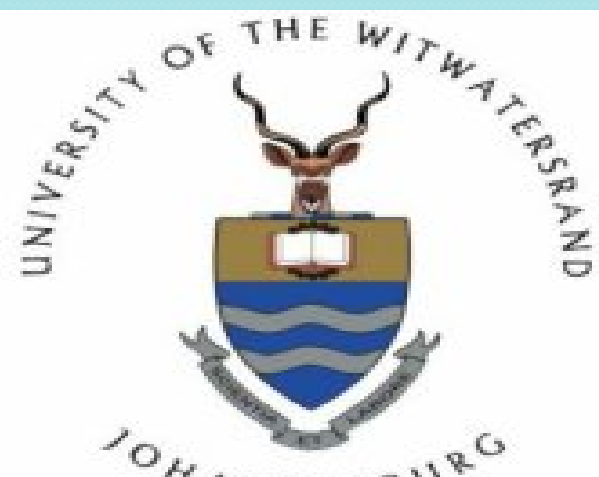


DETERMINANTS OF INTRA-EAST AFRICAN COMMUNITY (EAC) TRADE

BY
MALESHOANE MAJARA



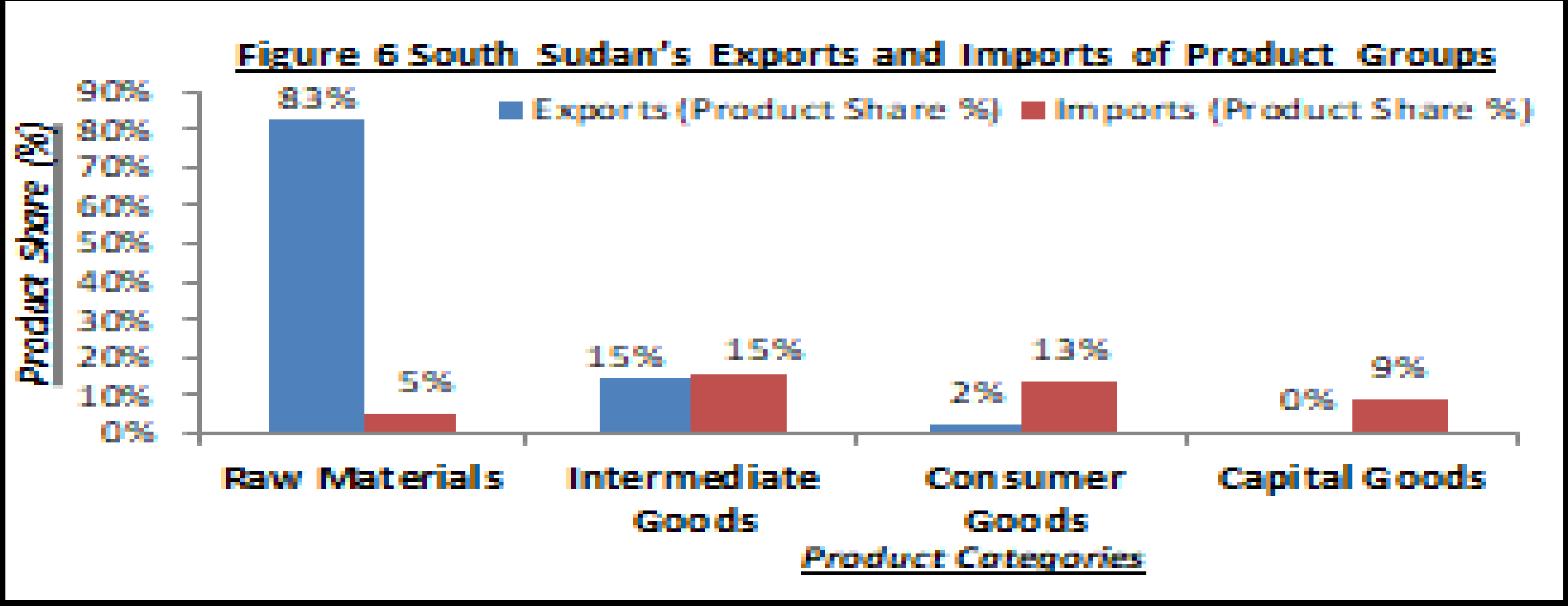
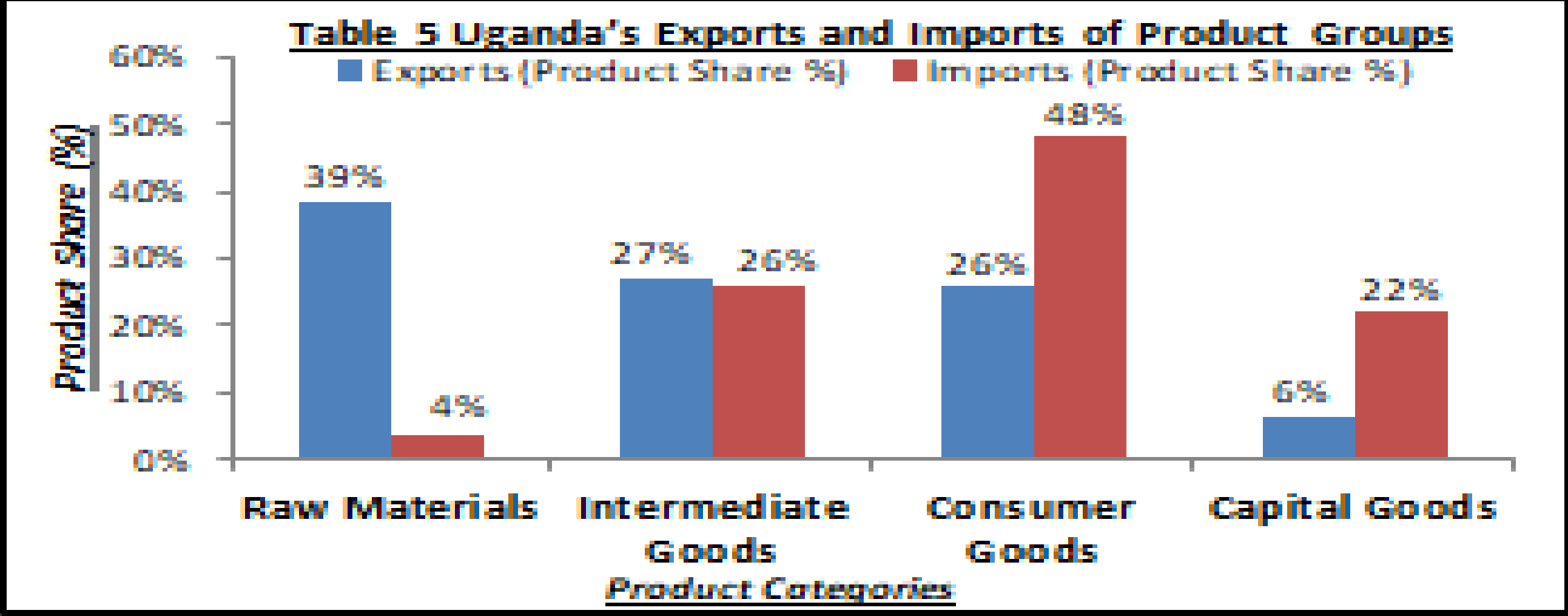
