

August 2022

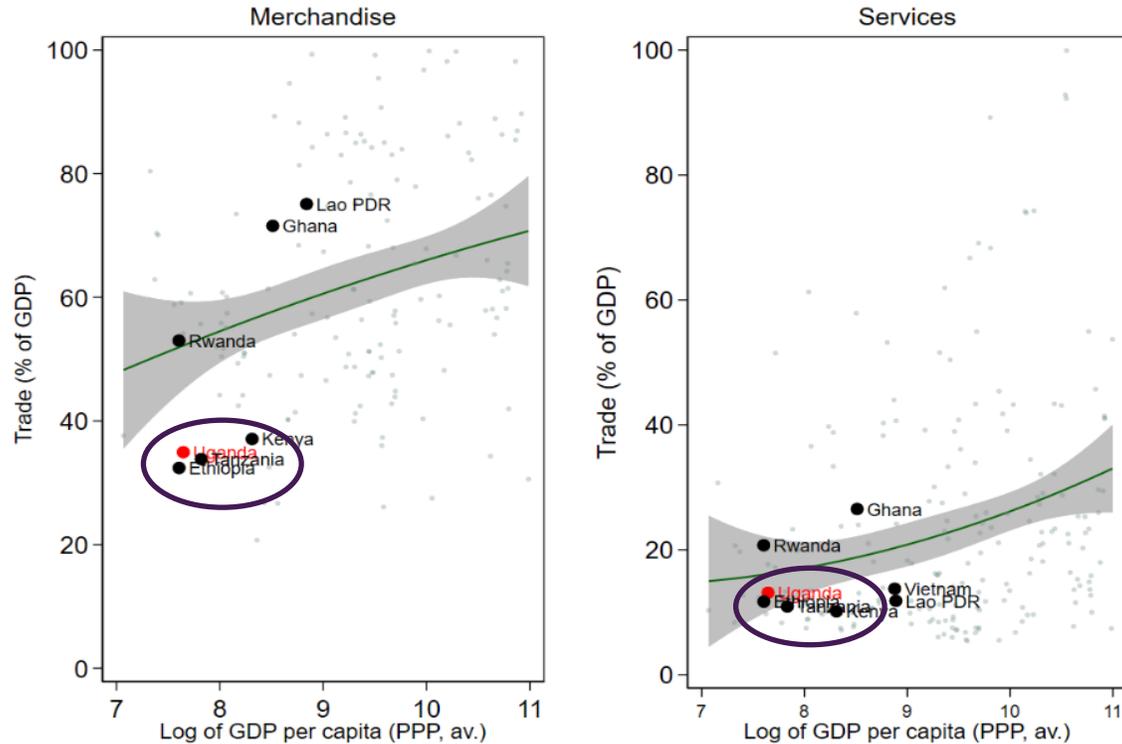
# Uganda's participation in international and regional trade: Patterns, prospects, and policy

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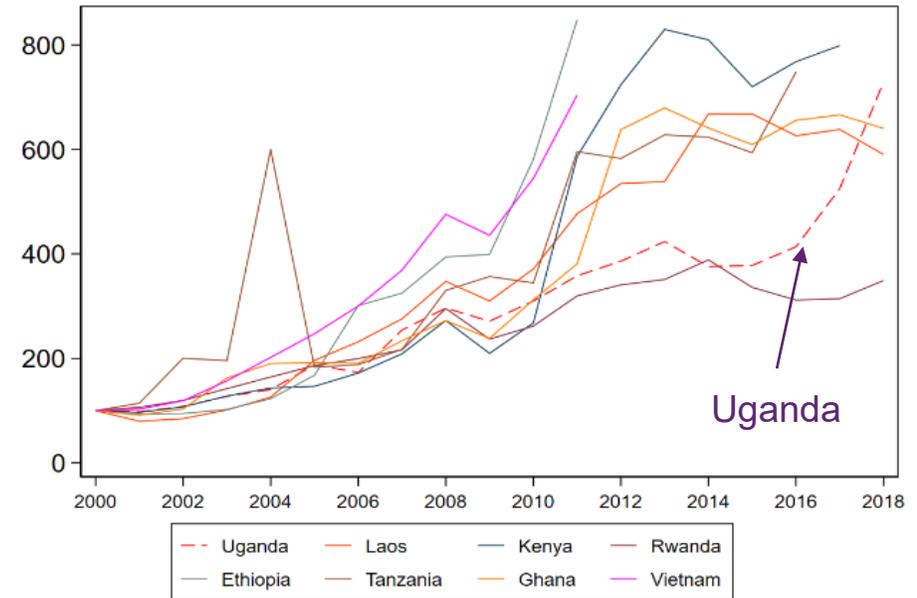
**Paper authors:** Jakob Rauschendorfer, Aleksandar Stojanov, and Jaime de Melo



# Uganda is less integrated in global trade than expected given its level of economic development. Exports growth has been sluggish when gold exports are excluded.



Trade openness in goods and services remains below its potential. Agricultural products account for 64% of exports.

