Are the Gulf States poised to become Uganda's No. 1 trading partners?

Emerging trends and imperatives

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Abstract

For centuries, Europe has been an important market for products from Sub-Saharan Africa. In the turn of the twenty-first century, however, the boundary of the trade geography dramatically changed, with African products increasingly going to the Gulf region. Using the World Bank WITS database, this paper examines the nature and evolution of the Uganda's exports to the Gulf States over the last 15 years. Evidence shows high exports concentration within the top-5 products—precious stones and glass, raw materials, animal, vegetable, and consumer goods—with Uganda's strongest revealed comparative advantage (RCA) being in vegetables. Uganda's RCA profile has evolved over the years; its export sector strengths changed from hides and skins, and stone and glass, to vegetables and is trending towards animals and food products. This trend partly reflects the dynamic natures of the Gulf markets, suggesting continuous efforts at both government and industry level, to harness productivity and product quality, to stay ahead of completion.

JEL Classification: F13, F15

Key words: Bilateral trade, revealed comparative advantage, Uganda, Gulf States, Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates (UAE)

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1 Introduction

Over the last three decades, the global trade landscape has changed dramatically, with the emergence of new global players: China, India and the Gulf nations.[1] Europe, Africa's long-time trading partner has retreated to the periphery of the trade relationship as other players especially the Gulf States enter the scene. In the early 1960s, Europe accounted for over 70 percent of Africa's exports. By the turn of the twenty-first century, it was down to 30 percent, and by 2018, it was below 15 percent in some countries. By 2000, African countries were looking further than the EU into Asia and the Arabian Gulf. If the Gulf nations, which do not grant Generalized System of Preferences (GSP) treatment to any countries can emerge Africa's preferred trading partners (ahead of the preference-granting EU), the question becomes: what drives this shift and how sustainable is it?

There are no clear answers to these questions, and more difficult to pin it on the natural trading partner hypothesis attributed to the geographic proximity and transport costs advocated by Wonnacott and Lutz (1989) as pointed out by Bhagwati (1993); and Bhagwati and Panagariya (1996). Adjacent to Africa and separated from it by only the Red Sea, the Arabian Peninsula is seen by many as Africa's natural trading partner, but this claim (based location and transport costs) is more difficult to justify as Schiff (2001) points out. Instead, Schiff (2001) views of a country's real natural trade partner is when there is an evidence of trade complementarity between them (the trading nations)—an argument, which seems to follow the comparative advantage–based theory—the Ricardian and Heckscher-Ohlin theories. In this sense, the longevity of a country's exports in a highly competitive market will depend on the complementarity in the trade structure of the two trading partners.

However, whether complementarity criterion fits in the context of small developing economies, especially their trade relations with advanced economies is difficult to tell. For trade complementarity to have positive outcome, the export capacity of the exporting country must be large enough to fulfill the import demand of the importing country competitively. This is a challenge for most African countries.

We also evaluated the argument that the African exporters have found the Gulf market (particularly that of the key players such as the United Arab Emirates) easy to access because

[1] The Arab states of the Persian Gulf are the seven Arab states which border the Persian Gulf, namely Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). This excludes the non-Arab state of Iran. All of these nations except Iraq are part of the Gulf Cooperation Council (GCC).

of its liberal trade policy. In 2015, the UAE was ranked 101st out of 189 economies in terms of ease of trading across borders with an average of six documents and 109 hours needed for importing and a cost of US$961 for a container. However, the UAE authorities (WTO, 2018) argued that the ranking did not reflect the true picture on the ground because it only considered export of plastics and articles thereof (HS 39) to India, and importing parts and accessories of motor vehicles (HS 8708) from Japan, neither of which are representative of trade in the UAE. The World Bank Logistics Performance Index for 2014 ranks the UAE as 20th out of 150 economies for logistics generally and for customs specifically. The World Economic Forum's Burden of Customs Procedures also ranks the UAE in third position, out of 140 economies; and the IMD customs authorities indicator ranks the UAE 7th out of 61 economies. Even then, it is difficult to pin down the increased bilateral trade between Africa and the Gulf nations on regulatory indicators alone.

This paper helps shed some light on these issues by providing evidence on the nature and evolution of trade between Uganda and the Gulf nations in the context of this debate. The principal question to be addressed in this context is not so much about trade volume and market access. While access to market is important, market is by itself not sufficient to achieve future sustainability. It is what exporters put in that market that matter. The principle question to be addressed is about how African countries can build comparative advantages in sectors that yield significantly higher value added and are also less prone to price shocks than the commodities that currently dominate their exports. For example, if it is found that there are sectors that Ugandan exporters have recently performed well, the question to be addressed is, what should policymakers do to increase Uganda's competitiveness in those sectors?

While the importance of the trade relationship between Uganda and the Gulf countries is widely recognised by policymakers, industry practitioners and academia, no study has been conducted that explore this trade relationships with a view of providing a better understanding of how to improve the bilateral trade between Uganda and the Gulf states. This paper is the first attempt in this direction, and aims to document the trend in merchandise trade between Uganda and major trading partners in the Gulf region. The timing of this paper is significant because it is a moment when African countries are focusing on the African continental free trade area (AfCFTA) to harness intra-Africa trade. It would be important to understand how the growing trade relations with the Gulf states mean for this new formation (—AfCFTA) and the implications for intra-Africa trade.

1.2 Research objectives

This study assesses the performance of Uganda's exports to the Gulf States. Specific objectives were to:

(i) Assess Uganda current exports and export sector strengths and weaknesses;

(ii) Assess potential demand for agricultural and non-agricultural commodities for which Uganda has or may have a comparative and competitive advantage;

(iii) identify specific impulses and barriers that further or hinder Uganda merchandise exports to the Gulf; and

(iv) Identify new products (existing or can be produced/developed products) and markets for which Uganda would have a comparative and or competitive advantage.

The rest of the paper is organized as follows. After this introductory section, Section two provides an overview of Uganda's merchandise trade with the Gulf States. Section three examines export competitiveness at product level. Section four looks at the technical regulations and entry requirements to the Gulf (UAE) market, while Section five highlights the current issues in services trade, and Section 6 concludes.

