THE EFFECT OF NON- TARRIFF BARRIERS ON TRADE IN THE EAST AFRICA COMMUNITY.

MERCY MUTHONI KIJOGI

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE POST GRADUATE DIPLOMA IN CUSTOMS ADMINISTRATION OF THE JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

2021

DECLARATION

I declare that this is my original work and has not been submitted to any other college, institution or university.

Signature_____   **Date**_____

       MERCY MUTHONI KIJOGI

       HDB336-C016-2448/2016

This research project has been submitted for examination with my approval as the university supervisor

Signature_____   **Date**_____

       MR. ERIC MUTHOMI

DEDICATION

I dedicate this research project to my family, friends and colleagues for their ever growing support in my life especially during the process of my studies at Kenya School of Revenue Administration.

ACKNOWLEDGEMENT

I acknowledge my supervisor, Mr. Eric Muthomi

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LIST OF ACRONYMS AND ABBREVIATIONS

AMU	Arab Maghreb Union
ASEAN	Association of South East Asian Nations
CET	Common External Tariff
CMS	Common Market Scorecard
COMESA	Common Market for Eastern and Southern Africa
EABC	East Africa Business Council
EAC	East African Community
EACM:	East African Common Market
EACU:	East African Customs Union
EACUP	East African Customs Union Protocol
ECCAS	Economic Community of Central Africa States
ECOWAS	Economic Community for West African States
EU	European Union
KEBS	Kenya Bureau of Standards
KIPPRA	Kenya Institute for Public Policy Research and Analysis

DEFINITION OF TERMS

Regional integration   Refers to the process of states coming together to sign agreements where they agree to cooperate in certain areas common to them key among them trade matters.

Free trade area   Refers to the region encompassing a trade bloc whose member countries have signed a free-trade agreement. Such agreements involve cooperation between at least two countries to reduce trade barriers, import quotas and tariffs and to increase trade of goods and services with each other.

Non-tariff barriers   Mean laws, regulations, administrative and technical requirements other than tariffs imposed by a Partner State whose effect is to impede trade.

ABSTRACT

This study aim to investigate the effect of "non-tariff barriers on trade in East African Community. The study was guided by the following specific objectives:- to find out the effect of Documentation Procedures on trade in the East African Community, to investigate the effect of administrative and customs controls on trade in the East African Community and to determine the effect of verification of transit cargo on trade in the East African Community.The study employed descriptive research design. The study sample size was 30. This study used primary data collected through questionnaires. A pre-test on a different sample conducted to give a Cronbach's alpha greater than 0.7 for all the variables as a rule of thumb. Data analysis was used by use of descriptive statistics and inferential statistics using Standard statistical techniques including Pearson correlation coefficient and regression analysis employed in the analysis. All the analysis were conducted using the statistical package for social sciences (SPSS Version.24). Analysis of variance (ANOVA) was used to establish if there is a statistical significance between the observed and expected values with the Pearson Chi square giving the degree significance of the relations, hence establishing the hypotheses. In multivariate analysis, multiple regression analysis models was used to determine the type of the relationship that existed between independent and dependent variables. The finding indicated that there was a positive correlation between EAC trade and documentation and procedures system as depicted by a correlation value of 0.426. This means that there was a strong relationship between EAC trade and documentation and procedures. The study also depicted that there was a positive correlation between administrative and customs controls and EAC trade with verification of transit cargo and EAC trade. This shows that there was a positive correlation between independent and dependent variables. The study therefore concludes that various Kenyan ministries, departments and parastatals were the institutional barriers to trade, and that KRA was responsible for the enforcement and management of the customs laws and the administration of common external tariffs. The study recommends that all stakeholders in the export business be consulted and the relationship be enhanced by involving the trading community at the drafting stage of customs laws, regulations and trading procedure.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

1.1.1 Global Perspective

The overall objective of EAC was to develop policies and programs aimed at widening and deepening cooperation among the partner states in political, economic, social and cultural fields, research and technology, defense, security, and legal and judicial affairs for their benefits. Currently membership to EAC includes Uganda, Kenya, Tanzania, Burundi and Rwanda (Okumu & Nyankori, 2010). As part of the process of realizing full benefits of economic integration, the regional block further agreed to establish a customs union, common market, monetary union and finally a political federation. In March 2004, the EAC heads of states signed a protocol on establishment of the East African Community Customs Union (EACCU). The protocol came into effect on January 2005. Article 3 of the protocol of (Community, 2004) outlines four key objectives of the customs union as: to liberalize trade within the customs area for the benefit of all member states, promote production efficiency within the customs union, attract investments into customs union area, and stir up economic development and industrialization in various sectors. The main instrument for trade liberalization provided under the customs union was the elimination of tariffs and non-tariff barriers (NTB), within the partner states in order to increase economic efficiency and create political and cultural relationships among the partner states (Nzuma, 2007). NTBs refer to the wide and heterogeneous range of policy interventions other than border tariffs that affect and distort trade of goods, services, and factors of production. Common taxonomies of NTBs include market-specific trade and domestic policies such as import quotas, voluntary export restraints, restrictive state trading interventions, export subsidies, countervailing duties, technical barriers to trade, sanitary

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and Phystosanitary (SPS) policies, rules of origin, and domestic content requirement schemes. Extended taxonomies also include macro-policies affecting trade (Beghin, 2006).

The East Africa Community (EAC) has three applicable tariff bands on imports originating from third countries (0 percent on raw materials, 10 percent on intermediate products, and 25 percent on finished products), although rates above 25 percent apply to a number of "sensitive" products. However, Kenya, the region's largest exporter, continues to pay duties on its goods entering the other four countries until 2010 based on a declining scale (Karugia et al. 2008a; EAC 2009). The three founding member states have a long history of regional integration. The three countries share a common history, culture, and infrastructure, and have relatively uniform agroclimatic conditions (UNCTAD 2005). Unlike Kenya and Tanzania, Uganda is landlocked and relies on the other two countries for access to sea ports. The three countries are members of the World Trade Organization and other trading arrangements. However, while Kenya and Uganda are members of the Common Market for Eastern and Southern Africa (COMESA), Tanzania is member of the Southern African Development Community (SADC). Trade between among the three countries is carried out through both formal (regulated and recorded) and informal (unregulated and unrecorded) channels (RATES 2003). Informal trade accounts for over 95 percent of trade in livestock and up to 60 percent for staple grains (Ackello-Ogutu and Echessah 1997; Little 2007). Moreover, informal regional trade brings much gain in terms of regional food security and efficiency in resource allocation.

The creation of the EAC Customs Union is expected to increase trade and investment flows between member states and at the same time create a large market for the East African people. The expanded trade and cooperation of the partner states offers the prospect of economic growth and prosperity for East Africans. However, for these outcomes to be realized the Customs Union must urgently eliminate all obstacles that act

as impediments to the realization of smooth trade and investment flows in the region. These obstacles include both tariff3 and non-tariff barriers (NTBs) 4 to trade, whose removal reduces the cost of doing business and ultimately improves welfare. Within Eastern and Southern Africa, tariffs play a much less important role as a barrier to crossborder trade than NTBs do (EABC 2005). Under the EAC Customs' Union Protocol, partner states have committed themselves to eliminate "with immediate effect" all existing NTBs on intra-EAC trade and to refrain from introducing new ones. However, trade between the EAC countries is still being hampered by the existence of NTBs that are variously applied by the member states (EABC 2005). Within the community, the main types of NTBs include customs documentation and administrative procedures, immigration procedures, quality inspection procedures and transiting procedures that are cumbersome, unstandardized, and costly (EABC 2005).