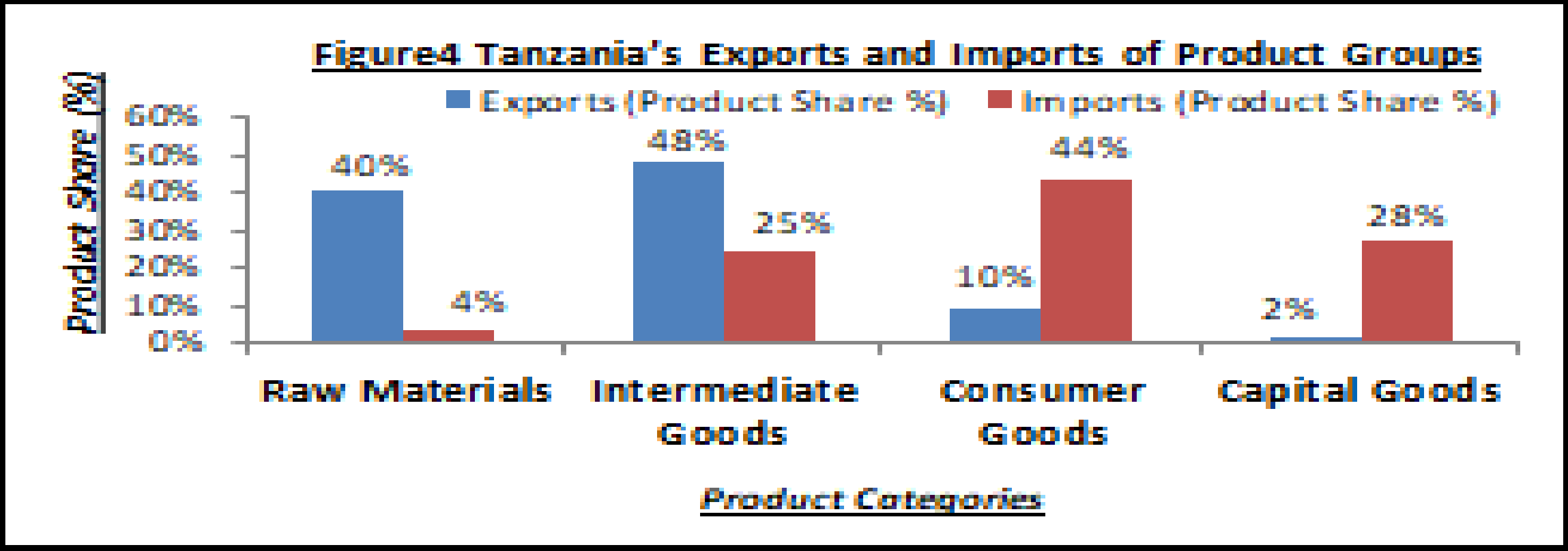
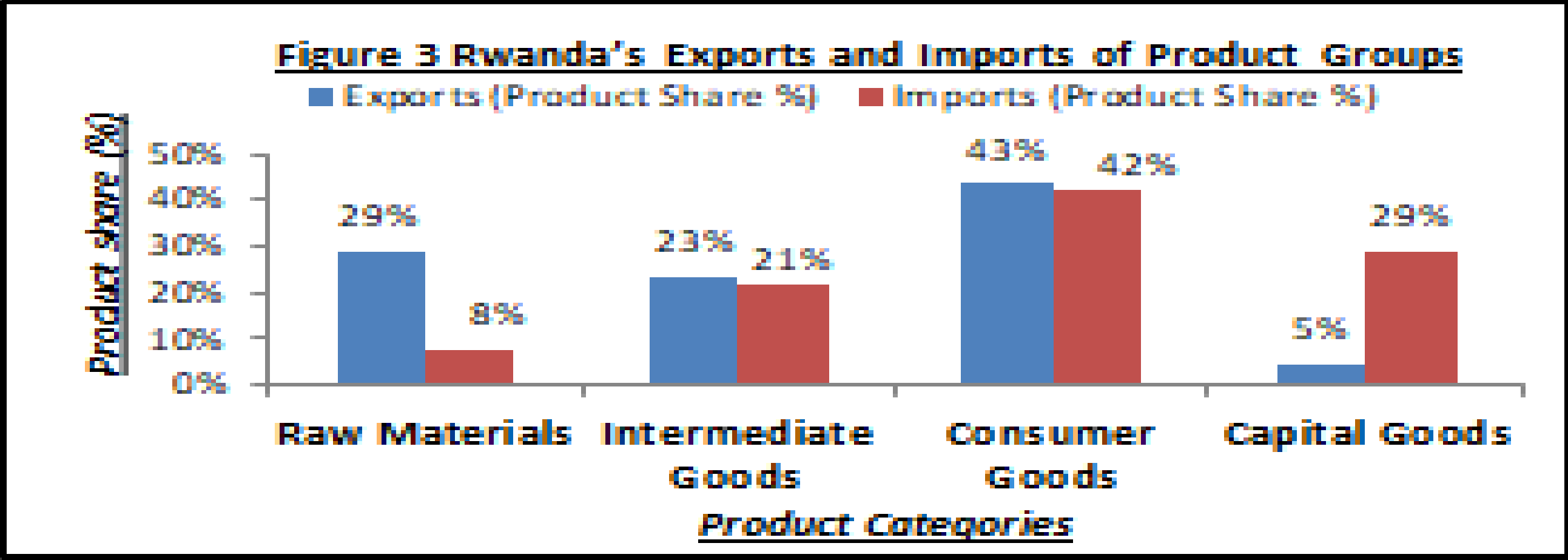