1.3 Methodology and data

1.3.1 Empirical framework

To assess Uganda's export competitiveness in the Gulf States at product level, we used revealed comparative advantage (RCA) indicators. RCA methodology, first developed by Balassa (1965) is well established in export competitiveness literature. More recently, Idsardi and Viviers (2018) used RCA index to analyse the effect of non-tariff measures on agricultural export patterns of four African countries (Cameroon, Democratic Republic of the Congo, Kenya, and South Africa) into the European Union market over the period 1992–2014. The RCA index of product i into the Gulf States market (R_{iG}) is estimated by equation (1.1).

$$R_{iG} = \frac{c_{iG} / c_G}{c_{iM} / c_M} \tag{1.1}$$

where c_i is the value of Uganda's exports of commodity i to the Gulf State, and c_G is Uganda's total exports to the Gulf. c_{iM} is imports of commodity i by the Gulf State, and c_M is its (Gulf's) total imports. An R_{iG} value greater 1 implies that Uganda has a revealed comparative advantage in product i in the Gulf market, while an index less than 1 implies that Uganda has a revealed comparative disadvantage in product i the Gulf market.
We estimated RCA index for the period 2001–2016 based on the World Bank's World Integrated Trade Solution database.

Uganda's export concentration (in the Gulf market) is measured by index, H_u or Hirschman index (H) —estimated by equation (1.2).

$$H_u = \sqrt{[sum(c_i} / c)2] \quad (1.2)$$

where c_i is Uganda's exports of product i (at the three-digit SITC classification) and c is Uganda's total exports.[2]

1.3.2 The data

All bilateral trade flows are sourced from the World Integrated Trade Solution (WITS) of the World Bank. WITS reports value of products imported and exported by each of the Gulf States from Uganda (capital goods, consumer goods, intermediate goods, raw materials, chemicals, textile and clothing, footwear, fuels, hides and skins, machines and electrical, metals, plastic or rubber, stones and glass, textiles and clothing, animal, food products, vegetable, and transportation, wood, minerals, and miscellaneous) along with their product share, MFN and effectively applied tariffs. Bilateral trade is at the four-digit HS classification (HSO4) and there are sixteen years of information from 2001 to 2016 on annual basis.

Uganda's exports are based on mirror data – i.e. imports as reported by country of export destination. For instance, United Arab Emirates's imports from Uganda (as reported by the UAE) becomes Uganda's exports to the UAE. This approach was used because many countries' exports statistics are not reliable as customs officials tend to record for purpose of collecting tax revenue.

[2] The index is normalized to account for the number of actual three-digit products that could be exported. Thus, the maximum value of the index is 239 (the number of individual three-digit products in SITC revision 2), and its minimum (theoretical) value is zero, for a country with no exports. The lower is the index, the less concentrated are a country's exports.

2 Overview of Uganda's merchandise trade with the Gulf States

2.1 Structure of Uganda's exports

Figure 1 shows the trends in the volume of exports for major export sectors of the economy for the period 1991 through to 2016. Uganda's formal exports rose from US$ 0.196 billion in 1991 to US$ 1.6 billion in 2010, reaching 2.8 billion in 2016, driven overall by the agricultural sector, which accounted for over 70 percent of exports annually. Agricultural exports expanded by 7 fold between 1991 and 2016: from US$ 0.14 billion in 1991 to US$ 1.123 billion in 2016.

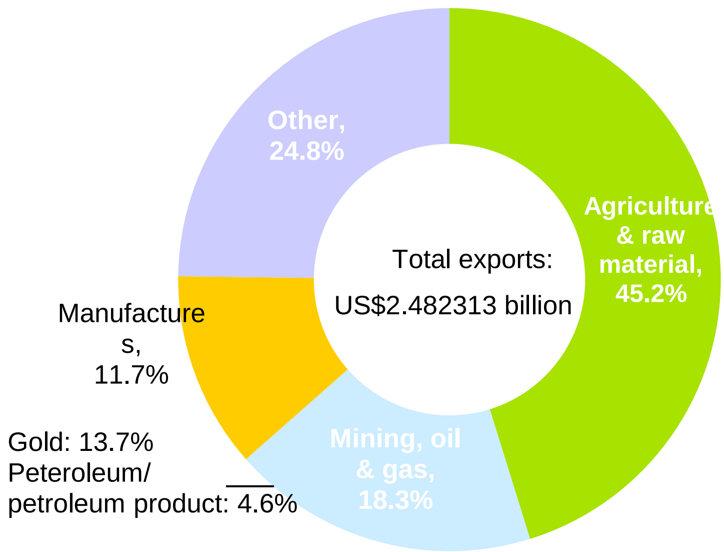
Table 1. Uganda's top-10 merchandise exports, 2012 and 2016

	2012		2016	
Rank	Share (%)	Product	Share (%)	Product
1	15.8	Coffee	15.0	Coffee
2	6.1	Telephones for cellular	13.7	Gold & gold compound
3	5.8	Petroleum products	4.9	Fish and fish products
4	5.4	Fish and fish products	4.6	Petroleum products
5	5.2	Sugar & sugar confectionary	4.0	Sugar & sugar confectionary
6	4.7	Animal/vegetable fats & oils	3.0	Cocoa beans
7	4.5	Cement	2.9	Iron and steel
8	3.5	Iron and steel	2.9	Tea
9	3.2	Cotton	2.8	Maize grain & maize flour
10	3.1	Tea	2.6	Tobacco
11	3.0	Tobacco	2.5	Cement
12	2.4	Maize grain & maize flour	2.5	Animal/vegetable fats & oils
13	1.8	Cattle hides and skins	2.2	Sorghum
14	1.6	Rice	2.1	Cattle hides and skins
15	1.6	Cocoa beans	2.0	Beans and other legumes
Top 10%				
Top 5%				

Share (%) is percentage of total Uganda's imports

The intensity of agriculture in Uganda exports basket is reflected in its share of exports in 2016 (Figure 1). The share of agriculture in overall exports although has been on declining trajectory since 1980s remains high at 45.2 percent in 2016. It was over 85 percent in 1984 and 75 percent in 1997. The traditional export sectors (coffee, cotton, tea, and tobacco) are still the leading contributor to agricultural export earnings – accounting for 25.1 percent of overall national export receipts in 2016 compared to 14.4 percent by non-traditional agricultural exports (including fish, maize, flowers, rice and beans).