Thus, EAC trade liberalization and associated welfare gains would depend primarily on the elimination of policies and procedures linked to structural NTBs. Economists generally agree that NTBs are detrimental to regional trade. These barriers diminish the potential benefits of trade preferences such as regional trading arrangements. Moreover, NTBs are a serious impediment to the growth of intraregional trade and their associated benefits. The existence of NTBs increases the cost of doing business, which ultimately leads to huge welfare losses (EABC 2005). However, the cost of these NTBs and their trade and welfare implications within the EAC are not well understood. This paper quantifies the cost of various types of NTBs and evaluates their welfare impacts on formal trade in maize and in beef cattle in Kenya, Uganda, and Tanzania using a spatial equilibrium model (SEM). The data used in this study were derived from a regional survey of formal traders undertaken within the EAC border points in 2007. They are complemented by secondary data on maize and beef production, consumption, prices, and elasticity parameter estimates that

were adopted from earlier studies in the region. The information generated from this study would be of interest to EAC maize and beef cattle traders, policymakers, and development agencies.

Many world economies have been embracing regional integration as strategy towards achieving an accelerated economic development, which is a key agenda for many states and promise given to electorates every time they elect the leaders. In East Africa, economic integration involving Uganda, Kenya and Tanzania was established in 1967, but collapsed in 1977 (Reith & Boltz, 2011). In 1993, the initiative was revived with the signing of a Declaration on Closer East African Cooperation. The treaty for the establishment of the East African Community (EAC) of 1999 set out a vision for the eventual unification of Kenya, Tanzania, and Uganda. The sequence of events laid out comprised the establishment of a customs union, followed by a common market, a monetary union, and eventually a political federation (Reith & Boltz, 2011).

The overall objective of EAC was to develop policies and programs aimed at widening and deepening cooperation among the partner states in political, economic, social and cultural fields, research and technology, defense, security, and legal and judicial affairs for their benefits. Currently membership to EAC includes Uganda, Kenya, Tanzania, Burundi and Rwanda (Okumu & Nyankori, 2010). As part of the process of realizing full benefits of economic integration, the regional block further agreed to establish a customs union, common market, monetary union and finally a political federation. In March 2004, the EAC heads of states signed a protocol on establishment of the East African Community Customs Union (EACCU). The protocol came into effect on January 2005. Article 3 of the protocol of (Community, 2004) outlines four key objectives of the customs union as: to liberalize trade within the customs area for the benefit of all member states, promote

production efficiency within the customs union, attract investments into customs union area, and stir up economic development and industrialization in various sectors.

The main instrument for trade liberalization provided under the customs union was the elimination of tariffs and non-tariff barriers (NTB), within the partner states in order to increase economic efficiency and create political and cultural relationships among the partner states (Nzuma, 2007). NTBs refer to the wide and heterogeneous range of policy interventions other than border tariffs that affect and distort trade of goods, services, and factors of production. Common taxonomies of NTBs include market-specific trade and domestic policies such as import quotas, voluntary export restraints, restrictive state-trading interventions, export subsidies, countervailing duties, technical barriers to trade, sanitary and Phystosanitary (SPS) policies, rules of origin, and domestic content requirement schemes. Extended taxonomies also include macro-policies affecting trade (Beghin, 2006).

Globally, tariffs have been declining as a result of multilateral, regional and bilateral trade liberalization. At the same time though, many countries have instituted alternative protectionist mechanisms, NTBs, which are ever changing and are threatening international free flow of goods and services (Beghin, 2006).

As tariff barriers continue to reduce for instance at the multilateral level through various rounds of trade negotiations; and at the regional and bi-lateral levels through various trade arrangements, the issue of non-tariff measures becomes more important in accessing markets (Reith & Boltz, 2011). The World Trade Organization (WTO) General Agreement on Trade and Tariffs under Article 20, allows members to implement measures to protect human, animal or plant life or health, provided no discrimination or disguised protectionism arises (Beghin, 2006). In addition, WTO agreements of Sanitary and

Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT) deal with food safety and animal and plant health and safety, as well as product standards in general.

1.1.2 The East African Community

Trade barriers have become an important trade policy issue among the member states of the East African Community. Trade barriers both Non-Tariff and Technical Barriers have an effect of reducing the gains from trade liberalization arising from the reduction of tariffs. Due to their unpredictability and persistence, they continue to influence trade patterns and restricting market access to regional exporters thus denying consumers' welfare enhancing opportunities, which arise from access to, reasonably priced regional imports (COMESA, 2009). NTBs refer to the wide and heterogeneous range of policy interventions other than border tariffs that affect and distort trade of goods, services, and factors of production. Common taxonomies of NTBs include market-specific trade and domestic policies such as import quotas, voluntary export restraints, restrictive state-trading interventions, export subsidies, countervailing duties, technical barriers to trade, sanitary and Phystosanitary (SPS) policies, rules of origin, and domestic content requirement schemes. Extended taxonomies also include macro-policies affecting trade (Beghin, 2006).

The East African Community (EAC) which comprises of Tanzania, Kenya, Uganda, Rwanda and Burundi is a regional intergovernmental organization headquartered in Arusha, Tanzania. The treaty that led to establishment of the organization was signed in 1999 but came into action in 2000 almost 9 months later after it was ratified by three of the member states; Tanzania, Kenya and Uganda. The other member countries joined the organization in 2007. The aim for formation of EAC was to establish a prosperous, competitive, secure, stable and politically region that provides a platform for deeper and

wider Political, Economic, Social and Culture integration. This was with a view of improving the quality of life of its members through increased value added, competitiveness, trade, production, and investments (Shinyekwa & Othieno, 2013).

The strengthening of EAC assembly and the proposal towards the use of one currency and some of the efforts which have been put to increase and harmonize trade regulatory framework in the region. The movement of people across the member countries have been relaxed and the citizens are expected to produce a national identification card to cross the borders instead of passport making it easy for traders to access market for their products.

The East African Common Market was founded so as to boost intra trade among the founding members by creating a free trade zone. Member states, therefore, progressively enacted various laws in order to attain the common market. To begin with, members established the EAC Treaty which they signed in 1999 and later in 2000; it was operationalized after heads of the three founding Partner States endorsed it.

1.1.3 Kenya Perspective

In Kenya, market access has also been affected by SPS, where fish exports to the European Union faced a ban in 1999 to 2000. This was because Kenya and other East African Countries were unable to meet the EU's hazard analysis critical control points (HACCP) requirement. Although the ban was later lifted, the SPS creates barriers to agricultural trade. The minimum residual pesticide requirement by the EU countries on horticulture produce also poses barriers to trade for Kenyan exports. In general, food standards are used extensively by developed countries to block entry into their markets of agricultural products from developing countries. Unfortunately, developing countries 5 consider the standards set by developed countries not to be transparent. Furthermore, fair implementation of SPS agreement requires both financial and technical resources which

Kenya lacks (EAC, 2009). An acute problem is the lack of appropriate scientific and technical expertise with little technical assistance being given to developing countries. The challenge facing both developed and developing countries is for collaboration of one with the other to reach accommodation and reconcile the disparate preoccupations relating trade and those relating to the protection of human, animal and plant health and the environment (Nzuma, 2007).

Non-tariff barriers such as SPS and TBTs have affected Kenya's access to markets for commodities such as fish and horticulture. The Uruguay Round of Negotiations contains three important elements of which SPS is a major one. These mandate that SPS be applied only to the extent necessary to protect food safety and animal and plant health. This however can constitute unfair technical barriers to trade when used indiscriminately.