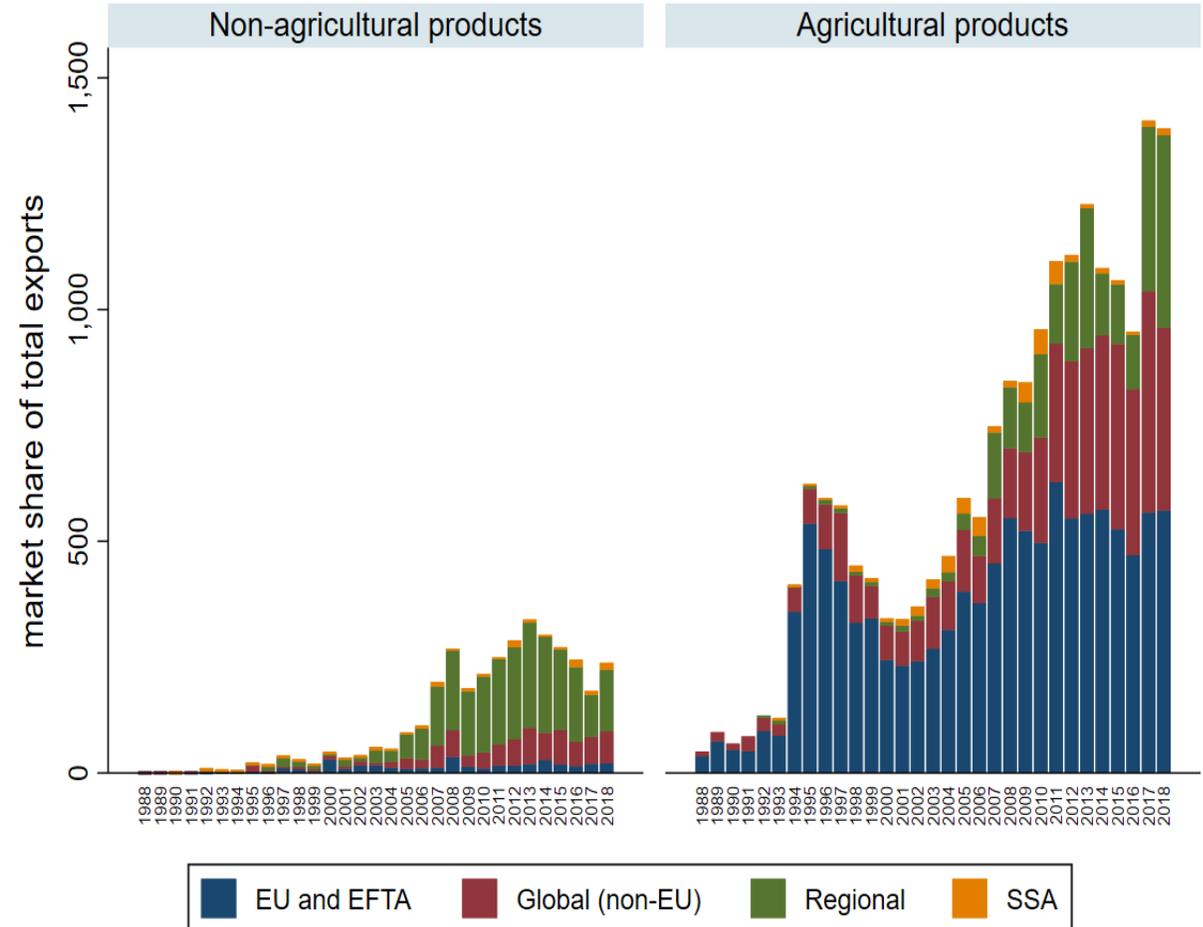


Uganda's exports have grown slower than those of selected comparator countries. Only recently a spike in exports growth occurred due to a surge in raw gold exports.

# Lack of processing and over-reliance on a few markets. The growth of agricultural exports has to some extent led to a concentration of Ugandan exports in specific markets, partly due to EAC-CET shields from regional competition

Uganda's agriculture export basket destinations:

- **European Union:** Coffee accounts for 60% of total exports, followed by fresh or frozen fish exports. Flowers are the third most important export.
- **Regional trade in EAC and COMESA:** Dairy products account for 20% of total agricultural exports to the region, valued at US\$94 million in 2018. Other regional products include maize, dried beans and tobacco. Tea is also exported regionally, but mainly to Kenya, where the auction market is located in Mombasa.
- **Global (non-EU countries):** Coffee accounts for 25% of total agricultural exports to the rest of the world, followed by dried fish and cocoa beans. Other emerging products include sesame seeds, black tea, vanilla, and dried beans.

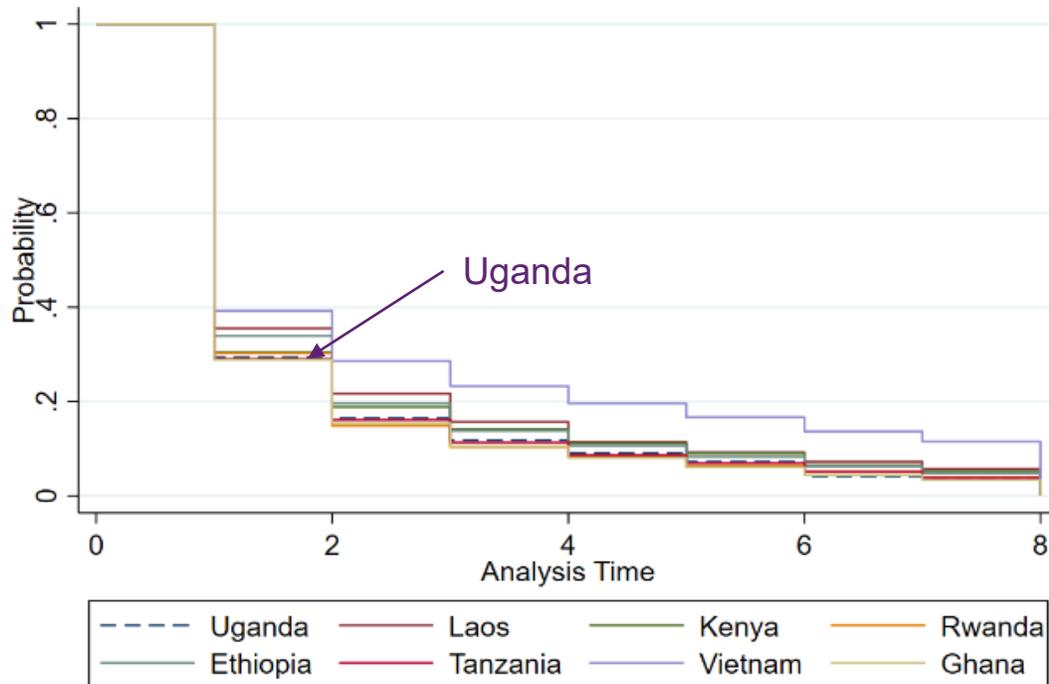


# Low survival of merchandise exports – In Uganda, less than 1 in 3 exporters (30%) survives past the first year, and exporter survival rates are lower at the regional level due to the small size of exporters.