Figure 1. Composition of Uganda's exports including re-exports, 2016



Source: Author's calculations based on data from Uganda Bureau of Statistics

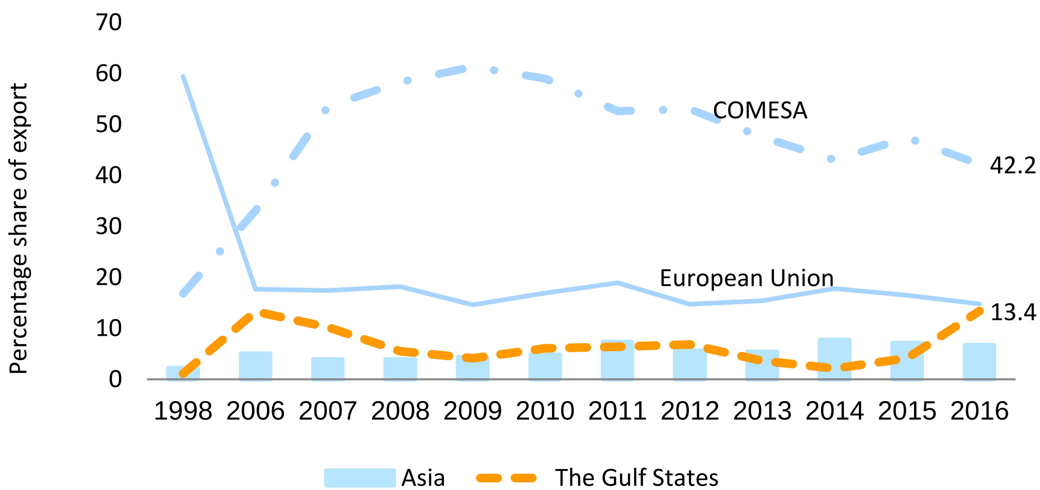
Basic manufacturing exports increased from US$ 0.0695 billion in 1997 to US$ 0.291 billion in 2016. The share of manufactures in total exports was 11.5 percent in 1997 and 11.7 percent in 2016, surprisingly below mining exports, which stood at 13.7 percent in 2016. The decades of stagnation of manufacturing exports reflects the slow growth of the export-oriented manufacturing sector. There are several reasons for this, ranging from lack of competitiveness of the manufacturing sector – due to supply side constraints (high energy cost, transportation cost, etc. and rise in production cost) to demand factors. The poor transport infrastructure inflates the operational costs of heavy industry companies in Uganda.

In terms of exports markets, the direction of exports from Uganda has changed dramatically since independence. The most dramatic shift is the declining importance of the European Union: from being Uganda's No.1 preferred trading partner to being the third trading partner, after the Gulf States and COMESA, and is likely to fall behind Asia as preferred destination of Uganda's exports by 2020. COMESA now accounts for more than 42 percent of Uganda's exports (compared to 16.8 percent in 1998), while the Gulf States take about 15 percent of Uganda's exports (Figure 3), compared to 1 percent in 1998 and 4 percent in 2009. The declining importance of the EU has important implications for the future of

Economic Partnership Agreement with the EU in light of the growing preference for the southern markets.

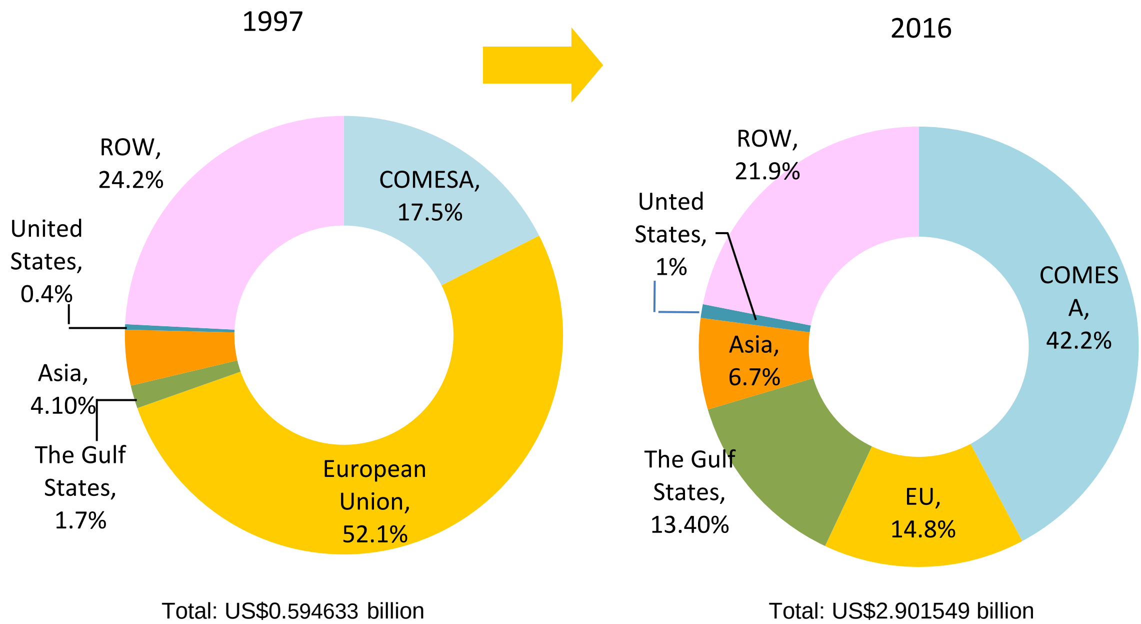
While in the 1960s to 1980s, the European Union accounted for over 60 percent of Uganda's exports, it now accounts for less than 20 percent of total exports (14.8% in 2016). The fall of the EU is accompanied by the rise of COMESA countries, Asia and the Gulf States as Uganda's preferred trading partners (Figure 3). Between 1997 and 2016, exports to COMESA countries increased 10.7 fold, from US$ 0.104272 billion in 1997 to US$ 1.225 billion in 2016. Kenya, Democratic Republic of the Congo (DRC), and Rwanda are the major exports market for Uganda. Political stabilisation in South Sudan and the DRC is expected to boost further the COMESA trade. The election in the DRC in January is a watershed moment for the country and its trading partners seeking to increase trade.