Apart from tariff barriers, Kenya's exports to developed countries markets have been barred by instances of arbitrary imposition of sanitary and phytosanitary (SPS) measures and the most affected sub-sectors include horticulture and fisheries. Besides, there have been cases where sub-standard commodities that do not meet SPS standards have been dumped in the country. Kenya's positions on SPS is for transparency in implementation by developed countries and for provision of technical support to enable the country undertake risk analysis and participate in international meetings for setting standards (Nogueira, 2008). An acute problem is the lack of appropriate scientific and technical expertise with little technical assistance being given to developing countries.

The challenge facing both developed and developing countries is for collaboration of one with the other to reach accommodation and reconcile the disparate preoccupations relating trade and those relating to the protection of human, animal and plant health and the environment (Nzuma, 2007). Non-tariff barriers (NTBs) remain a key challenge to east

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African integration since the establishment of Custom Union (CU) Protocol in 2005. It is clear that trade liberalization is the central objective of East Africa Community (EAC) and it cannot be achieved with the continuous persistence of old and emergence of new NTBs.

custom and trade facilitation measures. According to the EAC Common Market Scorecard 2016, the unresolved NTB were distributed as follows: Measures having equivalent effect to custom duties and tariff were 40 percent, customs and trade facilitation measures were 28 per cent, quality and safety standards were 24 percent and direct import ban were eight percent.

The EAC CU Protocol came into effect throughout the EAC territory in July 2009, having been ratified by Kenya, Tanzania and Uganda in 2004, and later by Rwanda and Burundi in 2008.

1.2 Statement of the Problem

An acute problem is the lack of appropriate scientific and technical expertise with little technical assistance being given to developing countries. The challenge facing both developed and developing countries is for collaboration of one with the other to reach accommodation and reconcile the disparate preoccupations relating trade and those relating to the protection of human, animal and plant health and the environment (Nzuma, 2007). Trade barriers both Non-Tariff and Technical Barriers have an effect of reducing the gains from trade liberalization arising from the reduction of tariffs. Due to their unpredictability and persistence, they continue to influence trade patterns and restricting market access to regional exporters thus denying consumers' welfare enhancing opportunities, which arise from access to, reasonably priced regional imports (COMESA, 2009).

Non-tariff barriers (NTBs) remain a key challenge to east African integration since the establishment of Custom Union (CU) Protocol in 2005. It is clear that trade liberalization is the central objective of East Africa Community (EAC) and it cannot be achieved with the continuous persistence of old and emergence of new NTBs.

The problem thus lays in how to identify these barriers and to what extend do they inhibit Kenya from fully exploiting the opportunities that exist within the East Africa Market. The ways which the country can explore to improve on its ability to overcome the barriers have been understudied and a problem this study sought to address.

1.3 Objectives of the Study

The general objective of this study was to establish the effect of non- tarrif barriers on trade in the East African Community.

1.3.1 Specific Objectives

The specific objectives of this study were to

1. To investigate the effect of documentation procedures on trade in the East African Community.

2. To find out the effect of administrative and customs controls on trade in the East African Community.

3. To investigate the effect of verification of transit cargo on trade in the East African Community

1.4 Research Questions

1. What is the effect of documentation procedures on trade in the East African Community?

2. What is the effect of administrative and customs controls on trade in the East African Community?

3. What is the effect of verification of transit cargo on trade in the East African Community?

1.5 Significance of the Study

1.5.1 Policy Makers

Policy makers will be enlightened on the trade barriers existing within the East African Community and are in a position to get solutions to the issues raised. They will also be able to understand and employ the measures suggested to facilitate exportation within the East African Community.

1.5.2 Kenyan Exporters

Kenyan exporters will be in a position to understand the trade barriers affecting their trade and are in a position to devise ways to counter the issues affecting their business. They will also be able to understand what measures they can undertake to help the situation.

1.5.3 Upcoming Kenyan Exporters

Upcoming Kenyan exporters will be able to understand the export business within the East African Community and know what to expect even before they indulge in the same. They will be enlightened on the trade barriers they should expect as they embark on exportation within the East African Community.

1.5.4 Researchers

The future researchers will be able to assess how the past research would have dealt with the problem and be able to come up with new dimensions that they can research on.

1.6 Scope of the Study

The scope of this study was restricted to the effects of Non-Tariff Barriers on Kenya-Tanzania free trade and EACM in general. This study focused on movement of goods within EAC. The study will cover the period 2014 to 2017.

<center>**CHAPTER TWO**</center>

<center>**LITERATURE REVIEW**</center>

2.1 Introduction

This chapter reviews literature on the impact of effect of non- tarrif barriers on trade in the East African Community. It first looks at the theoretical framework and then presents an empirical literature based on the study objective.

2.2 Theoretical Framework

This section was discussed tax theories namely; Rational Choice Theory and International Trade Theory.

2.2.1 Rational Choice Theory

Proponents of Rational Choice Theory (RCT) like Gary Becker and Duncan Snidal understand Rationality in terms of the optimization of values under constraints in choosing alternatives that will optimize on previously determined goals. Frank (2014) also notes that RCT is a framework for understanding and often formally modeling social and economic behavior. It is widely used as an assumption of the behavior of individuals in microeconomic models and analysis of human decision-making. Thompson (2010) too explains rationality in terms of how actors in the international system act in their rational self-interest whereby gather sufficient information to make rational calculations and pursue an option that will benefit them most using the least resources.

The Rational Choice Theory of International Politics therefore offers a more realistic alternative to the realist school of thought, which holds the view that the anarchic structure of the international trading system consistently forces both the regional and global powers to seek security by outdoing each other, (Shapiro, 2011). Further, the Rational Choice Theory highlights that having options when pursuing an agenda is fundamental to what

strategy the actor adopts. RCT will therefore be useful to explain why EAC member states have joined other regional arrangements and why they continually strive to do away with NTBs. Besides, the theory explains why international interactions among actors sometimes favor cooperation over competition, (Snidal, 2012).

Rational Choice Theory takes the state actors as the core unit of analysis, and inter-state relations as the basis for analysis. The state is seen as a monolithic unitary actor, which has the ability to make rational decisions based on ranking of available options then carrying out a profit maximization audit before adoption. According to this theory, states are the key actors in the international regimes, and they adopt the rational decision making process in their foreign policy choices, (Snidal, 2012). This is because the underlining hypothesis is that governments are unified and rational and they opt for carefully planned and well defined foreign policy goals, (Hosny, 2013).

This theory is thus useful because it offers an ideal framework for understanding why EAC states still generate NTBs despite frameworks to eliminate them being in place. Accordingly, the theory has been useful in this study because its assumptions are often correct and a crucial guide to the formulation of Foreign Policy. Lastly, the theory is modest enough to explain trade trends and the persisting issue of NTBs in EACM integration.

2.2.2 International Trade Theory

International Trade theory was formulated as a result of success of free trade in England in various industries and trade (Viner, 1937). This was at a time when division of labor, in the nascent large-scale industries which provided the base for reducing labor costs thus effectively necessitating competition across countries.

The theory argues that possible dilemmas that call for the need of monetary adjustments for countries having continuous trade surplus can be evaded through the use of automatic adjustment brought about by price-specie flow mechanism. Production efficiency, according this theory is achieved through existence of free trade as opposed to the use of mercantilist policies of protection.

The theory considers a number of production factors such as labour hours as inputs in a large scale. The absolute advantage which was considered both necessary and sufficient to ensure mutually gainful trade across nations. This calls for arranging a complete specialization in the specific commodity in order to harness advantage in terms of labor hours measured against a unit of output (Baumol, 2007).

