered in future trade agreements.

Like many regions, the EAC was faced with numerous uncertainties surrounding the detection and treatment of COVID-19. Many governments have been forced to choose between having to save their people or sustaining their economies, with most opting to close borders and halt international travel. In the EAC, all member countries turned inwards instead of adopting a regional approach to managing the pandemic. Borders and air spaces were closed, leading to a breakdown in RVCs, ultimately affecting intra-EAC trade.

The pandemic has also led to supply and demand shocks, speculative hoarding of essential goods and artificial shortages which are causing prices to increase. In Kenya, for instance, certain retailers kept hiking prices of essential goods, such as hand sanitizers, forcing the country's Competition Authority to step in<sup>31</sup>. Import flows have been disrupted due to shortages in human capital coupled with trade restrictions. This is especially concerning as, according to the United Nations Economic Commission for Africa, approximately 90% of the continent's pharmaceutical products are imported from the EU, India and to a lesser extent Switzerland, China, the United States and the United Kingdom<sup>32</sup>.

Export markets have also been affected due to the closure of airspace and borders. According to the Kenya Flower Council, the flower industry is losing close to 20 million Kenyan Shillings per day<sup>33</sup>. Even the vegetable and fruit market has not been spared as exporters are shipping only 25%

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<sup>29</sup> A. Muluvi, P. Kamau, S. Githuku, & M. Ikiara, *'Africa Growth Initiative: Accelerating Growth through Improved Intra-African Trade'*. (Brookings, 2012).

<sup>30</sup> V. R. Nalule, *'Energy in the East African Community: The Role of the Energy Charter Treaty'*. (Energy Charter Secretariat, 2016).

<sup>31</sup> K. Rotich, *'Competition Authority orders Cleanshelf to Refund Customers for Inflating Hand Sanitiser Prices'*. (Business Daily, 2020).

<sup>32</sup> UNECA, *'Economic Impact of the COVID-19 on Africa'*. (UNECA, 2020).

<sup>33</sup> S. Otieno, *'Flower Sector faces Collapse as Covid-19 hits Main Markets'*. (Daily Nation, 2020).

to 30% of their normal capacity. Further, there is also limited demand for the region's coffee and tea exports, mainly due to a sharp decline in demand owing to lockdowns in Europe, North America, and India<sup>34</sup>. Panic buying and stock piling on consumer staples in order to comply with the restriction on movement has also resulted to a systemic demand shock<sup>35</sup>.

Overlapping membership by member states and differences in opinion has been a huge challenge to regional coordination during the pandemic. Tanzania's leadership has been in denial of the ongoing pandemic and it has skipped two important COVID-19-related consultative meetings organised by the EAC and the SADC<sup>36</sup>. It is estimated that approximately 95% of members in any REC in Africa belong to yet another REC. As a result, Tanzania holds membership in the EAC and the SADC while the other members ascribe to the Common Market for Eastern and Southern Africa (COMESA). While countries acknowledge that multiple memberships deter implementation, most cite political and strategic reasons as the main motivators behind joining multiple RECs. Although all the RECs share a common objective, to reduce barriers to trade, each REC has different structures and the complexities arising from the multiplicity and overlapping memberships, which then deter policy formulation efforts, coordination and harmonisation of operations<sup>37</sup>. The region also experienced heightened border tension between truck drivers and authorities. This was witnessed at the Busia border between Kenya and Uganda, the Malaba border between Kenya and Uganda, as well as the Rusomo border between Tanzania and Rwanda. According to the OECD, about 86% of total employment in Africa is informal and was disrupted due to COVID-19 trade restrictions.

### **Possible Best Practices for Future RTAs to Adopt During Crises**

No country is self-sufficient and the question of how to facilitate trade during times of crises then arises. How can countries keep supply chains open while protecting their citizens? There have been propositions for countries to shorten supply chains by removing both tariff and non-tariff barriers, however, the feasibility of these measures remains to be seen given the challenges that most of the RECs face as they work towards strengthened market integration.

Over the past few months, the need for goods considered essential has shot up with production and distribution dwindling. Certain countries have imposed varying bans on the trade of selected goods with a case in point being the push and pull between the US and China. In early April, the US sought to ban the American company 3M from exporting high-end masks, also known as the N95 Respirator. 3M's factory is, however, located in China which gives the Chinese government a stake in the decision on where to sell and where not to sell these masks. The Chinese government, on its part, took to heightening quality controls on its exports of medical supplies, including the N95 Respirators. While they are justified on safety grounds, the new controls could, if cooperation

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<sup>34</sup> K. Jayaram, A. Leke, A. O. Ombaka, & Y. S. Sun, '*Finding Africa's Path: Shaping Bold Solutions to Save Lives and Livelihoods in the COVID-19 Crisis*'. (McKinsey & Company, 2020).