Figure 2. Uganda's exports to different markets (as share of total exports), 2006 – 2011 (PERCENT)



Source: Uganda Bureau of Statistics (Statistical Abstracts various years)

Figure 3. Shifting of trading partners, (as share of total exports), 2006 – 2011 (PERCENT)



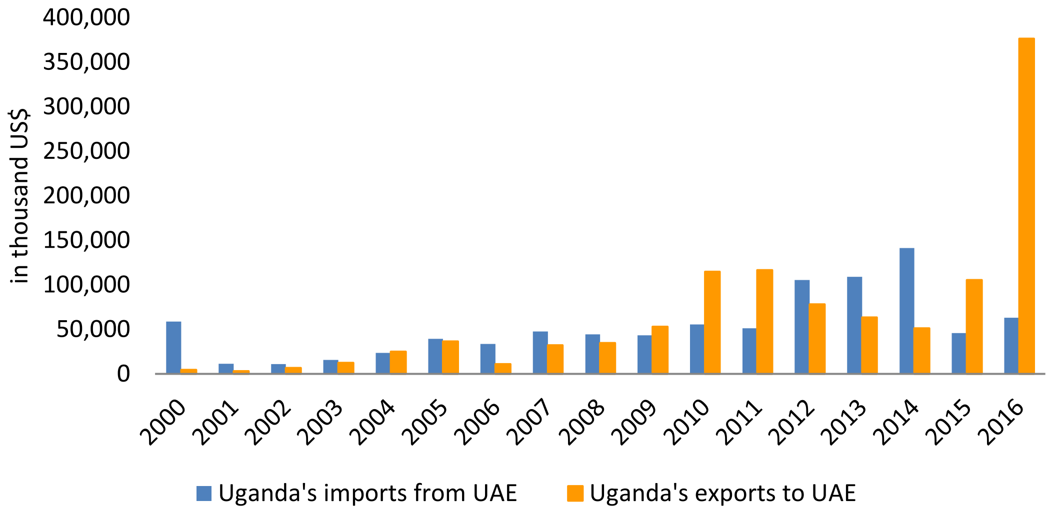
Source: Author's calculations based on Uganda Bureau of Statistics data

Over the last ten years, there has considerable investment in road infrastructure in southern Sudan. This transport infrastructure and the newly commissioned one-stop-border post at Enagu (under the auspicious of TradeMark East Africa) will facilitate trade between Uganda and Sudan and ease the high costs of transporting goods into Sudan. Uganda's export sector has continued to expand into new markets although the country has hardly diversified its product base for decades.

2.2 Evolution of Uganda's exports to the Gulf

The deepening of trade ties between Uganda and the Gulf region has been particularly noteworthy since the turn of the century (millennium), with the volume of exports to the Gulf region increasing by 8,344 percent between 2000 and 2016—to reach US$379 million (from US$4.5 million in 2000). From being a marginal partner in 2000 (accounting for only 1.1 percent of Uganda's exports) the Gulf region now takes about 15 percent of Uganda's exports, of which over 90 percent goes to the two major players: the United Arab Emirates and Saudi Arabia. Figure 4 illustrates the rising level of two-way flow of bilateral trade between Uganda and the United Arab Emirates over the last two and half decades.

Figure 4. Trends in Uganda's trade with the United Arab Emirates (UAE), 2001 – 2016



Author's calculations based on World Bank's WITS database

Table 2 highlights the growing demand for agricultural products in the UAE. The UAE is a net importer of agriculture and fishery products, which made up about 9% of the value of total imports in 2014. Taking HS headings 1-24 as agricultural and fisheries trade, imports were over Dh 61 billion in 2014, Somalia and its breakaway territory of Somaliland exceeded records last year when they jointly exported about 3 million sheep to the Gulf. With goats, cattle and camels added to that, total livestock exports from those territories, which have been recovering from a shattering civil war, rose to 4.8 million in 2012.

Table 2. UAE's imports of agricultural and food products, 2011-14

		2011	2012	2013	2014	Top-3 suppliers
1	Live animals	618.0	646.0	876.0	989.0	Oman, India, Somalia
2	Meat and edible meat offal	5,003.0	5,420.7	5,775.1	5,840.4	Brazil, Australia, India
3	Fish, crustaceans, molluscs and aquatic invertebrates	1,338.7	1,547.6	1,609.9	2,115.3	India, Viet Nam, Pakistan
4	Dairy products, honey and edible products of animals	4,298.3	4,887.5	5,374.2	6,533.0	New Zealand, Saudi Arabia, Netherlands
5	Products of animal origin n.e.s.	12.3	15.4	20.0	14.5	United States, Brazil, Qatar
6	Live trees, plants and their parts	139.0	145.4	177.1	214.5	Netherlands, Kenya, Thailand
7	Edible vegetables, certain roots and tubers	3,595.4	3,206.1	3,598.3	3,781.8	India, Canada, China
8	Edible fruits, nuts, peel of citrus fruit and melons	5,243.4	5,769.7	6,674.2	7,618.1	United States, India, South Africa
9	Coffee, tea, mate and spices	3,078.9	2,903.9	3,172.6	3,540.9	Free zones, Viet Nam, India
10	Cereals	6,647.1	4,996.1	4,887.0	5,259.3	India, Pakistan, Canada
11	Products of the milling industry	286.9	346.2	358.6	388.4	India, Argentina, France
12	Oil seeds, industrial or medicinal plants and fodder	5,200.2	5,206.1	5,268.9	4,649.2	Spain, Canada, United States
13	Lac; gums, resins, vegetable saps and extracts	84.4	107.5	139.2	152.9	India, Turkmenistan, Lebanon
14	Vegetable plaiting materials and products n.e.s.	24.3	21.4	21.4	19.1	India, Oman, Pakistan
15	Animal or vegetable fats, oils and waxes	3,174.0	2,628.6	2,105.4	2,198.4	Indonesia, Malaysia, Saudi Arabia
16	Preparations of meat, fish, crustaceans and molluscs	748.8	908.9	946.2	1,045.5	Thailand, United States, Saudi Arabia
17	Sugars and sugar confectionery	1,656.0	2,274.8	1,885.8	1,494.6	Free zones, India, Thailand
18	Cocoa and cocoa preparations	1,186.3	1,279.4	1,489.6	1,808.1	Netherlands, Switzerland, Malaysia
19	Preparations of cereals, flour starch or milk	2,062.3	2,360.9	2,728.4	2,997.3	Saudi Arabia, Australia, United States
20	Preparations of vegetables, fruit, nuts, etc.	1,567.0	1,662.1	1,775.2	2,120.2	Saudi Arabia, United States Netherlands
21	Miscellaneous edible preparations	2,297.5	2,547.0	2,422.0	2,628.8	Egypt, Turkey, France
22	Beverages, spirits and vinegar	1,455.0	1,597.4	1,676.8	2,296.5	France, Germany, Japan
23	Residues and waste of food industries: animal fodder	403.6	728.0	567.5	1,001.2	Argentina, Brazil, United States
24	Tobacco and manufactured tobacco substitutes	907.3	1,921.7	1,727.4	2,596.8	Bulgaria, Germany, Turkey
	Total imports headings 1-24	**51,027.6**	**53,128.5**	**55,276.7**	**61,303.8**	
	% all imports	**10.5%**	**8.0%**	**8.1%**	**8.8%**	