2.3 Conceptual Framework

This conceptual framework shows the relationship between the dependent variables and the independent variables. The independent variables documentation and procedure, administrative and customs Control and verification of transit cargo and the dependent variable was EAC trade illustrated in the conceptual framework presented in figure 2.1

Documentation Procedures
- Lengthy procedures for entry processing
- Standard duty rate
- Cargo control

Administrative and customs controls
- Simplification procedures
- Export inspection and certification
- Multiple agencies

Verification of transit cargo
- Scanned transit cargo
- 100% physical inspection

Trade in EAC
- Export trade
- Import trade
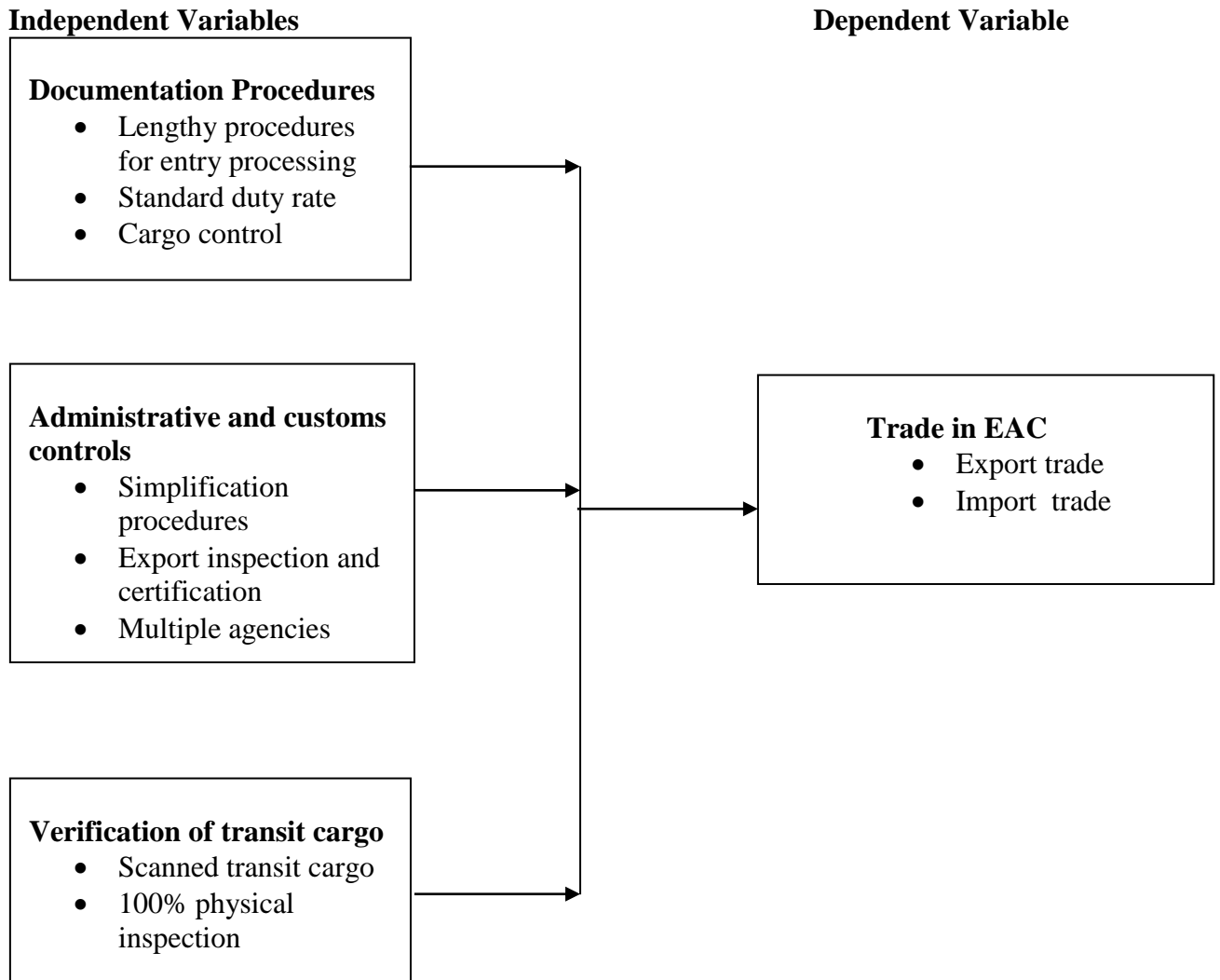
Figure 2.1 Conceptual Framework

2.4 Empirical Literature

The East African Community (EAC) which comprises of Tanzania, Kenya, Uganda, Rwanda and Burundi is a regional intergovernmental organization headquartered in Arusha, Tanzania. The treaty that led to establishment of the organization was signed in 1999 but came into action in 2000 almost 9 months later after it was ratified by three of the member states; Tanzania, Kenya and Uganda. The other member countries joined the organization in 2007.

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2.4.1 Documentation Procedures

A task commissioned by the countries to check on the factors that hinder trade within the EAC found out there were varying systems of import declaration, payment of applicable duty rates, and standards applied, as well as limited/varying working hours at the customs posts. Lengthy procedures and inadequate information to enable customs officials make pertinent decisions at the border posts seem to plague the EAC-wide system.

To implement customs procedures for entry processing, cargo control, transit, warehouse control, and accounting, four member countries have opted to use various versions i.e. Automated Systems for Customs Data (ASYCUDA - is a computerized customs management system developed by UNCTAD to help reform the customs clearance process), while Kenya has chosen to use Similarity Based Complex Analysis System

(SIMBA) an electronic real time trading system for international markets. To date, the linkage between these two systems has not been smooth. Delays in processing export papers are widespread. Before transporters leave their departure point, they must file export papers with the revenue authority (at the capital) to be sent to the border post. Kenya and Uganda have a bilateral legal framework for joint control at their common border posts, creating a one-stop post at each border crossing, starting with Malaba. They also have an agreement to introduce 24-hour services at their common border posts. It takes about one week for process at Kenya Revenue Authority to be completed which too many exporters is perceived to be a long and strenuous exercise. It gets worse, when goods move to other countries, which as documented in the report by World Bank (2008) different procedural arrangements on these borders slow down business.

2.4.2 Institutions Exercising Administrative and Customs Controls

A point agreed by most of the EAC member governments is that there are too many agencies involved in overall export inspection and certification in the region, stretching the administrative capacity and resource needs (Beghin, 2006). The process is no different for goods traded intra-EAC. For example, numerous agencies participate in the clearance process in Burundi, even though the Customs Service is the primary public agency 11 responsible for administration, control, and collection of taxes on imported and exported goods. It is also the only country in the EAC that does not have a full-fledged revenue authority in place. Even in member countries with a fully functional revenue authority, with its own customs department, and a developed bureau of standards, the inspection and verification is the responsibility of multiple agencies. Case in point is the public agencies in Uganda that manage food safety and quality standards. In the end, the multiple agencies result in customs processing taking up to one week on average in Uganda, with "simplified procedures" for single item cargo taking one day, and multiple item cargo taking three

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days. In addition, the effectiveness of some agencies such as to which a member government may have delegated monopoly power in certain functions are being called to question widely by private sector firms. An example is the Société Générale de Surveillance in Burundi, which receives cargo under the Import Verification Program. Pre-shipment inspection is usually designed to improve customs valuations by combating overcharging of imports and undercharging of exports, but this may become another barrier in the member nation (SADC, **2006).**

2.4.3 Verification of Transit Cargo

A lot of transit cargo is scanned and verified by the revenues authorities, like the Kenya Revenue Authority and the Rwanda Revenue Authority, though it is not for use in the member country concerned. The goods destined for the member country in many cases are subject to 100 percent physical inspection, particularly where they involve refund or drawback claims, regardless of the compliance record of the exporter (Ihiga, 2007).