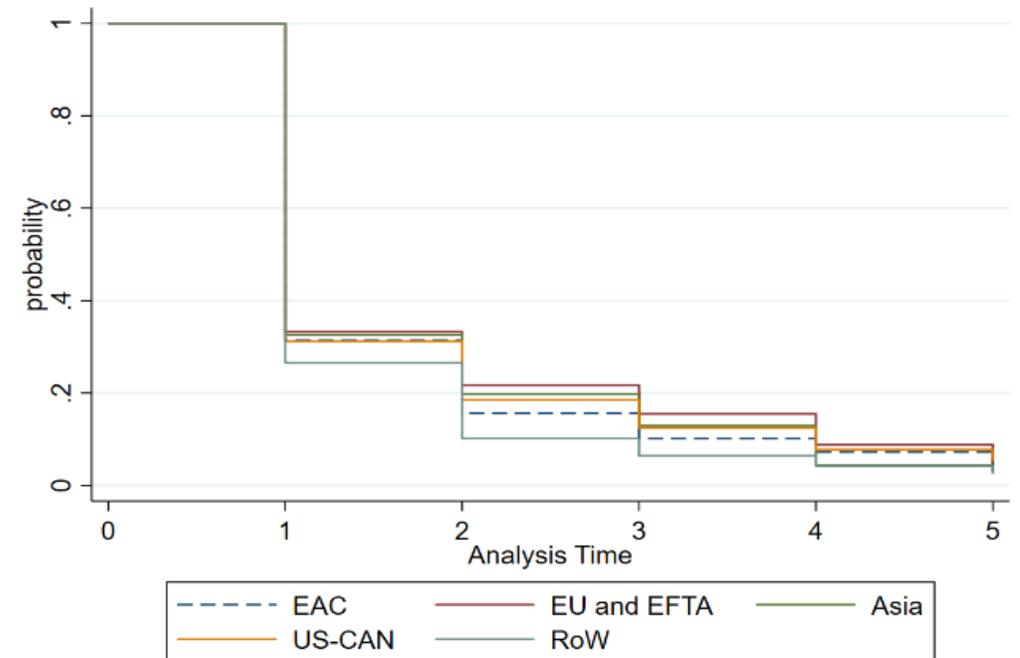
Trade relationship survival past the first year is less than 30 percent, and the probability of the relationship to survive for more than two years is less than 17 percent.

Crucially, survival rates for Uganda's export products and firms tend to be higher for countries where trade preferences exist and for larger firms.

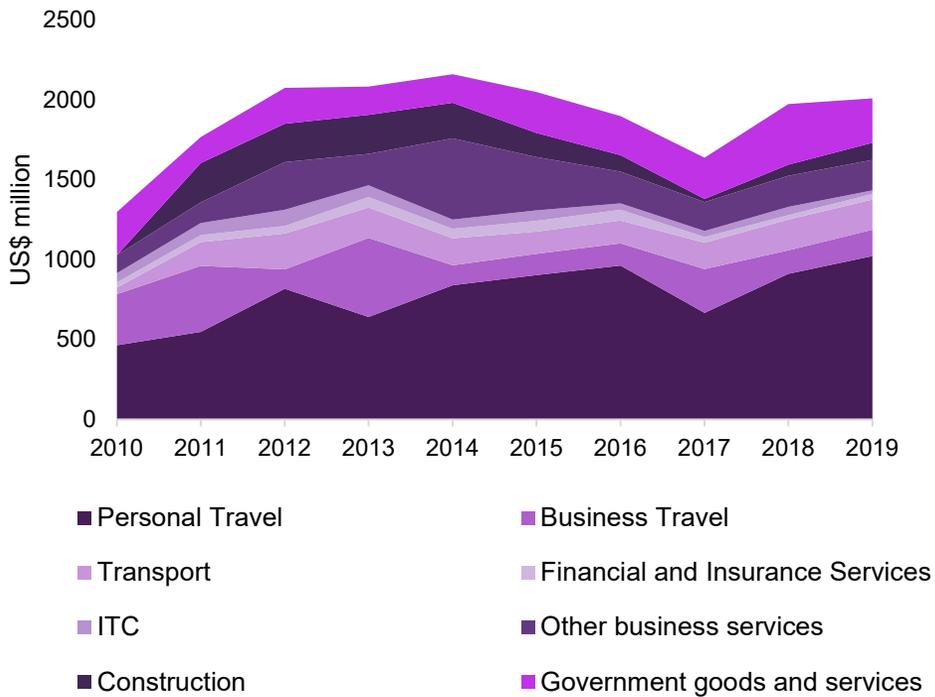
Survival Rates for Uganda and Peer Countries (2010-2018)



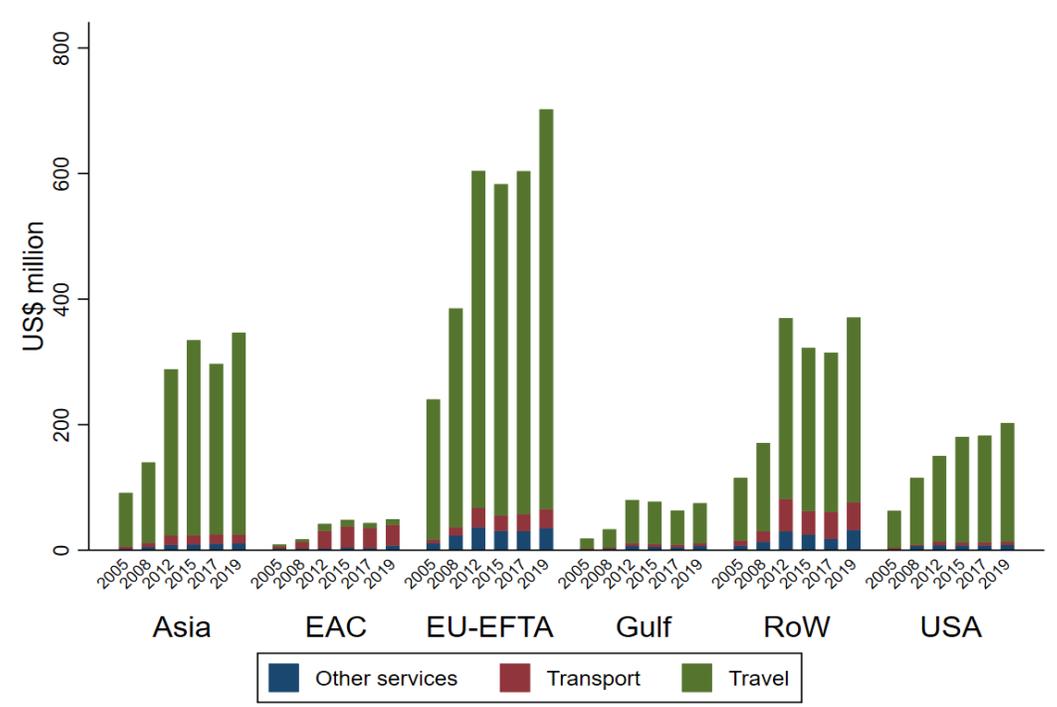
Survival rates by region for Uganda (2010-2018)