Source: Federal Competitiveness and Statistics Authority. Viewed at: http://www.fcsa.gov.ae/EnglishHome/tabid/96/Default.aspx [January 2016].

In 2001, 95% of Uganda's exports to United Arab Emirates were in five products—animal, hides and skins, vegetable, wood and precious stones and glass (Table 3). Not much has changed since 2001. Although the number of products exported to the UAE has increased over the last fifteen years, exports are still heavily concentrated within the top-5 products.

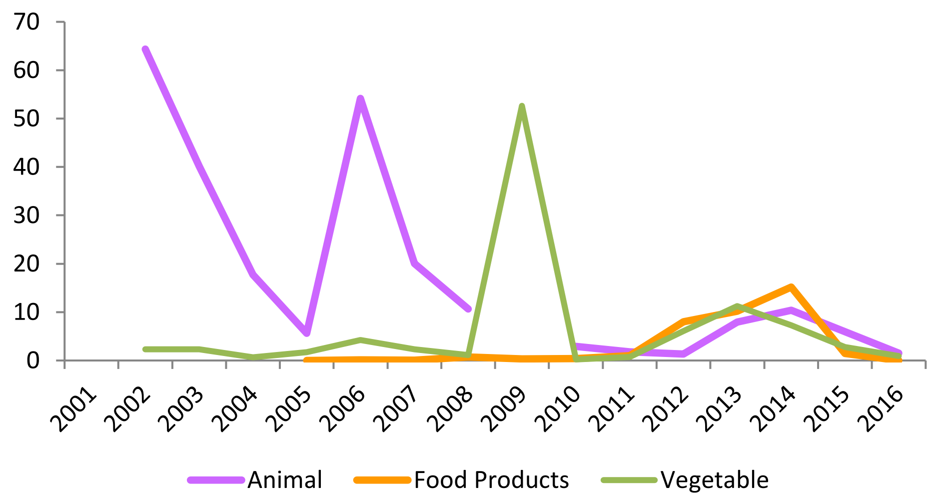
Table 3. Uganda's top-10 exports to the United Arab Emirates, 2001 and 2016

Rank	2001		2016	
	Share (%)	Product	Share (%)	Product
1		Animal		Precious stone and glass
2		Hides and skins		Raw materials
3		Vegetable		Animal
4		Wood		Vegetable
5		Precious stone and glass		Consumer goods
6				Metals
7				Wood
8				Hides and Skins
9				Textiles and clothing
10				Food products
11				Intermediate goods
12				Chemicals
Top 10%	>99%			>98%
Top 5%	>95%			Over 95%

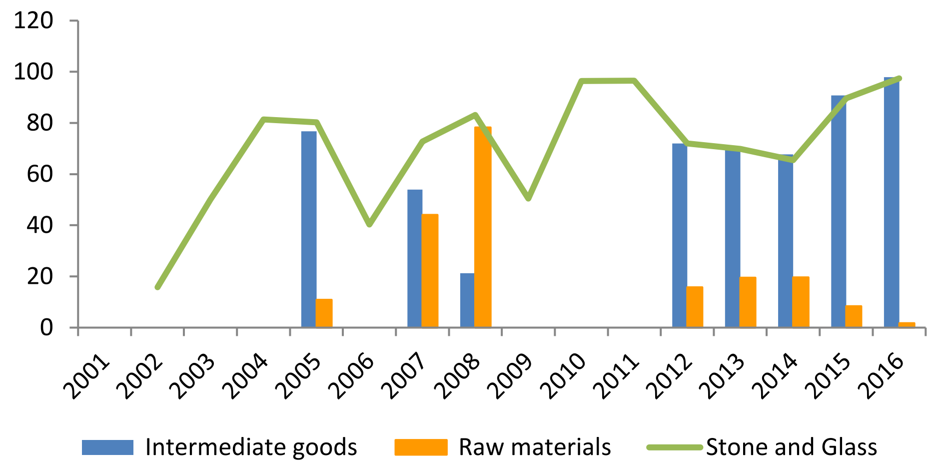
Product export share

Figures 5 and 6 show the level of stability of export supply to the UAE market. It is easy to see the high level of volatility that has are characterized Uganda exports to the UAE over the last 15 years. This is a reflection of inherent capacity constraints that are experienced across the world poorer countries that prevent them from maintaining steady supply in markets where trade opportunity exists—ranging from finance, to quality compliance.

Figure 5. UAE product import share for selected products



(a) Agricultural products



(b) Non agricultural products

2.3 Structure of Uganda's merchandise imports

Table 2 shows the top -10 items in Uganda's imports basket (ranked by their share of the total value of imports) in 1997 and 2016. In 2012, close to a half (47 percent) of the imports bill went to only 5 items (Table 2, third column). In 2016, there was a decrease in the concentration of trade (imports) amongst the top –5 imports to 40 percent (a 7 percentage point reduction over the 2012 figure). The items in import basket have been pretty stable over these periods 2012 and 2016, with little movement within the top 10 and a few changes in terms of positions (Table 2).