<sup>35</sup> R. W. Seifert, & R. Markoff, '*Digesting the Shocks: How Supply Chains are Adapting to the COVID-19 Lockdowns*'. (IMD Business School, 2020).

<sup>36</sup> K. Said, '*A Problem of Denial: Why Tanzania Could Lose the War Against COVID-19*'. (The Elephant, 2020).

<sup>37</sup> UNECA, & OAU, '*Assessing Regional Integration in Africa II: Rationalizing Regional Economic Communities*'. (United Nations Economic Commission for Africa, 2006).

breaks down, be used to block exports to particular nations, including the US<sup>38</sup>. This occurrence acts to emphasise the fact that the use of trade restrictions can be counterproductive and could ultimately result in trade wars.

To remedy such stunts, as seen between the US and China, we are seeing countries reaching out to their trade allies in an effort to not only keep supply chains open but also to sustain them across borders. Singapore and New Zealand launched an open plurilateral trade initiative on April 15, 2020, in an effort to ensure supply chain connectivity as well as the removal of blockages in the trade of listed essential goods. On May 1, 2020, Singapore and Japan issued a joint statement of their commitment to deepen their bilateral economic cooperation to secure supply chains for essential goods and strengthen their economic resilience amidst the COVID-19 pandemic by eliminating export restrictions on essential supplies, including agricultural food products and medical supplies<sup>39</sup>. Singapore went a step further on the same day and issued a joint ministerial statement on their action plans for the essential movement of people and the facilitation of the flow of goods and services with Australia, Canada, the Republic of Korea and New Zealand<sup>40</sup>. As a bloc, the European Union recommended waiving of all trade restrictions on essential goods and introduced “green lanes”<sup>41</sup>.

In the case of New Zealand, the country considered the elimination of the MFN applied tariff on essential medical and hygiene products in order to respond to the COVID-19 pandemic. The cumulative impact was the reduction of importation costs making the market attractive to suppliers. This measure ensured the flow of essential goods into New Zealand, which is a positive move towards combating the COVID-19 pandemic. In other states, waiving of withholding taxes on imports of all goods and services is also another advantageous practice that has been recommended to increase the supply of items into the countries. This practice ensures that every essential commodity gets across the borders and aids in the provision of responsive services in the pandemic.

As one of the strongest trading blocs in Africa, the EAC needs to establish clear measures that promote cross-border trade. Mutual standard testing and reporting during health pandemics is one vital way. One major challenge experienced by the EAC during the COVID-19 period has been the delay in testing at the border points as it takes 9 to 14 days for the results to be released. The testing is also done regardless of whether the driver has been tested before and holds a clean bill of health. Generally, such border processes need to be harmonised. Member states need to agree and share information to encourage faster transfer and clearance of the patients within the borders as well as facilitate trade. The lack of a standardised testing system for COVID-19 in the EAC has resulted in a standoff at Namanga, on the border of Kenya and Tanzania, before the two neighbours resolved

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<sup>38</sup> R. Baldwin, & S. Evenett, ‘*COVID-19 and Trade Policy: Why Turning Inward Won't Work*’. (VOX CEPR Policy Portal, 2020).

<sup>39</sup> Ministry of Trade and Industry, Singapore, ‘*Singapore and Japan Agree to Deepen Bilateral Cooperation to Combat COVID-19*’. (Ministry of Trade and Industry, Singapore, 2020).

<sup>40</sup> Ministry of Trade and Industry, Singapore, ‘*Singapore Reaffirms Commitment to Facilitate Cross-Border Flows with Australia, Canada, Republic of Korea and New Zealand*’. (Ministry of Trade and Industry, Singapore, 2020).

<sup>41</sup> European Commission, ‘*Communication from the Commission on the Implementation of the Green Lanes under the Guidelines for Border Management Measures to Protect Health and Ensure the Availability of Goods and Essential Services*’. (European Commission, 2020).

to adopt WHO guidelines and recognise the health certificates issued on either side of the border<sup>42</sup>. This also allowed the borders to be opened to trade.