In addition, to ensure that transit goods actually cross the borders of a member country and are not smuggled for sale within, all products in transit are escorted in convoys especially for a country like Burundi. In all other EAC members the exporter of the good is issued a transit bond by a clearing agent who monitors that the goods reach the designated point of exit, where the bond is cancelled. In most countries more than the required transit days are authorized in the bond, e.g. 3 days in Rwanda compared to the needed one day. In Burundi, the traders and transporters are concerned about the nontransparent escort fees. In general, the transporters are concerned about the time lost in the assembly of convoys by police escorts, which may not be daily and can range between two and three hours at each stop. Truckers report the journey "taking two days from Mombasa to Malaba" (a distance of 950 km) due to such convoys (Low, Mchumo, and Muyambo, 2009).

2.4.4 EAC Trade

The reduction of tariff barriers following the implementation of the EAC's customs union in 2005 resulted in an increase in the use of nontariff barriers as a tool for regulating trade. Customs Clearance Before the importing or exporting of commodities within the EAC, a trader must obtain an import declaration form (IDF) issued by an appointed government agency in the partner states. The issuance of IDFs involves numerous agencies (the government printer, the national bank, KEPHIS, KEBS, KPA and KRA), which conduct the procedures for the inspection, verification of dutiable value and certification of compliance. The result of having all these agencies partake in the issuance of IDFs is often duplication of effort and wasted business time. Additionally, in some cases, inspection bodies have not established inspection posts at major entryways, thus forcing traders to travel long distances for customs clearance (Little, 2007). Standards and Certification EAC member countries apply numerous certification and conformity assessments to ensure technical quality standards in intra-EAC trade. However, there are differences in product standards and agencies that are accredited to undertake the standardization procedures. Some agencies accredited to conduct standardization in one country are not recognized by officers in another country—a problem that adds to the cost of conducting certification and wastes time (World Bank, 2007). Rules of Origin Currently, EAC member countries do not have their own specific rules of origin; instead, they apply the ones adopted by the Common Market for Eastern and Southern Africa. These rules of origin stipulate that a good must wholly be produced or contain imported content of no more than 40 percent of the cost, insurance and freight value of the materials used in production. The procedure for obtaining the certificate of origin is cumbersome and lengthy, which itself is costly for the business community (World Bank, 2009). Licenses and Permits According to World Bank (2007c), licenses required within the EAC include a

business license, an import/export license, a road transportation license and a municipal council license. The procedures for obtaining these various licenses vary across countries. In addition, there is a lack of preferential treatment to EAC-originating businesses. This makes cross-border registration of businesses a difficult, cumbersome and expensive process. In most EAC countries, manual processes are used in business names searches, registration and the payment of relevant charges. Moreover, multiple licenses are required for the production, distribution and sale of goods, resulting in duplication and prohibitive costs of doing business in the region.

2.5 Critique of the Study

According to a report by Okumu and Okuk, (2011) the public, (citizens of the EAC countries) is not fully aware and involved in the process of EAC integration. Most people involved in business within the region don't have enough education on what needs to be done so as to improve their businesses. Education on the NTBs, how to handle cross-border customs and the like, is not given and that has a great impact on the entire regional trade (Hangi, 2010). The EAC states with full involvement of the private sector associations and civil society organizations should intensify public awareness campaigns about customs union and its economic opportunities. Every effort should be made to reach out to the entire population of the EAC countries.

Braude (2008) notes that the EACM aimed at easing mobility of people by introducing an East African passport, approving a single immigration entry by operationalizing use of special passes for border communities, setting up laws that will ensure that, services, labor, and capital move freely within the Community; and that citizens have a right to reside in any of the EAC countries. It also purposes to attain harmonization of monetary laws through easing controls on exchange rates and interest rates, similar investment

inducements, and joint capital markets development policy. Jackson (2009) however takes note that regardless of advances being enlisted in the abrogation of levies, most nations have initiated other protectionist components like NTBs which are regularly changing and are undermining the soul of the EACM and by extension the universal free stream of merchandise and ventures,

The East African Community (EAC) which comprises of Tanzania, Kenya, Uganda, Rwanda and Burundi is a regional intergovernmental organization headquartered in Arusha, Tanzania. The treaty that led to establishment of the organization was signed in 1999 but came into action in 2000 almost 9 months later after it was ratified by three of the member states; Tanzania, Kenya and Uganda. The other member countries joined the organization in 2007. The aim for formation of EAC was to establish a prosperous, competitive, secure, stable and politically region that provides a platform for deeper and wider Political, Economic, Social and Culture integration. This was with a view of improving the quality of life of its members through increased value added, competitiveness, trade, production, and investments (Shinyekwa & Othieno, 2013).

2.6 Research Gap

A series of EAC trade studies (Ihiga 2007; Mmasi and Ihiga 2007) reported some major NTBs that included customs and administrative entry procedures barriers; sanitary and Phystosanitary measures; technical barriers to trade, standards, inspection time spent, un-harmonized procedures for issuance of certification and other distribution related obstacles. Some of these regulations or NTBs, while justified on the basis of health, safety and security, among others, have implications on production, consumption, economic efficiency and trade flows (Okumu and Okuk, 2011). Arising from identification of NTBs, EAC time-bound programmes for their elimination have been prepared (EAC Secretariat

2009). These include abolishing charges, corruption, discriminatory charges, landing fees, entry requirements; application of non-discriminatory excise duty regime, EAC Rules of Origin, WTO valuation rules; adherence to EAC Rules of Origin Criteria of 30 percent local value added; modernization including computerization of procedures to ensure faster clearance, systems interfacing, and weigh-in-motion systems.

2.7 Summary

From the foregoing literature review, the main goal of EACM is to ensure socio-economic development among the Partner States as a result of deepening cooperation. To achieve this, free movement of goods from one state to another is imperative. However, studies indicate that this goal has not been fully realized and it seems that the existing trade barriers are among the hindrances that have delayed full realization of free trade within the EACM. This study therefore sought to assess to what extent EACM Protocol goals have been implemented and to scrutinize how the trade barriers have hindered the full realization of free trade in EACM.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter covers the methodology that governs the study. It entails the research design, data collection procedures and data analysis. This section also discusses the source and type of data to be collected, the model showing the relationship between the independent and dependent variables and the operationalization of the variables.

3.2 Research Design

This study was conducted using the descriptive research design, and employed qualitative methods of data collection as well as referencing to existing quantitative data. According to Malhotra (2010), exploratory research equips the researcher to choose the best research design, data collection method and selection of subjects. It also helps the researcher to draw definitive conclusions only with extreme caution besides exploring and expounding on what exists. The descriptive research design was appropriate in focusing on current affairs of EAC free trade, thereby giving insights and familiarity for later investigation on NTBs and their effects on regional trade.

3.3 Target Population

Ngechu (2004) defines a population as a group of individuals, elements or events being investigated. This research therefore included in its target population for the study key informants who are professionals in EAC trade matters, as well as traders who are directly involved in import-export trade activities within EAC.

Respondents were identified from the Ministry of Foreign Affairs and International Trade, Traffic Police Department, KEBS, KRA, the EAC Secretariat and the EAC Trading Community. They consisted of 3 customs officers, 3 standards officers, 2 EAC Secretariat

administrators, 7 Trade officers,7 EAC traders and 3 traffic policemen. The target population in this study was identified on the basis of the survey of existing literature on NTBs in the various RIAs.