Table 4. Uganda's top-10 import items, 2012 and 2016

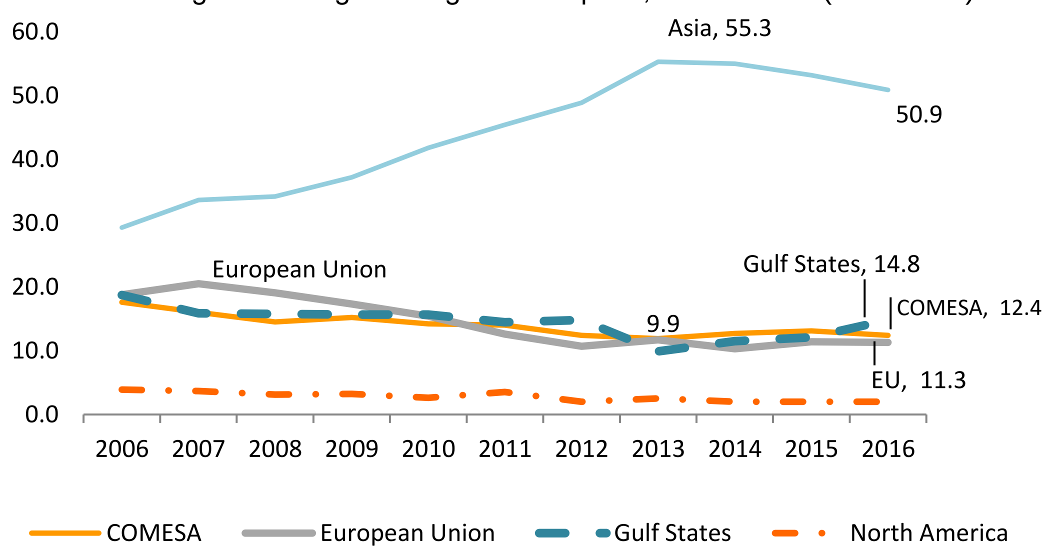
	2012		2016	
Rank	Share (%)	Product	Share (%)	Product
1	22.2	Petroleum, petroleum products	16.0	Petroleum, petroleum products
2	8.6	Road vehicles	8.5	Road vehicles
3	6.2	Machinery 1/	6.5	Medical & pharmaceutical prod
4	5.1	Cereals & cereal preparations	4.6	Fixed veg. fats and oils
5	4.8	Telecom. & sound 2/	4.3	Iron and steel
6	4.2	Medical & pharmaceutical prod	4.0	Cereals & cereal preparations
7	4.1	Iron and steel	3.4	Plastics in primary forms
8	3.9	Fixed veg. fats and oils	3.3	Electrical machinery, 4/
9	3.0	General industrial mach. 3/	3.3	Machinery 1/
10	2.7	Electrical machinery, 4/	3.0	Non-metallic mineral manuf.
11	2.7	Non-metallic mineral manuf.	2.9	General industrial mach. 3/
12	2.6	Plastics in primary forms	2.8	Paper, paperboard, 5/
13	2.0	Paper, paperboard, 5/	2.6	Textiles 7/
14	2.0	Miscellaneous manuf. articles	2.5	Telecom. & sound 2/
15	1.6	Essential oils, perfumes 6/	2.5	Miscellaneous manuf. articles
Top 10	64.8%		56.9%	
Top 5	46.9%		39.9%	

1/ Machinery specialized for particular industries 2/ Telecommunication & sound recording/reproducing apparatus, etc 3/ General industrial machinery & equipment, nes, machine parts, nes 4/ Electrical machinery, apparatus and appliances 5/ Paper, paperboard, and articles of paper pulp. 6/ Essential oils, perfume materials, toilet cleaning preparations 7/Textile yarn, fabrics, made-up articles, nes, and related products

As noted in Table 4, the largest percentage of Uganda's imports is from Asia (50.9 percent of total imports in 2016). Second to Asia are the Gulf States, which accounted for 12.4 percent of total imports in 2016. Imports from the European Union have been on a downward trajectory since the turn of the century, accounting for 11 percent of Uganda's imports bill in 2016. In Table 4, it is easy to see a gradual shift of in imports, with a more built up of imports from the Gulf States (which increased by 4.8 percentage point between 2013 and 2016) and a corresponding decline of imports from Asia (imports from Asia declined by 4.4 percentage point between 2013 and 2016). Another surprising trend is the stability of the imports from COMESA, despite Uganda joining the COMESA free trade area.

Table 3 shows trading partners ranked by the largest exporters to Uganda between 1997 and 2016. In 1997, Kenya was the single largest exporter to Uganda. In 2016, this role was taken up by China, who received 18.1 percent of the money paid on imports that year. The table shows a very high concentration of imports on very few countries; over 56 percent of Uganda's imports (in value terms) come from just 5 countries, and over 70 percent are from 10 countries (Table 3). This reflects the high concentration of imports where very few commodities (petroleum/petroleum products and road vehicles) account for the bulk of the import bill and large number of products only account for a minute share of the imports.

Figure 6. Share of regions as origins of Uganda's imports, 2006 – 2011 (PERCENT)



Uganda also rarely shifts trading partners. The ranking of exporters to Uganda has been fairly stable between 1997 and 2016, with little movement within the top 10 and a few changes in terms of positions.

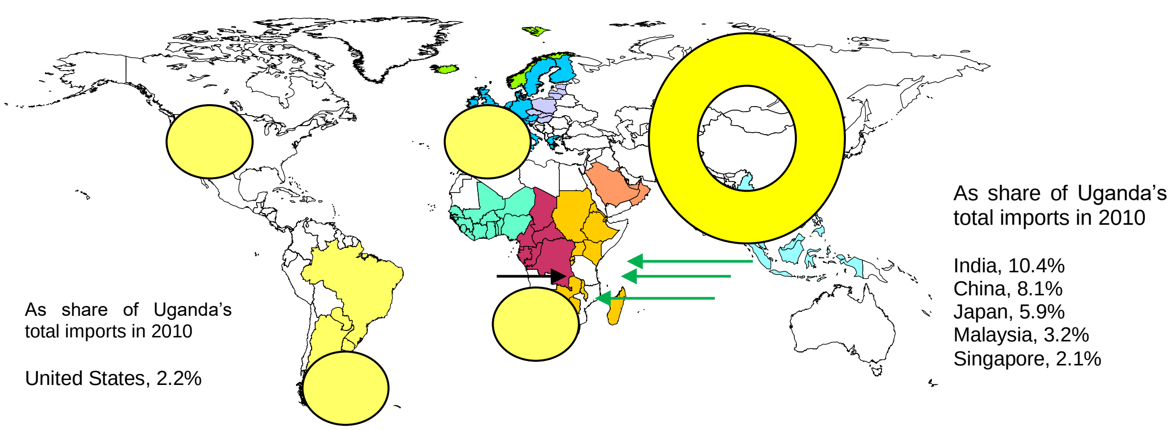
Table 5. The top-10 global exporters to Uganda, 1997 and 2016