# Lack of diversification in services – in the services sector, the growth of Uganda's services exports has slowed, a trend likely also exacerbated by the Covid-19 pandemic and the lack of diversification in terms of types of services



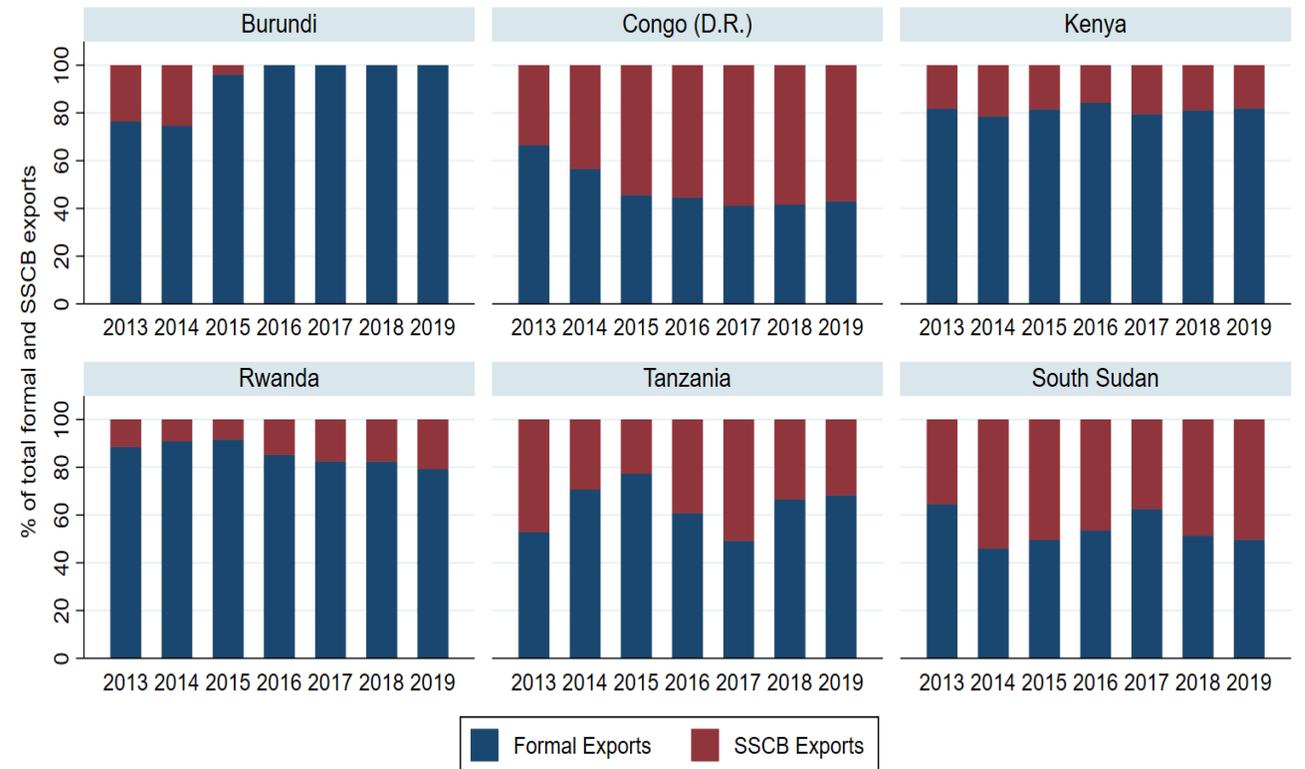
Uganda's service exports are concentrated in travel services, making service export growth rates sluggish due to lack of diversification



But, in terms of destinations, Uganda's service exports are well diversified across EU-EFTA, Asia, the U.S., and the rest of the world.

# Regional trade is key to Uganda's export success –. Regional trade promotes domestic value addition and diversification.

- The Democratic Republic Congo (DRC), Kenya, South Sudan and to a lesser extent Tanzania absorb most of the Uganda's exports.
- The importance of its immediate neighbours becomes apparent when small-scale exports are taken into account
- Small-Scale Cross Border exports to these destinations is as high as 40% of formal exports.
- Therefore, creating border markets and improving border security will be critical to sustaining this trade.

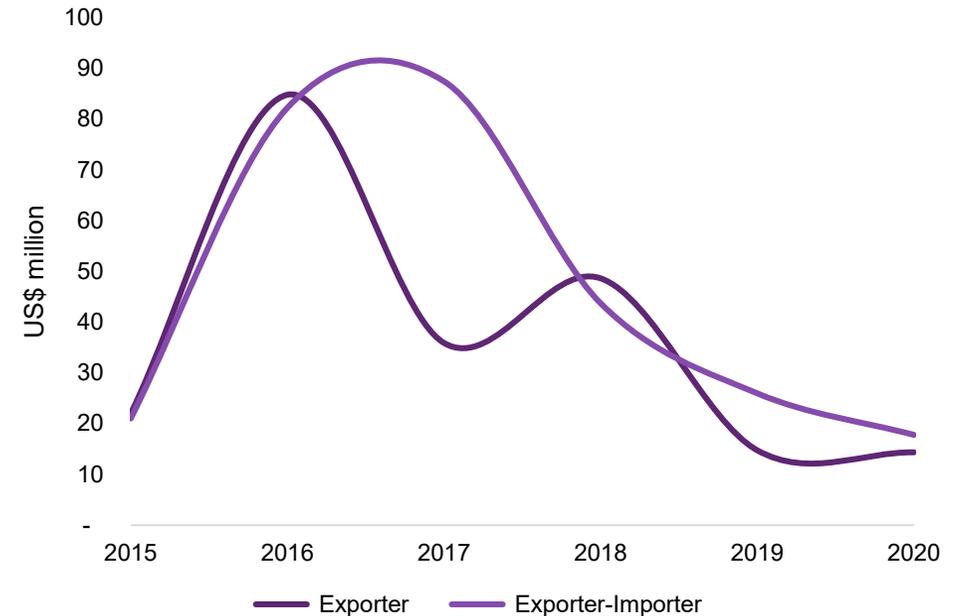


# The role of tariffs – exporters need imported inputs. Higher tariffs can reduce access to globally sourced imports and hinder firms' export success