Table 3.1 Target Population

Category	Target Population
Ministry of Foreign Affairs and International Trade	6
Traffic Police Department	3
KEBS	5
KRA,	6
EAC Secretariat	2
EAC Trading Community	7
Total	**30**

3.4 Sample and Sampling technique

Cooper and Schindler (2003) describe sample or sample size as a subject of a population that is studied through a research study and generalized into the entire populations. The study adopted a systematic sampling technique. The study adopted census methods to draw its sample size. The simple size will remain 30 because the target population is small. The study employed   stratified random sampling techniques. The strata included key stakeholders in trade within EAC and in particular Kenya and Tanzania, who included officials from Ministry of Foreign Affairs and International Trade, the EAC Secretariat, KEBS, KRA and the EAC Trading Community. The study sample size comprised of thirty (30) respondents from the targeted institutions.

3.5 Data Collection methods

Data was collected from primary sources using questionnaires. The questionnaire was designed to capture the essential information needed for analysis. It captured respondents' general information and specific information arising from the various objectives of the study. The questionnaire was closed structured through likert scale. The researcher assisted the respondents, where necessary to understand the significance of the study and ensured that the response was compatible with the objective of the study. A letter of introduction was attached to the questionnaires explaining to the respondents the reason for the study and assuring them of their confidentiality

3.6 Data Collection Procedures

The relevant data was collected from the field with the aid of a research assistant, as the questionnaires was distributed on a drop and pick later method to allow the respondents time to sufficiently go through them and give feedback.

3.7 Pilot Study

The study conducted pilot study in order to pre-test the validity and reliability of data to be collected using the questionnaire. Validity is defined as the degree to which a test measures what it is supposed to measure (Key, 1997). The tendency towards consistency found in repeated measurements is referred to as reliability (Bryman & Bell, 2003).

3.7.1 Validity of Research Instruments

Validity is the degree to which an instrument measures what it's supposed to measure. According to Winsterstein (2008), comprehensive literature reviews on measurement approaches are critical in guiding the selection of measures and measurement instruments. Reliability is increased by including many similar items on a measure, by testing a diverse

sample of individuals and by using uniform testing procedures. In order to test the reliability of the instruments, internal consistency techniques will be applied using Cronbach's Alpha.

The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. According to (Mugenda, 2008), a coefficient of 0.6-0.7 is a commonly accepted rule of thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability

3.7.2 Reliability of Research Instruments

Reliability refers to a measure of the degree to which research instruments yield consistent results after repeated trials. In this study, reliability was achieved by selecting a sample and testing it for accuracy from the database. A test-retest was conducted and reliability coefficient computed. The results obtained helped in revising the measurement instrument to ensure it covers the objectives of the study.

Though the records are reliable, there are often inconsistencies and inaccuracies, therefore there is a need also to examine the method by which the data was collected and try to ascertain the precision needed by the original (primary) user(Saunders et al., 2009). To assess the validity of the documents, the research made a quick assessment of the source of the data and assessing the authority or reputation of the source.

3.8 Data Analysis and Presentation

Data analysis is a research technique for the objective, systematic and qualitative description of the manifest content of a communication (Cooper & Schindler, 2008). In order for research quality in this study, a quantitative method of data analysis was used. Descriptive statistics involves a process of transforming a mass of raw data into tables, charts, with frequency distribute.

The study was analyzed using Statistical Package for Social Sciences (SPSS) program and presented using tables to give a clear picture of the research findings at a glance. Key among the quantitative tools were employed were descriptive statistics, which included measures of central tendencies, such as means, standard deviation, frequencies, and percentages. These tools of analysis was used for instance to determine views of commonality and deviations from commonality. Correlation was another useful statistic that described the degree of relationship between variables was employed to see if such relationships existed among variables being studied.

Regression model was used to assess variables that are considered in assessing the factors that influence taxation of the informal sector. Regression Analysis is a statistical modeling technique used to identify meaningful, stable relationships among sets of data. The application of analytical procedures is based on the premise that, in the absence of known conditions to the contrary, relationships among information may reasonably be expected to exist.

Regression measures the causal relationship between one dependent and one independent variable. Multiple regression analysis measures the effects of multiple independent variables on one dependent variable.

The study adopted a multi regression model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

$Y =$ Free Trade

$\beta_0 =$ Constant Term

$\beta_1 =$ Beta coefficients

X1 =   Documentation Procedures

X2 =   Administrative and customs controls

X3=   Verification of transit cargo

ε =   Error term

3.9 Measurement of Variables

Table 3.2: Measurement of Variables

variable	Indicators/measures	Likert scale
Documents procedures	Lengthy procedures for entry processing	5 point
	• Standard duty rate • Cargo control	
		5 points
Administrative and customs		
	• Simplified procedures controls • Export inspection and ceritification • Multiple agencies	
Verification of transit cargo	100% physical inspection	5 points
	Scanned transit cargo	

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter shows response rate, the results of data reliability, and descriptive statistics of the study variables, regression analysis and an interpretation of the study findings.4.2 Response Rate

The researcher administered a total of 30 questionnaires and 29 were completed and returned. This represents a response rate of 99% as shown in Table 4.1. This response rate was adequate to allow the researcher to continue with the analysis. The questionnaires were composed of questions that addressed the objectives of the study

Table 4.1 Response rate

Category	Frequency	Percentage
Completed and returned	29	99
Not returned	1	1
Total	30	100

4.2 Reliability test results

Reliability is measure of the degree to which a research instrument yields consistent result after repeated trials (Mugenda & Mugenda, 2003). The results are depicted in tale 4.2 below.

Table 4.2: Reliability tests results

Constructs	Reliability Comment Cronbach's alpha	No of Items	Reliability
Documentation procedures	0.873	5	Accepted
Administrative and customs control	0.721	4	Accepted
Verification of transit cargo	0.766	4	Accepted
EAC Trade	0.756	3	Accepted

The results of the reliability test produced an overall Cronbach Alpha correlation coefficient of 0.812 while specific findings indicated that, documentation procedures had a coefficient of 0.873, administrative and customs controls had a coefficient of 0.721, verification of transit cargo had a coefficient of 0.766, and EAC trade had a coefficient of 0.756. Table 4.2 shows that all the study variables yielded Cronbach alpha coefficients values of more than 0.7, which is the recommended value.

4.3 Descriptive statistics

4.3.1 Perception of tax system

This section sought to evaluate several statements on documentation procedures on EAC trade among SMEs. Table 4.3 shows the results obtained.

According to the results on table 4.3 show that, highest mean values were 3.38, 3.20 and 2.39, which correspond to the likert scale value of 2. This indicates that the respondents agree that Too many agencies involved in overall export inspection and certification in the region, Lack of harmonization in working hours at the border posts, use of immigration and visa procedures and East Africa Community transit licenses for goods. The study findings are supported by a number of studies which includes Othieno, 2013).

Table 4.3 Documentation procedures

Statement	Mean	Std. deviation
Too many agencies involved in overall export inspection and certification in the region	**3.28**	**1.345**
Lack of harmonization in working hours at the border posts	**3.20**	**1.444**
Use of immigration and visa procedures	**2.39**	**1.067**
East Africa Community transit licenses for goods	**2.11**	**1.067**

4.3.2 Administrative and customs controls

This section sought to evaluate several statements on customs controls on EAC trade. According to the results on table 4.4 the highest mean values were 3.34 and 3.23 which corresponds to the scale value of 3. The results indicate that Truck entrance fees and grace period, use of immigration and visa procedures, and many agencies involved and Administrative and capacity resources needed . The study findings are supported by a number of studies which includes needs (Beghin, 2006).

