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***“IS UGANDA READY FOR REGIONAL ECONOMIC
INTERGRATION”***

**Dear distinguished listeners
All protocol observed,**

I would like to begin by repeating my salutation, good morning everybody and good morning fellow Ugandans, why would I repeat this salutation and emphasizing the word Uganda, because I feel inspired when I refer to myself as a Ugandan and it is in that context that I would like to share this pride and satisfaction of being a Ugandan with you here today.

This is my starting point and I would like us to come together in this perception so that we can share the views in the arguments that I would like to present here before you today, but also would like this statement to be a launching pad for the rest of the presentations.

The sense of national identity as opposed to commercial identity of the people of this country is a critical challenge that must be addressed, and in view of what will be discussed today should prevail on our rational justification for the direction and destiny of our country in a regional and global setting that is neither a new phenomenon and not one that has never been explored and practised by others.

The successes and failures that have been and are still being attributed to those who have endeavored to fashion their identities within the framework of this phenomenon of globalisation does not in any way portray a fair, equitable and realistic assessment of some of the analysis used by technocrats as standard benchmarks for determining trends of economic development in nations that have fallen victims of this fallacy.

Uganda today is at the cross-roads and has fallen victim to such a setting. Thus rendering the glory of its history and struggles through the turbulent political and economic times insignificant and very nondescript. Therefore the tenacity to do what we must do to safe guard what is at stake will be born out of the decision that will accrue out of this debate. We must not forget that gathered here today, all of us are tenets and ambassadors in custody of our own rights and destiny and therefore we must hold true to ourselves with honour and esteem.

I want to relate the word economic integration very closely with the word common market integration process. Because the very genesis of economic integration is embodied in the process of harnessing the market bases where the forces of demand and supply play a very crucial role in this un-balanced and lopsided strategies. I will prove to you today that our nation has been catapulted into an age of muddled economic concept, misguided values, and pervasive ignorance as our true vision is obliterated by selfish and deliberate adoption of practices that will plunge our country into an economic quagmire.

More than ever before we stand in dire need of a fresh vision to turn the current tide of thinking into a guiding beacon that will draw us closer to our cherished objectives of a neutral, economically independent and vibrant state.

We must also remember that any process that will affect the economic welfare of the people of this country must be people owned because, underpinning such developments are the mind springs of growth necessary to identify the shortfalls that exist in society that is rapidly growing in a fast changing and competing global environment. It is a fight of necessity. Our involuntary response to policies that are not congruent to our growing patterns of life, culture and social security must be geared towards their summary rejection. Uganda s regional economic integration policy is one such a case.

Therefore the quality of entitlement for each and every one of us can only be measured through our active participation in ensuring that we are not deluded by flamboyant ideas that our citizens have not thoroughly grasped, and which have continued to be fostered within this integration drive to deny us our rights of economic sovereignty. It is important to note that when you remove controls, you also loose. We

must move from the lower micro- thinking pattern to a broader macro perspective version of thinking in order to deploy ourselves appropriately within the structures of this formidable force. The desire to integrate is overwhelming but the consequences can be awesome in dimension.

Because, when we look back on the principal objectives of the customs union and its impact on the economies of the region, we find ourselves glaring at amazing revelations. For example, let me highlight some of the objectives of the customs union;

- a) To further the liberalisation process of intra-region trade in goods**
- b) Promote production efficiency the region**
- c) Enhance domestic, cross boarder trade and foreign investment**
- d) Promote economic development and industrial diversification;**

These are the most important elements of the custom union protocol. The establishment of common external tariffs applied to third party goods, the setting of a transition asymmetric internal tariff regime, a policy for protection of sensitive products from import threats and elimination of non tariff barriers.

Apart from the cascading common external tariffs applied on third-party imports into east Africa where the lowest rates of zero percent are charged on primary and capital goods, moderate rates of 10% on semi finished and intermediate goods, and highest rates of 25% on finished consumer goods imported; the custom union protocol provided further more that the council may review downwards the maximum rate of CET to 20% after the five years period of implementation and approve measures aimed at remedying any advance effects that the partner state may experience as a result of implementing the CET.

It also provides that during the transition period, the preferential treatment under COMESA and SADC shall continue to apply. Now I want to request you to keep in mind the key objectives of the customs union as we analyse the shift in the trends of business under the customs union.

It is very clear that in the intra-EAC trade, Kenya is the largest exporter to the region and Uganda is the largest importer and this trend

is on the steady rise and very inconsistent with the levels of development.