Tariff increases were not accompanied by lower volumes of imported goods

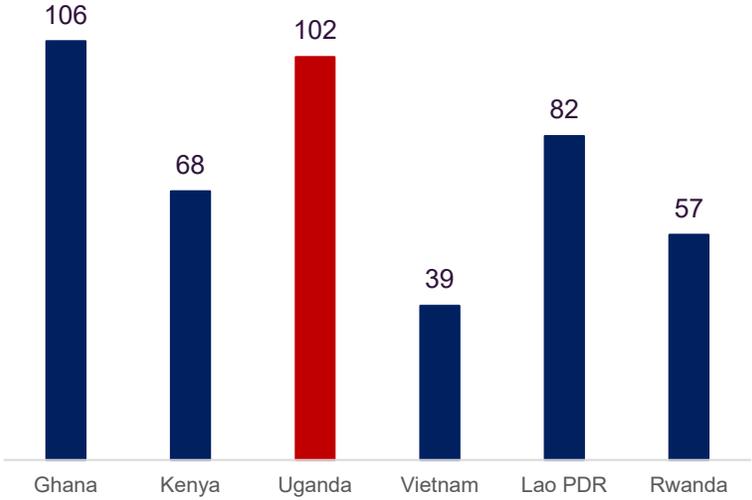


Firms that export and import are larger than firms that only export

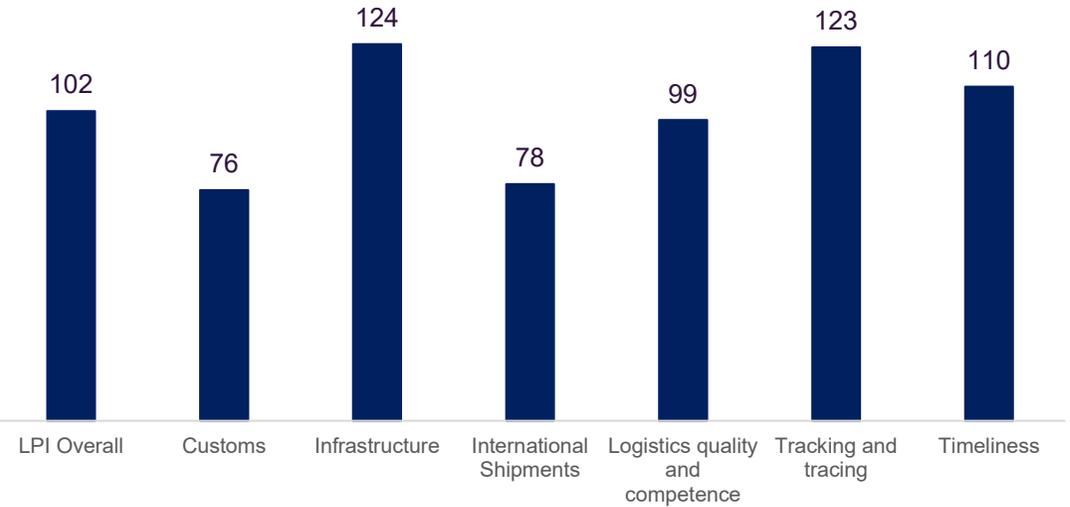


# Trade facilitation – Uganda ranked lower on its LPI than peers

### LPI for Uganda and peer countries 2018



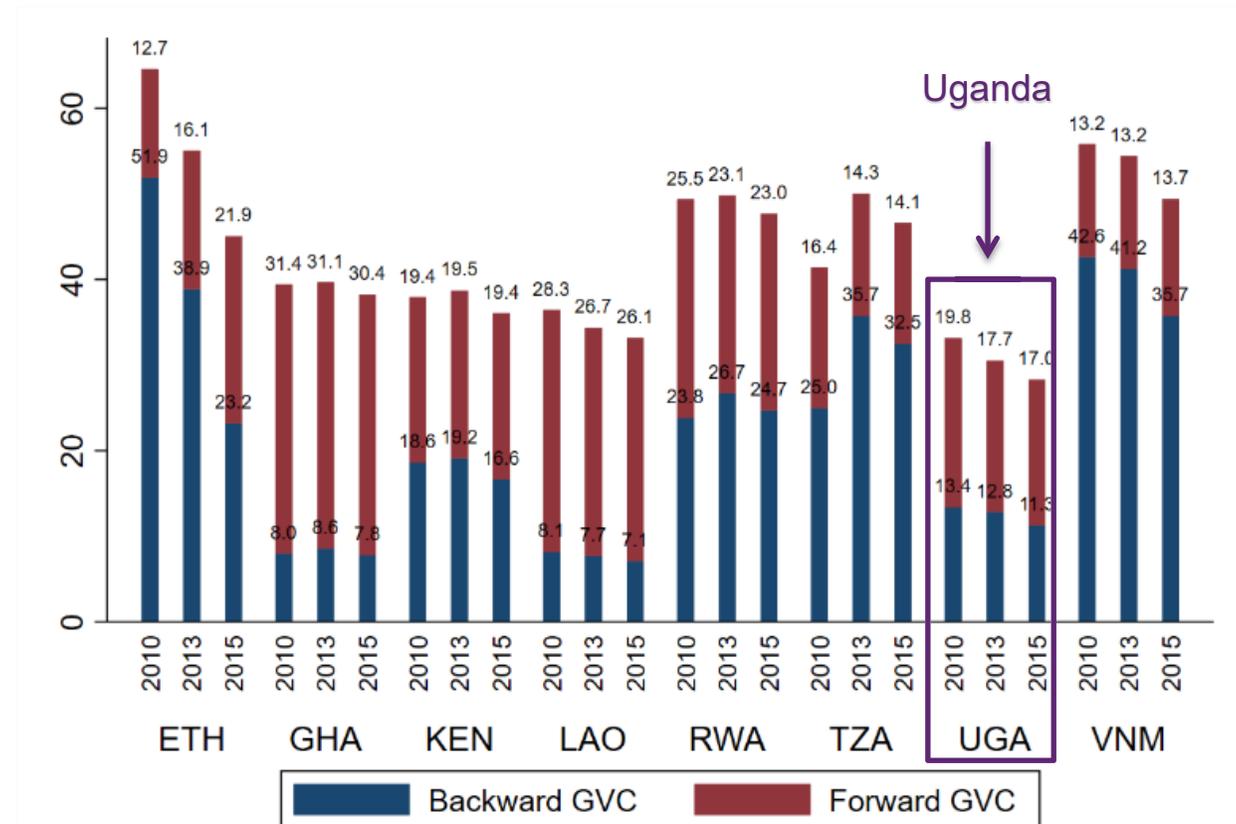
### LPI rank per category for Uganda only



# GVC participation – Uganda can benefit from GCV participation with higher manufacturing (including processed food) and higher domestic value addition

- Global and regional value chains, they could be further developed to improve product quality and market participation.
- Uganda has for example successfully integrated into the global floriculture value chain, the regional dairy value chain, and to a limited extent the fish value chain.