Table 4.4 Administrative and customs controls

Statement	Mean	Std. deviation
Truck entrance fees and grace period	**3.23**	**1.345**
Use of immigration and visa procedures	**3.34**	**1.433**
Many agencies involved	**2.43**	**1.064**
Administrative and capacity resources needed	**2.23**	**1.045**

4.3.3 Verification of customs controls

This section sought to evaluate several statements on verification of customs controls to determine the EAC trade.

Table 4.5 Verification of customs controls

Statement	Mean	Std. deviation
Too many agencies involved in overall export inspection and certification in the region	2.33	1.065
Lack of harmonization in working hours at the border posts	2.13	1.056
Use of immigration and visa procedures	3.56	1.335
East Africa Community transit licenses for goods	2.61	1.455

According to the result in table 4.5 the highest mean values were 3.56 and 2.88. Meaning respondents were indifferent, they agreed that Too many agencies involved in overall export inspection and certification in the region, lack of harmonization in working hours at the border posts, use of immigration and visa procedures and East Africa Community transit licenses for goods. The study findings are supported by a number of studies which includes (Ihiga, 2007)

4.3.4 Trade in EAC

This section sought to evaluate several statements on the EAC.

According to the results on table 4.6 the highest mean values were 3.20 and 3.19 which corresponds to the scale value of 3. The results indicate that many agencies involved in overall export inspection and certification in the region, Escort of all sensitive and

hazardous products through the territory of each EAC transit country and Verification of transit cargo. The study findings are supported by a number of studies which includes needs (Beghin, 2006).

Table 4.6 Trade in EAC

Statement	Mean	Std. deviation
Many agencies involved in overall export inspection and certification in the region	3.19	1.085
Escort of all sensitive and hazardous products through the territory of each EAC transit country	2.11	1.0801
Verification of transit cargo	3.20	1.344

4.4 Correlation Analysis

4.4.1 Correlation results on independent variables

Correlation shows the relationship existing between variables in the study. The study's dependent variable is trade in EAC and the independent variables consist of documentation and procedures, administrative and customs controls and verification of customs controls.

The results depicted in table 4.7 below

Table 4.7:   Correlation between independent variable and dependent variable

_____

EAC Trade	Documentation and Procedures	Administrative & customs controls	Verification of Transit cargo	
_____

EAC Trade	1			
Documentation & Procedures	0.462	1		
Administrative & Customs controls	0.387	0.455	1	
Verification of Transit cargo	0.466	0.520	0.354	1

_____
*Correlation is significant at the 0,05 level (1-tailed)

The above table presents the Pearson correlations for the relationships between the independent variables including documentation and procedures, administrative and customs controls and verification of transit cargo and trade in EAC. The results showed that and positive and significant correlations is observed between each pair of the independent and dependent variables. The strongest correlation was established between verification of transit cargo and EAC trade (r=466) followed by documentation and procedures (r=0.462) and Trade in EAC. Lastly administrative and customs controls and EAC trade were also positively correlated at correlation coefficient of (r=387)

4.5 Regression Analysis

4.5.1 Model Summary

Table 4.8: Model Summary for independent and dependent variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.643[a]	.413	.408	. 64664	2.022

a. Predictors: (Constant), Documentation and procedures, administrative and customs controls and verification of transit cargo

 b. Dependent Variable: Trade in EAC

From the model summary The R square value in Table 4.8 is 0.413 which clearly suggests that there is a strong and positive correlation between   documentation and procedures, administrative and customs controls and verification of transit cargo and trade in EAC up to 64.3% or (R=0.643). The results reveals that documentation and procedures, administrative and customs controls and verification of transit cargo   caused a variation of 41.3% or (R=0.413) and adjusted R square R^2=0.408 on Trade in EAC. This is implies that the remaining 59.2% of the change was caused by other factors not included in the model The results indicates that there is statistical significant between independent and dependent variables.

4.6 Analysis of Variance

The results of the Analysis of variance are shown by table 4.9below

The overall goodness of fit was obtained through regressing the goodness of fit for all the independent variables. The results of the multiple regression indicate R^2= .413 and adjusted R=.408 as shown in Table 4.9. This is an indication that there is a strong relationship between independent variables and EAC trade.

Table 4.9: ANOVA for independent and dependent variables

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.463	1	5.463	44.348	.000[b]
	Residual	12.262	29	.0422		
	Total	17.625	30			

a. Dependent Variable: EAC Trade

b. Predictors: (Constant), Documentation and procedures, administrative and customs controls and verification of transit cargo

The overall model significance was presented using the ANOVA test table. The results in Table 4.10 shows that the overall model was a good fit since (F-value=44.348 and p-value=0.000<0.05) which was less than the conventional probability of 0.05 significant level .This is implies that the model was a statistically significant. The findings there imply that all independent variables were statistically significant in explaining trade in EAC. ANOVA was used to test whether the regression analysis model used is fit or the relationship of the variable just occurred by chance.

4.7 Regression Coefficients

Table 4.10 Regression Coefficients

Table 4.10: Coefficients of Overall Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.263	.096	-	7.533	.044
	Documentation and procedures	.343	.098	.244	6.626	.013
	Administrative and customs controls	.313	.054	.354	4.920	.033
	Verification of transit cargo	.296	.074	.322	3.876	.004

a. Dependent Variable: EAC trade

From results on table 4.10 the following regression equation was obtained

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_3 x_3 + \varepsilon \ldots \ldots$$

$Y = 1.234 + .343\ X_1 + .313 X_2 + 0.296 X_3$ were significant with p- values of 0.044, 0.013, 0.033 0.001 respectively.

The first objective, the results indicates that documentation and procedures has a positive significant effect on EAC trade. The results on table 4.11 revealed that p-value was 0.013, which was less than 0.05, which implies that the relationship was statistically significant.

The second objective the results also indicates that administrative and customs controls has a positive significant effect on EAC trade . The results on table 4.11 revealed that p-value was 0.013, which was less than 0.05, which implies that the relationship was statistically significant

The third objective the results also indicates that verification on transit cargo has a positive significant effect on Trade in EAC . The results on table 4.11 revealed that p-value was 0.001, which was less than 0.05, which implies that the relationship was statistically significant

4.8 Discussion of key Findings

The key findings of the study are discussed in this section as per study objectives.

4.8.1 Effect of documentation and procedures on Trade in EAC

Documentation and procedures was assessed using five measures and the overall mean score or responses regarding documentation and procedures were 2.2 on a 5-point scale which indicates that majority of the respondents agreed that documentation and procedures on EAC. The average overall standard deviation of 0.72 infers that 68% of the response

was spread within one standard documentation and procedures had positive and significantly related to trade in EAC (r = -0.343, p-value=0.00<0.05).

4.8.2 Effect of administrative and customs controls and trade in EAC

Administrative and customs controls was assessed using five measures and the overall mean score or responses regarding administrative and customs controls were 1.66 on a 5-point scale which indicates that majority of the respondents agreed on the statements. The average overall standard deviation of 0.0.66 infers that 68% of the response was spread within one standard deviation of the overall mean. Further collinearity analysis was done and the results revealed that administrative and customs controls had a positive and significantly related to EAC trade (r = 0.313, p-value=0.00<0.05).

4.8.3 Effect of verification of transit cargo on trade in EAC

Verification of transit cargo was assessed using four measures and the overall mean score or responses regarding verification of transit cargo were 2.5 on a 5-point scale which indicates that majority of the respondents agreed that verification of transit cargo and EAC trade affects the EAC trade. The average overall standard deviation of 0.74 infers that 68% of the response was spread within one standard deviation of the overall mean. Further collinearity analysis was done and the results showed that verification of transit cargo had a positive and significantly related to EAC trade (r = 0.296, p-value=0.00<0.05).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

Chapter five outlines the summary of this research, conclusions and recommendations based on research findings and suggestion of areas which may require further consideration as far as future research is concerned.