	1997		2016	
Rank	Share (%)	Countries	Share (%)	Countries
1	28.0	Kenya	18.1	China
2	11.1	United Kingdom	17.1	India
3	6.8	Japan	9.9	Kenya
4	6.3	India	8.4	United Arab Emirates
5	3.7	South Africa	5.1	Saudi Arabia
6	3.6	United States	5.0	Japan
7	3.6	Italy	4.4	South Africa
8	3.1	Germany, FR	3.9	Indonesia
9	2.9	Tanzania	2.1	Germany
10	2.8	Hong Kong	1.6	United States
Top 10	71.9%		76.6%	
Top 5	55.9%		58.6%	

Share (%) is percentage of total Uganda's imports

Six of the top-10 exporters in 1997 continued to 2016, and of the 4 new comers in 2016, two are the Gulf States and the other two are from Asia. And of the 4 countries that did not continue in the top-10 in 2016, two are from the EU. This trend shows the increasing significance of the Gulf States and Asia and decreasing significance of Europe as Uganda trading partners. The top five countries account for around 56 percent of Uganda's import value and the top 10 countries for 72 percent.

The Chinese exports to Uganda increased by astronomical 7,702,838 percent in just ten years (i.e. between 1997 and 2016)—reaching US$ 886,223 million in 2016 (representing 18.1 percent of Uganda's total imports) from US$ 11.505 million in 1997. China's exports to Uganda consist mostly of light industrial products, fabric and textiles, clothing, electronic products, medical equipment, batteries, bags and cases, motorcycles and parts, pharmaceuticals, bicycles, rubber items, furniture, blankets, padlocks and keys and other and consumer goods.



2.4 Evolution of Uganda's merchandise imports from the Gulf

United Arab Emirates and Saudi Arabia remain Uganda's key trade partners from the Gulf region. Uganda's recorded imports from United Arab Emirates reached US$413.198 million in 2016 (representing 8.4 percent of Uganda's total imports)—from US$51.534 million in 1997 (5.8 percent of Uganda's imports)—i.e. 701.8 percent increase in just 10 years. (Table A1.3). Merchandise imports from non-COMESA African countries declined in 2012.

With the fast flow of imports from the Gulf region and Asia, Uganda's reliance on regional supplies is decreasing as evident from continues (and significant) decline in share of imports from COMESA in total imports over the last decade—from 32.6 percent in 2000 to 14 percent in 2010, and simultaneous rise in imports from the Gulf region especially the United Arab Emirates. Between 2006 and 2010, imports from the Gulf region grew by 53 percent and that from Asia, by 164 percent (with imports from China growing by 227.5 percent and imports from India, by 200 percent).

Table 6. Uganda's top-10 imports from the United Arab Emirates, 2005 and 2016

	2005		2016	
Rank	Share (%)	Product	Share (%)	Countries
1		Capital goods		Capital goods
2		Stone and Glass		Mach and electrical
3		Mach and electrical		Consumer goods
4		Consumer goods		Intermediate goods
5		Vegetable		Wood
6		Footwear		Plastic or rubber
7		Plastic or Rubber		Transportation
8		Raw materials		Fuels
9		Transportation		Metals
10		Fuels		Textiles and clothing
11		Intermediate goods		Stone and glass
12		Hides and Skins		Chemicals
13		Wood		Food products
14				Raw materials
15				Vegetable
Top 10%	>90%			>90%
Top 5%	>70%			Over 70%

In November 2018, the governments of Uganda and United Arab Emirates signed a Memorandum of Understanding, in which the two countries agreed to strengthen and advance cooperation in the field of agriculture and food security and sharing of information on agricultural and rural development policies. They also agreed to start a dialogue on creating food security and agricultural economic zones for UAE companies to invest and carry out large scale farming. If implemented the initiative could further deepen trade ties and expand market share of Uganda's agricultural products in the United Arab Emirates and the