Global Value Chains Participation of Uganda and Peer Countries (2010, 2013 and 2015)



# Policy recommendations

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## **Export performance and agro-processing**

- Boost agricultural productivity by promoting the uptake of modern technologies (seeds, fertilizers) as well as improving extension services and storage and handling for agricultural inputs and final products.

## **Regional integration**

- Work towards a stronger unity within the East African Community through active participation in regional fora and by working closely with the Secretariat of the East African Community and its committees.
- Facilitate small-scale cross-border trade, for example by distributing border residency cards to small traders, creating border markets and improving security at border crossings.

## **Tariffs**

- Improve access to imported inputs to facilitate globally competitive production and participation in Global Value Chains.

## **Trade facilitation**

- Reduce the time and cost of importing and exporting through targeted customs and trade facilitation reforms, both domestically and in collaboration with regional partners.
- Strengthen the adherence of Ugandan exporters and farmers to international standards, and provide sufficient opportunities for firms to certify their products.

# Thank you

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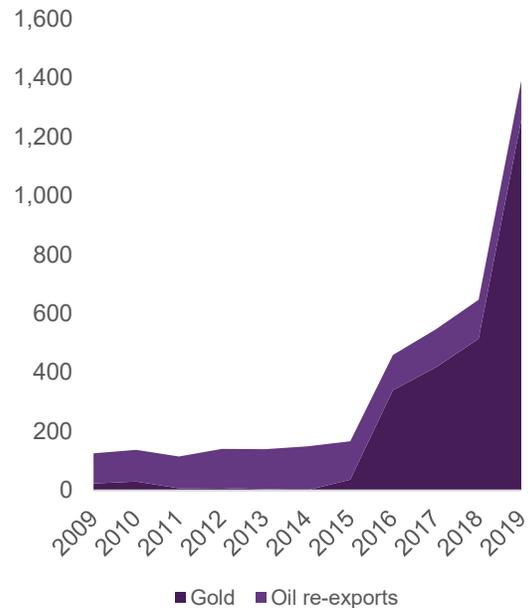
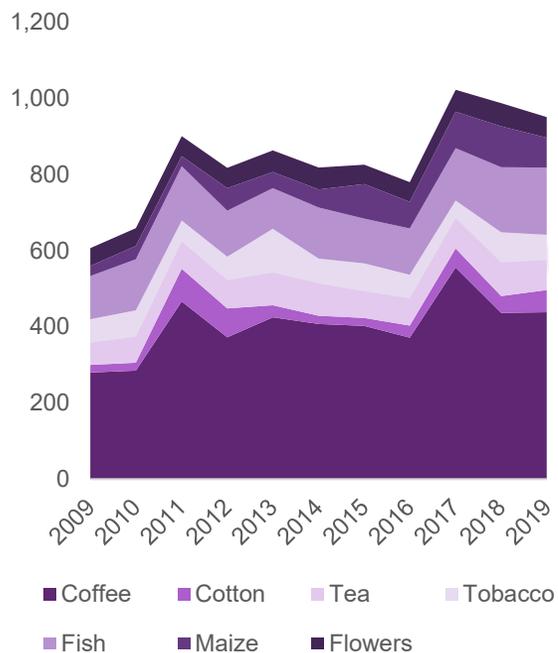


# Annexes

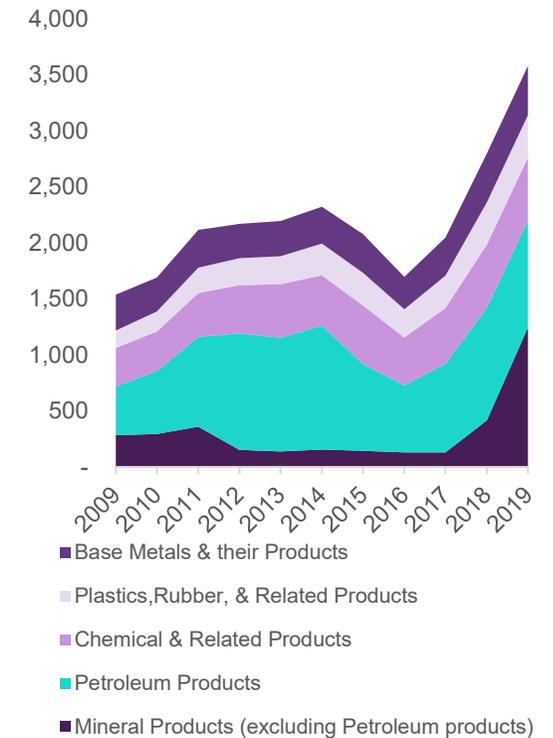
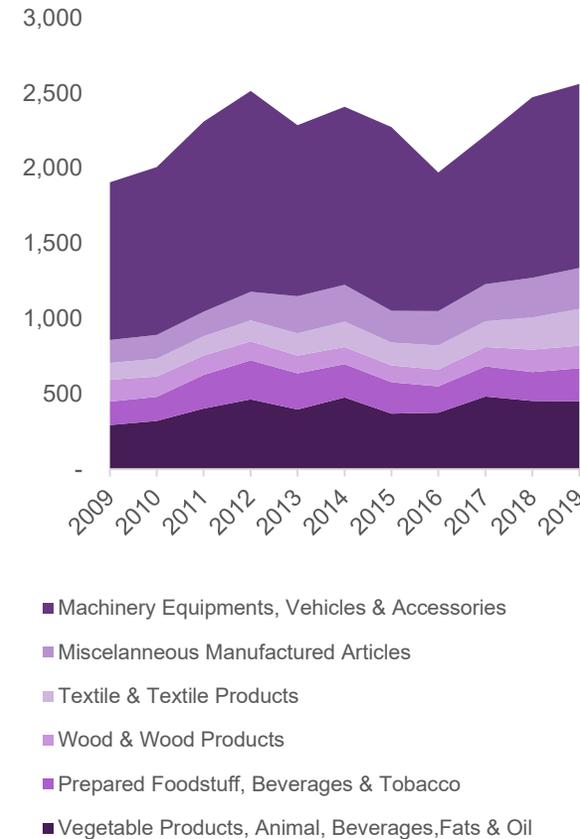
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# Uganda's wide range of exported and imported products