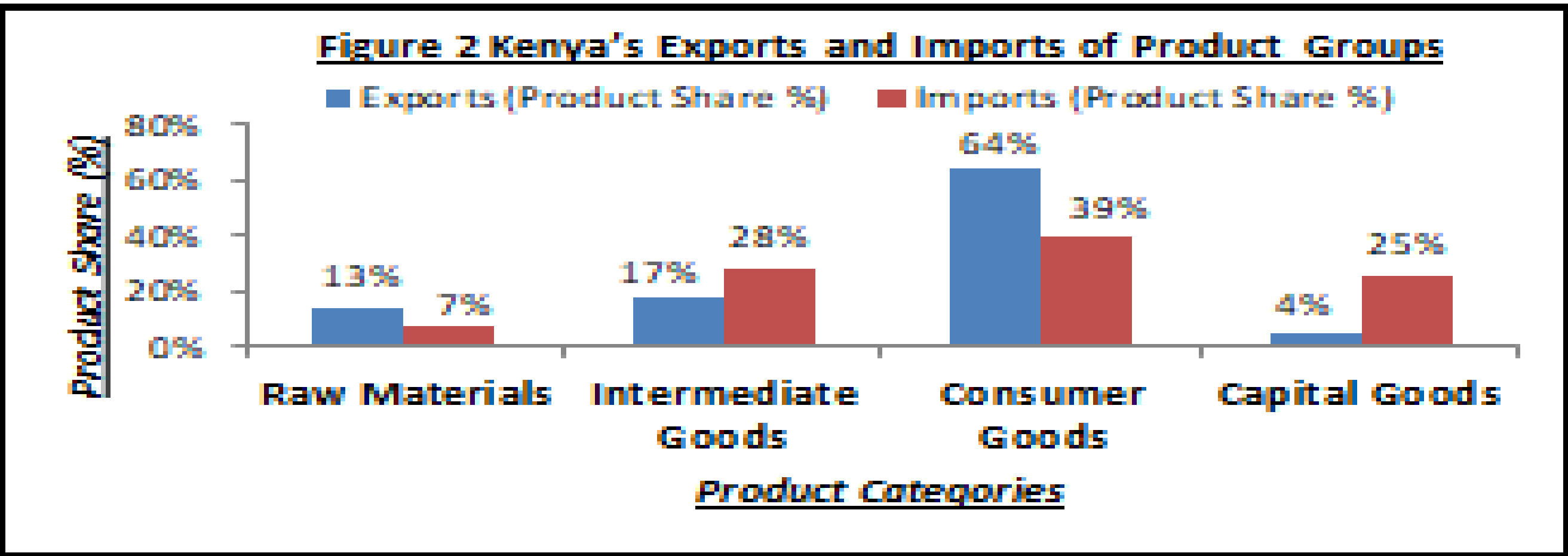
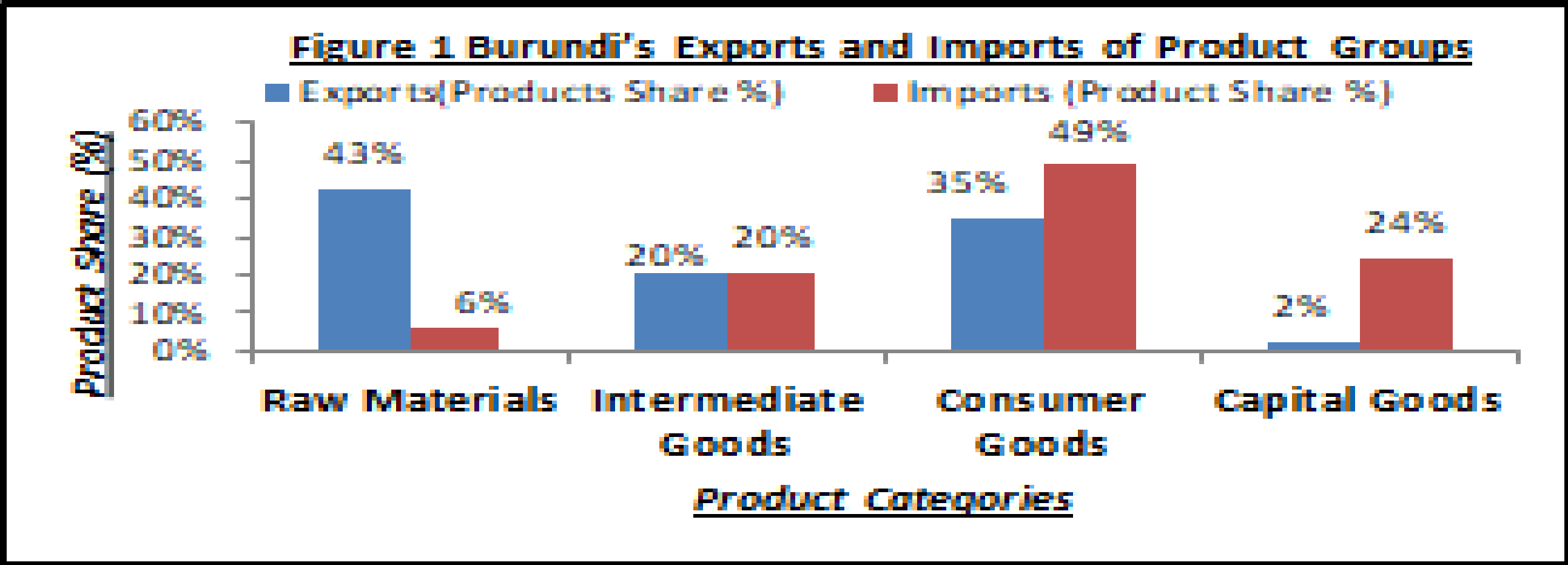
MOTIVATION