Furthermore, now more than ever, nations and businesses should embrace and invest in the digital economy. According to Wong (2020), there is a need to support entrepreneurs to better their leverage in the digital economy and create solutions to solve problems. This will better help countries weather the shocks caused by pandemics and give them a chance to survive and thrive in the long term<sup>43</sup>. The digital economy would also facilitate the collection of relevant data, which is essential for informed planning and decision making. Technology not only plays a critical role in the prevention of the spread of communicable diseases, but it will also increase efficiencies in trade flow by eliminating unnecessary paperwork. In Chile, for instance, the introduction of the option to have brokers submit their documentation electronically in a portable document format (PDF) eased the movement of essential goods within the region. In Angola, cross-border services are done through the telephone, reducing the need for face-to-face contact with the clearance authorities. Payment of taxes is also done electronically through a centralised online portal. This has reduced the amount of time involved in cross-border trade. Panama has digitised the entire trade system and paperwork for entry of goods into the country and customs regimes are done at the border using electronic platforms. The customs management integrated system is used to ensure that the clearance process and signing of the documents are done electronically to reduce the possibility of contact between individuals, thus helping to curtail the spread of COVID-19 while facilitating cross-border trade. The SADC, to which Tanzania ascribes, has proposed the initiative to automate the submission and approval of documentation through a single window. This allows for some documents and processes to be cleared and processed before their due date, thus fastening the movement of goods within the borders.

Extending the border agency working hours is yet another way to increase intra-EAC trade. The COVID-19 pandemic mitigation measures increased and lengthened procedures for cross-border trade. Trucks flowing in from Kenya experience numerous delays from the Ugandan side at the Busia border often leading to a standoff. Other vehicles were also blocked from getting in and out of Kenya and Uganda at the border point<sup>44</sup>. According to the WBG, some countries have reduced working hours at the border points, negatively impacting trade and throwing the working hours of the countries' agencies out of synch. Countries like Chile, India and Ecuador have embraced a 24-hour service at all the border entry points, including the ports which have increased the flow of essential goods into the countries. This move has increased the number of essential goods moving into and out of the countries each day<sup>45</sup>. The implementation of this strategy in the EAC, where Kenya is the only member running customs 24 hours, will be instrumental in facilitating and encouraging cross-border trade of essential goods.

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<sup>42</sup> S. Ngotho, 'Kenya, Tanzania Agree on Covid-19 Testing and Cross-border Movement'. (Daily Nation, 2020).

<sup>43</sup> B. A. Wong, 'Agenda: How Digital Entrepreneurs will help Shape the World after the COVID-19 pandemic'. (World Economic Forum, 2020).

<sup>44</sup> A. Atieno, 'Border Delays Spoiling Business for Traders in Kisumu'. (The Standard, 2020).

<sup>45</sup> S. Sela, A. Yang, & M. Zawacki, 'Trade Facilitation Best Practices Implemented in Response to the COVID-19 Pandemic'. (World Bank Group, 2020).

Given the nature of their work, customs and border point workers are highly exposed to the COVID-19 virus and their safety should be key across EAC member states. WHO has issued guidelines which have been adopted by several RTAs, such as COMESA, to facilitate the movement of goods across borders. Many countries have applied these practices and succeeded in managing the situation at their border points. In Georgia, the screening of truck drivers has been prioritised with drivers who are found to have the symptoms of the virus being isolated and quarantined. Angola is limiting the number of port workers, as well as the number of people being served at a time. Madagascar is promoting teleworking, where people communicate over the telephone instead of face-to-face, while Brazil has increased its efforts in providing protective equipment to its border workers to reduce their risk of exposure to COVID-19 in a bid to keep value chains open<sup>46</sup>. All these initiatives strive to keep customs and border workers safe while facilitating the movement of essential goods. Adoption of these practices in the EAC will, therefore, facilitate the trading of goods while ensuring the safety of these frontline workers.