These same countries in the region produce and export about similar primary products mainly to the European and Asian markets whilst in return importing manufactured products such as machinery, transport equipments and petroleum products from some of these developed countries. Kenya exports coffee, tea, cat flowers and vegetables, Tanzania exports gold, fish fillets, nuts and coffee, Uganda exports fish fillets, tobacco, tea, and some other non tradition exports, Burundi exports coffee, tea, sugar, cotton, and hides, Rwanda exports more less the same with Burundi, Yet this EAC countries are importing capital and finished consumer goods for high values. The effect of this, is the negative trade balance as a result of a narrow-line of low value primary export products and wide variety of high value imports of manufactured products. Exports of un-diversified primary products can sometimes be susceptible to external shocks such as economic downturn in the developed world and also to price volatility. The combined effects of these two phenomenon is the Africa continued marginalisation from world trade.

While exports outside the EAC region are principally agricultural products and minerals, the intra-regional trade is predominantly of light manufactured goods that do not require huge capitals to establish. The European Union, remain the major developed country supplier of imports supplying Kenya much more than the combined wider COMESA and SADC region. Between 2005 and 2006, Kenya trade balance with EC pattern state fellow by 33.3% and 24.3% irrespectively. This implying that Kenya's trade with EAC pattern state fell by a bigger margin than it did with other COMESA counter-part. *What do we read between the lines here?*

At the same time, Kenya's produces surplus light industry products to EAC, COMESA and SADC region, so that, what has not been absorbed domestically or within the EAC ends up in other regional markets, even to countries like south Africa, where Kenya does not have preferential trade arrangements.

In Tanzania's case, we see all most the similar phenomenon like in Uganda where most imports come from the sisters African states. 41.2% of which come from the wider SADC region with south Africa having

the bigger stake of 90% followed by the EU with 26.4%. Whereas EAC region is Uganda's leading supplier with 90%, it does not feature among the top three suppliers of the Tanzania market with only 5.76%, 11% china, and 8% India, yet like in Uganda, the minor COMESA play a very insignificant role in the Tanzanian market of 2.7%. This statistics reflects a modes level of intra-EAC trade and therefore there is a very huge discrepancy also among individual pattern state, intra-EAC trade in absolute and relative term. Kenya is relative least dependant on import from the other four pattern states, however in absolute term, Kenya is the leading destination of all imports into EAC receiving 48.3% of the value of all imports into the EAC and responsible for about 84% in 2006 as a leading supplier to the intra-regional markets, 2/3 of which went to Uganda and 1/3 to Tanzania.

In summary, Uganda's imports from Kenya accounts for 60% of total intra-EAC trade.

Despite the various institutional provisions adopted by the EAC; trade liberalisation programmes, a common external tariff and a common trade policy, official trade between EAC countries represents only a small part of their total trade and is tending to remain at the same level, or even to decrease in Kenya's case. As long as the EAC region to be more externally than internally integrated, intra-EAC will always represent a smaller share of its international trade when compared with other successful integration areas such as the EU, whose intra-regional trade represents the largest part of its internal trade.

Poor intra-EAC trade represents trade performance can be explained by several limiting factors; including the ones below;

- Lack of complimentary National Production profiles**
- High un recorded un officials trade;**

Regional economic integration parse has been one the most persistently pursued goals by sub-Saharan African countries (SSA) Countries in the past three decades and the creation of the African common markets represents the ultimate objectives of many African multilateral organisations.

Regional integration by enabling individual countries to overcome barriers of small size and poor human and physical capital endowments, has been considered by many African politicians and scholars as a pre-requisite for breaking away from the colonial pattern of trade, and often characterised by heavy reliance on an undiversified and vulnerable export structure, and for fostering economic growth (Fouratan, 1996).

Before the 1980s, most developing countries in sub Saharan Africa pursued import substitution policies that insulated their economies from the rest of the world. Import substitution policies pulled resources towards imports competing and away from exportable activities. Consequently, throughout the first four decades of General Agreements on Tariffs and Trade (GATT) existence, developing countries remained bystanders in successive rounds of trade negotiations. By the end of 1980s, the failures of import substitution policies pushed most developing countries to open up their economies and to integrate into the international economic system.

To date many countries are still mesmerised by the phobia and have failed to come to terms with inapplicability of un realistic and non customised economic reforms and programs that are not meant for our part of the world.

We are there once again embroiled in the same untamed mucky waters of economic integration. The past experience of the collapse of the East African community entirely overshadowed by the integration crave which is the buzzword of this decade. It is obvious that we are re-eventing the will and being very complacent about it.

Suffice to say that an intra-regional economic corporation agreement between the five partner states of East Africa is an easier cake to swallow for now, while we build capacity within the industrial sector and improve on our infrastructures as our national trade policies are re-designed to encourage value addition and improved labour base.

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