5.1 Summary of the findings

The findings of the study have been summarized below as per the study objectives. The findings were supported by the frequencies of the responses

5.1.1 Documentation and procedures

The first objective of the study was to evaluate the effect of documentation and procedures on EAC trade in Kenya. Methods used to arrive at the findings included descriptive statistics, analysis of variance and regression analysis. The study found out that documentation and procedures had a significant positive influence on EAC trade. The overall mean score of responses regarding documentations and procedures indicated that majority of the respondents disagreed that documentation and procedures affect the EAC trade. The reliability analysis results showed that all the coefficients of the constructs were positive and significant.

5.1.2 Administrative and customs controls

The second objective of the study sought to find out` the effect of administrative and customs controls on EAC trade.

Descriptive statistics, regression analysis and analysis of variance were conducted. The study found out that administrative and customs controls had a significant positive

influence on EAC trade. The overall mean score of response regarding administrative and customs controls and EAC trade indicated that majority of the respondents agreed that administrative and customs controls affects the EAC trade. Correlation results indicated that there was a positive and significant relationship between administrative and custom controls and EAC trade. It was therefore concluded that administrative and customs controls has significant positive effect on EAC trade.

5.1.3 Verification of transit cargo

The third objective of the study sought to investigate the effect of verification of transit cargo on EAC cargo. Descriptive statistics, regression analysis and analysis of variance were conducted. The study found out that verification of transit cargo had a significant positive influence on EAC cargo.

The overall mean score of response regarding verification of transit cargo and EAC trade indicated that majority of the respondents agreed that verification of transit cargo affects the EAC trade. Correlation results indicated that there was a positive and significant relationship between verification of transit cargo and EAC trade. It was therefore concluded that verification of transit cargo has significant positive effect on EAC trade.

5.2 Conclusions.

Many agencies involved in overall export inspection and certification in the region, escort of all sensitive and hazardous products through the territory of each EAC transit country, verification of transit cargo, lack of harmonization in working hours at the border posts, delays at   East Africa community transit licenses for goods, truck entrance fees and grace period, business registration, use of immigration and visa procedures, poor information dissemination across the East Africa community, language barrier, and insecurity/ highway

crimes/loss of goods at the container freight stations were all non-tariff barriers to trade in EAC.

The study concludes that exporters in Kenya faced institutional barriers to Kenya's trade in the EAC. The study therefore concludes that various Kenyan ministries, departments and parastatals were the institutional barriers to trade, and that KRA was responsible for the enforcement and management of the customs laws and the administration of common external tariffs hence causing TBT. The application of numerous certification and conformity assessments, and the procedure for obtaining the certificate of origin being cumbersome and lengthy are a barrier to trade

5.3 Recommendations of the study

Based on the findings of this study, the study recommends as follows:-

5.3.1 Documentation and procedures

In effecting Imports as well as Exports, documentation plays a very important role. Especially in case of imports, the availability of right documents, the correctness of the information available in the documents as well as the timeliness in submitting the documents and filing the necessary applications for the Customs Clearance determines the efficiency of the Customs Clearance process. The study recommends that the exporters and importers should avail documents within the timeline to avoid delaying the clearance process and non-availability of documentations,

The application of numerous certification and conformity assessments, and the procedure for obtaining the certificate of origin being cumbersome and lengthy are a barrier to trade, the study recommends that the EAC countries invest on the systems like ICMS to speed up the process.

5.3.2 Administrative and customs controls

The study concluded that various Kenyan ministries, departments and parastatals were the institutional barriers to trade.

Therefore, the study recommends that KRA and other EAC members should be responsible for the enforcement and management of the customs laws and the administration of common external tariffs

The study recommends that all stakeholders in the export business be consulted and the relationship be enhanced by involving the trading community at the drafting stage of customs laws, regulations and trading procedures. The parties should ensure that all input offered is taken into consideration in international consultations.

5.3.3 Verification of transit goods

The study showed that some mitigation procedures for minimizing the impact of trade barriers would include: harmonizing product standards and developing mutual recognition of standards across member countries, carrying out verification of information on NTBs, prioritizing products. The study recommends that some mitigation procedures for minimizing the impact of trade barriers would include: harmonizing product standards and developing mutual recognition of standards across member countries, carrying out verification of information on NTBs, prioritizing products, developing specific work programs, and carrying out a sector-based approach strategy that deals with issues in specific economic and politic sector

5.4 Suggestions for further research

This study focused on investigating the effects of non-tariff on trade in EAC on the Kenyan exporters within East African Community. The study recommends that similar studies be carried out in neighboring countries like Uganda, Tanzania, and Rwanda so as to have a better understanding of the trade barriers

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Appendix 1: Letter of Introduction

MERCY MUTHONI

P.O BOX 13333

NAIROBI

Dear Sir/ Madam,

RE: DATA COLLECTION

I am a post-graduate student undertaking a post graduate diploma in custom administration at Jomo Kenyatta University in the department of Economics, Accounts and Finance. I am carrying out a research on the effect of non- tarrif barriers on trade in the East African Community. You have been selected to contribute in my study. This is to kindly request you to respond to fill the questionnaire with honesty and to the best of your knowledge. The information provided will be used solely for academic purposes and be treated with utmost confidence.

A copy of the final report may be availed to you upon your request. Your assistance will be highly appreciated.

Yours faithfully,

MERCY MUTHONI

HDB336-C016-2448/2016

Appendix II: Questionnaire

Introduction

This questionnaire is designed for the sole purpose of gathering information on the effect of non- tarrif barriers on trade in the East African Community. The information obtained will only be used for academic purposes and shall be treated in utmost confidence. You are requested to complete this questionnaire as honestly and objectively as possible.

Please tick in the appropriate box and also fill in the blank spaces provided for those questions. Use the space at the back of this questionnaire if you need more space for your responses.

1. Documentation and Procedures

On a scale of: (1) Strongly Agree, (2) Agree, (3) Neutral (4) Disagree and (5) Strongly Disagree; Please tick the numeric value corresponding to your personal opinion for each statement

Statement	1	2	3	4	5
Too many agencies involved in overall export inspection and certification in the region					
Lack of harmonization in working hours at the border posts					
Use of immigration and visa procedures					
East Africa Community transit licenses for goods					
Truck entrance fees and grace period					

11, **Administrative and customs controls**

On a scale of: (1) Strongly Agree, (2) Agree, (3) Neutral (4) Disagree and (5) Strongly Disagree; Please tick the numeric value corresponding to your personal opinion for each statement.

Statement	1	2	3	4	5
Truck entrance fees and grace period					
Use of immigration and visa procedures					
Many agencies involved					
Administrative and capacity resources needed					

111. Verification of transit cargo

On a scale of: (1) Strongly Agree, (2) Agree, (3) Neutral (4) Disagree and (5) Strongly Disagree; Please tick the numeric value corresponding to your personal opinion for each statement

Statement	1	2	3	4	5
100% physical inspection at the border					
Scanned transit cargo at the border					
Use of immigration and visa procedures					
Too many agencies involved in overall export inspection and certification in the region					

1V. Non-Tariff Barriers on Trade (NTBs)

On a scale of: (1) Strongly Agree, (2) Agree, (3) Neutral (4) Disagree and (5) Strongly

Disagree; Please tick the numeric value corresponding to your personal opinion for each

statement.

Statement	1	2	3	4	5
Too many agencies involved in overall export inspection and certification in the region					
Escort of all sensitive and hazardous products through the territory of each EAC transit country					
Verification of transit cargo					