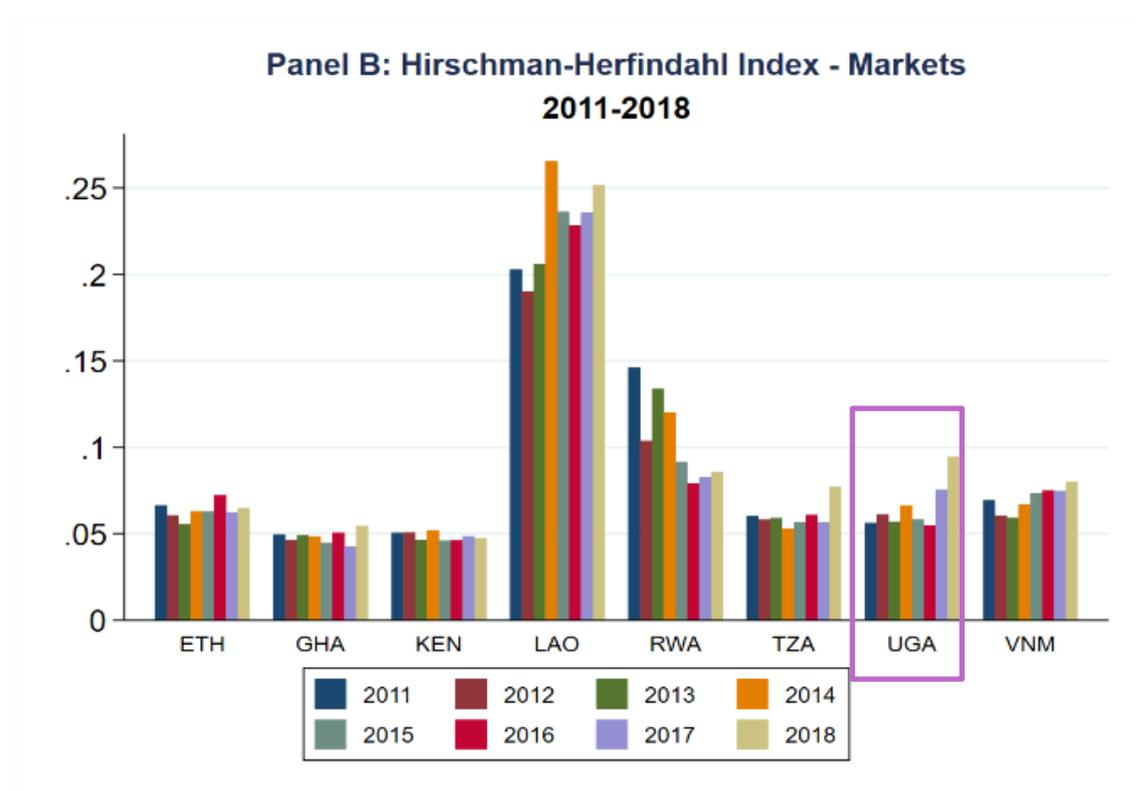
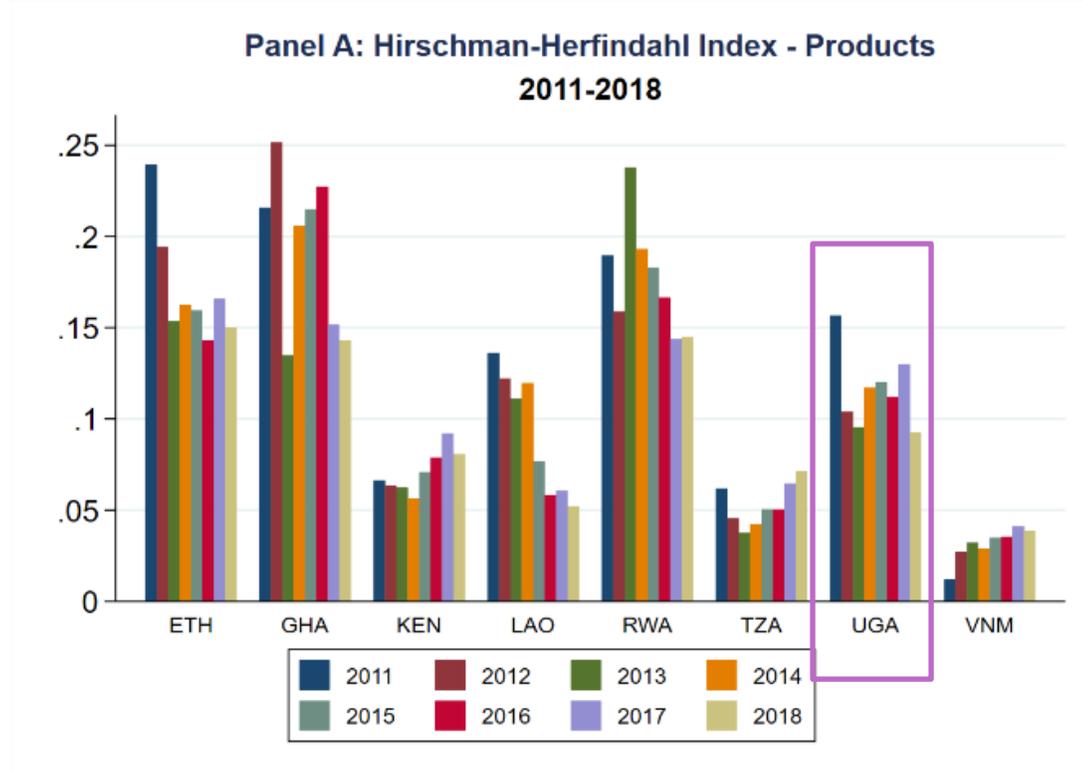
Uganda's formal goods imports excl. natural resources (US\$ million, 2009-19)



Uganda's formal goods imports of natural resources (US\$ million, 2009-19)