- 1. Why do countries trade?
 - Scarcity of resources
 - No country is totally self-sufficient
 - African Growth and Opportunity Act (AGOA) initiative (Williams, 2015)
- 2. Basis of regional integration (African Economic Outlook, 2017)
 - Commodity price shocks and unbalanced trade gains
 - Africa’s remedy to high poverty and low levels of economic growth
 - Reap gains from economics of scale and promote industrialisation
- 3. Challenges faced by Africa’s Regional Economic Communities(RECs)
 - Trade more with non-African countries

Table 1 Share of Exports from Africa’s Regional Economic Communities

	REC Member Countries		Non-REC member African countries		Non-African countries	
RECs	2012	2015	2012	2015	2012	2015
SADC	17.3	19.5	2.3	2.7	80.4	77.8
EAC	19.7	18.1	13.9	15.2	66.4	66.6
ECOWAS	7.6	12.1	5.0	6.3	87.4	81.6
IGAD	14.4	12.0	12.8	14.2	72.8	73.8
COMESA	7.6	11.7	3.4	5.6	89.0	82.7
UMA	2.1	3.4	1.3	2.7	96.6	93.9
ECCAS	0.8	1.5	4.1	4.9	95.1	93.6

CHALLENGES FACED BY EAC: EXPORTS DOMINATED BY RAW MATERIALS



METHODOLOGY: Gravity Model

1. $T_{ijt} = \alpha Y_{ijt}^{\beta_1} D_{ij}^{\beta_2} \varepsilon_{ijt}$

2. $LT_{ijt} = L\alpha + \beta_1 LY_{ijt} + \beta_2 LDIS_{ij} + \beta_3 LPOP_{ijt} + \beta_4 LTOT_{ijt} + \beta_5 LFIS_{ijt} + \beta_6 LEXC_{ijt} + \beta_7 LINFRA_{ijt} + \beta_8 BORD_{ij} + \beta_9 LANG_{ij} + \beta_{10} LLAND_{ij} + \beta_{11} LEAC_{ijt} \beta_{12} LOTHER_{ijt} + \varepsilon_{ijt}$

Hausman-Taylor Regression Results

Variables	Hausman-Taylor	
LogT	Coefficients	P-Value
TVexogenous		
logTOT	-1.085	0.000
logFIS	0.042	0.116
logPOP	1.354	0.021
logINFRA	0.173	0.001
TVendogenous		
logEXC	0.211	0.053
logY	0.671	0.000
Tlexogenous		
LAND	-0.132	0.042
LANG	1.198	0.000
EAC	2.153	0.000
OTHER	-0.563	0.005
BORD	0.537	0.000

POLICY RECOMMENDATIONS and CONCLUSION

- ❖ Factors that were found to positively impact on net exports should be promoted
- ❖ Central banks should create essential conditions in which development and growth will prosper;
Domestic currency and preserving overall financial stability
- ❖ Implementation of “EAC infrastructure development master plan” is advised
- ❖ Investment in communication and transport infrastructure
- ❖ Active participation in EAC is advised