Transparency in information sharing will not only help facilitate trade, it can save lives. The World Trade Organisation (WTO) argues that a lack of sufficient information across the borders about the change in procedures due to the COVID-19 pandemic is the primary cause of delays at the borders<sup>47</sup>. Transporters of the essential goods should be notified in advance about changes in procedures and the requirements needed for them to enter a foreign country as it allows for adequate preparation. Sharing data and information about crises in a country or region is also imperative for planning purposes. From the EAC's perspective, this will help facilitate the standardisation and streamlining of customs procedures, hence improving the efficiency of intra-EAC trade. In Brazil, for instance, the certification procedure for personal protective equipment was revised and the relevant information was shared with the other countries intending to trade with Brazil. The country also relaxed the authorisation procedures for essential products, such as sanitizers and gloves. This was also communicated with relevant trade partners to allow them ramp up production capacities. Switzerland lifted the requirements for medication directed towards fighting the COVID-19 pandemic, while Canada provided limited authorisation procedures for essential products, such as hand sanitizers, to allow the introduction of a wide variety of such products into the country. Some countries, such as Madagascar, have provided online platforms that share information about their policies and the current status of COVID-19, which facilitate the distribution of information with ease and allows for faster movement of goods. Sharing of such information is vital as more people will trade products without fear. The EAC, therefore, should invest in integrated and standardised information-sharing platforms to help decrease the response time to crises while promoting trade.

The OSCE-UNECE report proposes the use of technology in addressing cross-border delays. The installation of GPS or RFID technology on trucks will enable monitoring along transit routes. By combining these security protocols with container electronic seals, transponders and smartcards issued to drivers after being tested, border performance can be further enhanced by reducing the testing timeframe and delays caused<sup>48</sup>. Truck drivers not exhibiting COVID-19 symptoms should

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<sup>46</sup> S. Sela, A. Yang, & M. Zawacki, '*Trade Facilitation Best Practices Implemented in Response to the COVID-19 Pandemic*'. (World Bank Group, 2020).

<sup>47</sup> WTO, '*Transparency – Why it Matters at Times of Crisis*'. (World Trade Organization, 2020).

<sup>48</sup> OSCE-UNECE, '*The OSCE-UNECE Handbook of Best Practices: A Trade and Transport Facilitation-perspective*'. (OSCE-UNECE, 2020).

be exempt from the 14-day quarantine requirements<sup>49</sup>. WTO recommendations for differentiation of essential and non-essential goods for customs clearance should be enforced and amended into the EAC guidelines for trade during COVID-19.

Interruption of informal trade exposed many families in the EAC to poverty and restricted their access to basic needs as a result of income losses. The small and unregistered traders, conducting informal cross-border trade, contribute to about 40% of the GDP in the EAC economy. Most of these traders use uncontrolled border routes because of the unfavourable tariffs imposed at the official border points. In Africa, as of at the end of June 2020, 43 countries were in full-border lockdown and 23 had imposed night curfews. This affected the ability of the local traders to earn a living. To cushion the collateral damage to the economy, some European countries adopted a furlough scheme where companies pay employees between 60% and 84% of their monthly wage and the government then refunds the companies for a specified period, allowing workers to remain contractually employed though suspended from work. History also points to Germany using the *Kurzarbeit* in the 2008-2009 global financial crisis that prevented mass layoffs that were seen in other European states.

### **Conclusion**

COVID-19 has upset economies and world trade and responding to such pandemics requires a collective worldwide response. As such, countries need to work together to keep supply chains open and refrain from imposing trade restrictions on essential goods as is being witnessed across the globe. Preparing and planning in advance when things are running smoothly is the key to successful management of disruptive events that result from unprecedented, poorly understood or ignored threats and hazards<sup>50</sup>. In addition to the best practices outlined above, it is imperative for the EAC to set aside an emergency response fund that will come in handy during pandemics. In the West African nations, ECOWAS was able to allocate part of its own funding towards procurement of testing kits, PPE and prescription tablets that were distributed among member countries.

It is also imperative for the EAC member states to respect the Common Market Protocol, keep the non-tariff barriers in check, harmonize customs working hours and implement an integrated customs management system to ensure real time information flow and transparency among member states which will in turn enhance cross border trade flows. The EAC should also digitize custom procedures and establish green lanes to fasten the clearance of essential goods. A digital economy would also facilitate collection of relevant data essential for informed planning and decision making. Closely linked to this, the REC should establish a regional e-commerce platform and help desk that will connect buyers and sellers. Strong regional integration will cause disruptions in the local markets but if well done, it also presents numerous opportunities to the EAC member states.

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<sup>49</sup> World Customs Organization, *'The Private Sector Consultative Group Outlines Solutions to Humanitarian, Government and Business Needs amidst the COVID-19 Pandemic'*. (World Customs Organization, 2020).

<sup>50</sup> E. Solt, *'Managing International Financial Crises: Responses, Lessons and Prevention. In E. Solt, 'Crisis Management: Theory and Practice'*. (InTech Open, 2018), pp. 135–156.

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