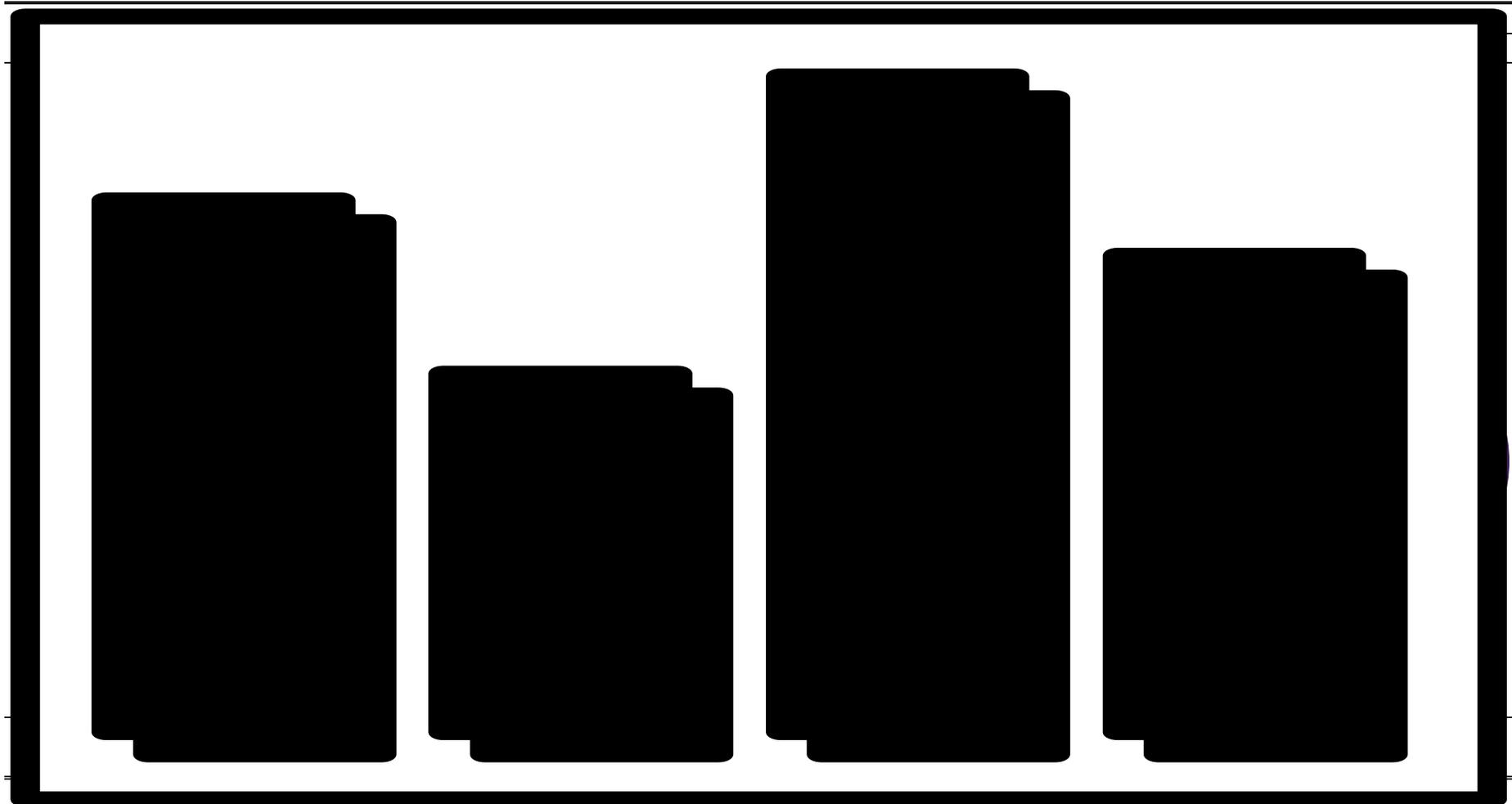
# In recent years, Uganda has become more diverse in terms of exported products but more concentrated in terms of destination markets.



While the foodstuffs sector improved market diversification in the early 21st century, expansion has been somewhat slower in the last decade, underscoring the potential need for further market expansion in the foodstuffs sector.

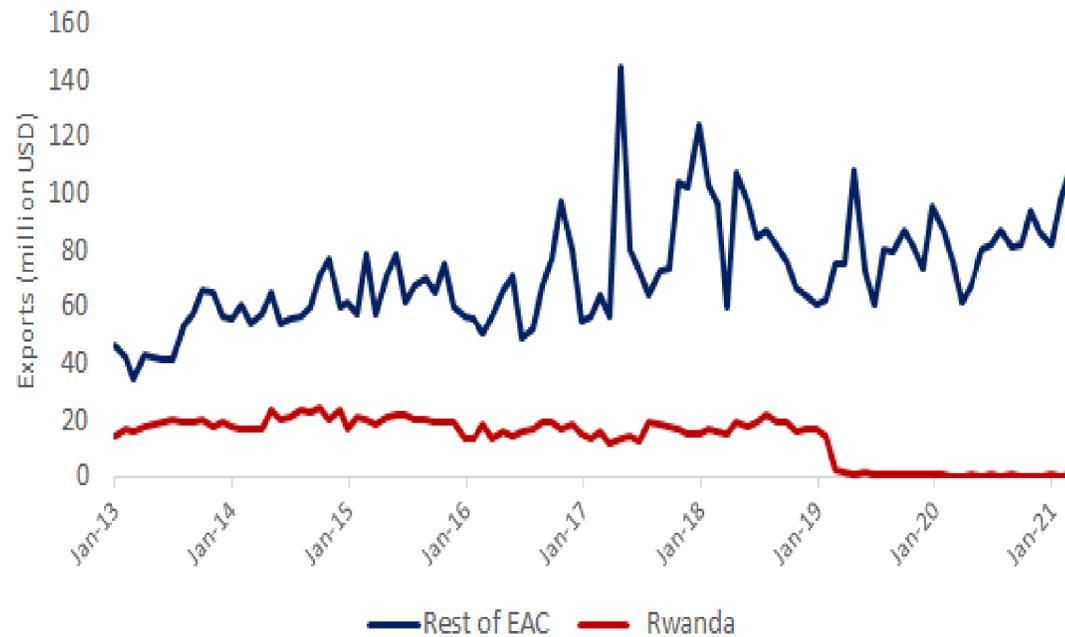
# Firms in the agribusiness and manufacturing have a higher likelihood to engage in exports activities

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There is a tension between Uganda's ambitions to harness regional integration for higher exports and the country's attempts to shield its domestic market for local firms.

## Closure of the Gatuna border



## Tariff increases are not accompanied by lower volumes of imported goods

