Journal of Modern Accounting and Auditing, ISSN 1548-6583
November 2012, Vol. 8, No. 11, 1753-1762

The Impact of Trade Facilitation on Economic Development: A Case of East African Community (EAC)

Robert Suphian
University of Dar es Salaam Business School, Dar es Salaam, Tanzania

This study examined the impact of trade facilitation on economic development, particularly the impact of customs environment on trade flows over the period from 1995 to 2010. Five countries of the East African Community (EAC), namely, Tanzania, Kenya, Uganda, Rwanda, and Burundi, are involved. The study employs a gravity model for estimating bilateral trade flows between the EAC partner states. The ordinary least square (OLS) technique is adopted and applied for the regression analysis by using the Stata 10.0 software. Results suggest that, the customs environment of the importer is significant and possesses a strongly positive impact on East African trade flows. Results also find that the customs environment of the exporter is insignificant, even though it shows a negative relationship with the East African trade flows, hence a negative determinant. East African countries have to improve their customs environment, especially when undertaking an importation, in order to boost the overall trade flow in the block. They should also improve other trade facilitation indicators, such as port efficiency, regulatory environment, and infrastructure. The aid for trade, in terms of technical and financial assistance, should also be enhanced for the development of infrastructure, including roads, railways, ports, bridges, and border posts.

Keywords: trade facilitation, customs environment, trade flows

Introduction

Trade facilitation most often implies improving efficiency in administration and procedures, along with improving logistics at ports and customs. According to World Trade Organization (WTO) (1998), trade facilitation is the systematic rationalization of procedures, information flows, and documentation for international traders and agencies, in order to facilitate the international trade transaction process. In a broader sense, trade facilitation means the ease of moving goods across borders. This includes efficiencies of customs administration and other agencies, quality of physical infrastructure, telecommunications, as well as of streamlining regulatory environment, deepening harmonization of standards, and conforming to international regulations.

The importance of trade facilitation had also been recognized within the framework of the WTO, and negotiations on trade facilitation were launched in July 2004. On August 1, 2004, through the "July Framework", the WTO General Council agreed to commence negotiations on trade facilitation. Customs environment remains the main concern of General Agreement on Tariffs and Trade (GATT) Article 8 calling for streamlining customs procedures and limiting fees charged by customs officials. The WTO negotiating

Robert Suphian, assistant lecturer, Marketing Department, University of Dar es Salaam Business School. Email: reshaki@hotmail.com; reshaki@udbs.udsm.ac.tz.