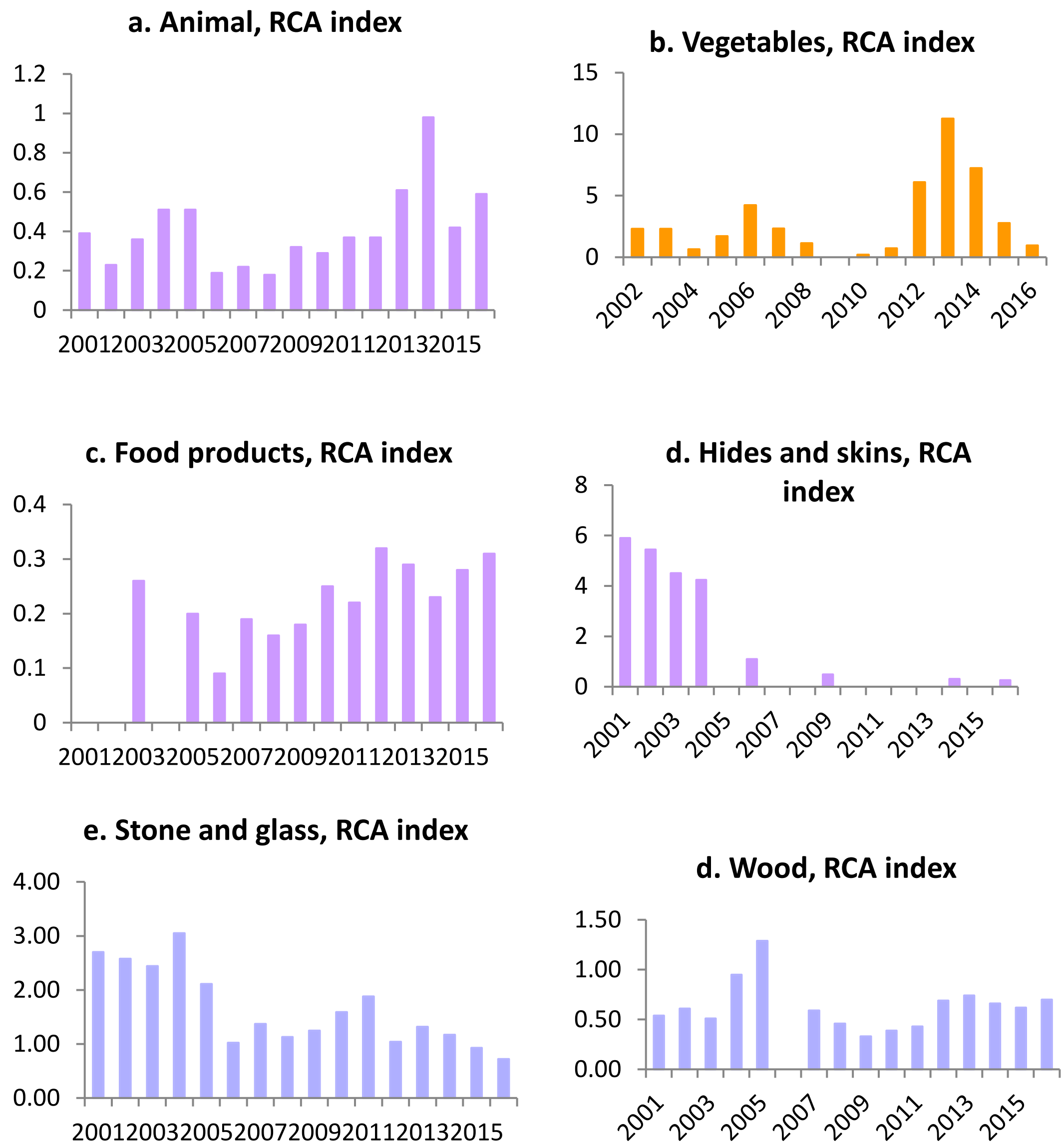
Gulf especially foodstuffs and fruits (mangoes, avocados, passion fruits and pineapples)—positioning it as Uganda's No.1 future trading partner.

3 Export competitiveness at product level

Figure 7 compares the revealed comparative advantage (RCA) index for Uganda's major export commodities to the United Arab Emirates between 2001 and 2016. All the commodities (products), except food products (Figure 7c) show a RCA greater than one, one or more times during 2001–2016—showing that Uganda had revealed comparative advantage in those commodities in the UAE market. However, the observed heterogeneity across products shows the dynamic natures of the UAE market. The number of products that can be competitively exported is growing. Although food products have RCA value below one, they have fast-growing RCA. If above-average growth in these products continues for an extended period, these products may eventually become those that can be competitively exported and important source of Uganda's export earnings.

Uganda strongest revealed comparative advantage—export competitiveness—is in vegetables. Vegetables are currently Uganda's 4th exports to the UAE. Uganda's products face competition from products from India, Canada and India. The competitiveness of live animals and food products has been on growing trajectory as shown by RCA index over the last ten years — implying that these are potential products that can be developed for export to the Gulf market. The market is currently dominated by Oman, India and Somalia. Another product that Uganda used to competitively export, but where Uganda is gradually losing its export competitiveness is stone and glass. The other products are hides and skins. Between 2001 and 2004, Uganda had the highest revealed comparative advantage in hides and skins, but these have since been lost perhaps because of the export tax on hides and skins. Another export sector, with competitive potential is wood. Ginger is among the products that the UAE market demands. This has not been exploited yet.

Figure 7. Revealed comparative advantage index



The food sector is particularly attractive for the UAE market. Currently, food products are the 10th on the list of Uganda's exports to the UAE. The UAE market needs Ugandan foodstuffs and fruits including mangoes, avocados, passion fruits and pineapples. This market is currently dominated by suppliers from India, Canada, and China. There is need to support farmers to improve production practices and have the right quality and quantity available, timely. To successfully harness Uganda's exports in the UAE market, issue of quality, and freight charges especially cost of freight for perishable fresh produce need to be addressed.

4 Technical regulations & UAE market entry requirements

One requires a trading licence and a trader code in order to import into, or export from, the UAE customs territory. Both can be obtained from the customs department of each emirate.

Technical regulation—All technical regulations of the UAE apply uniformly to both locally produced and imported products. Regulated products are granted entry if they comply with the provisions of the applicable technical regulation and conformity assessment procedures, which are common practice globally. At end-2014, there were 793 technical regulations in place.

Labelling requirements—Labelling requirements in the UAE apply, particularly to toys, tobacco products, food, and chemical products, industrial products, drinking water, textiles, and cosmetics. In addition, labels are required for household electrical products, indicating energy efficiency. All labels must be in Arabic or in Arabic and English. Moreover, tobacco packages require a special health warning in Arabic.

Labelling and adjoining explanatory statements for food are also required, in Arabic. Where another language is used, it must be alongside the Arabic. For pre-packaged foods, mandatory labelling applies, and includes: product name; a list of all ingredients declared in descending order of weight; and a list of food additives. Further to these, the label must provide the name and address of the manufacturer and packer (in cases where the packer is not a manufacturer), date of production, and instructions for storage. In cases where the food has been treated with ionizing radiation, indication must be made of this, next to the name of the food product. And the international food irradiation symbol must be included. Meat products must also have a halal certificate.

Sanitary and phytosanitary requirements—All shipments of food are inspected to ensure compliance with labelling and shelf-life regulations. Random samples are taken from some food consignments (depending on risk assessments) for laboratory tests to ensure compliance with UAE requirements.

The UAE notified its category A commitments under the Agreement on Trade Facilitation on 2 June 20154 and ratified it on 8 March 2016.

5 A primer of services trade

In 2016, United Arab Emirates ranked 21st, after Thailand (19th) and Sweden (18th) world exporter of commercial services, with global share of 1.3 percent, USD 63 billion. It ranked

16th global importer of commercial services, after Switzerland (15th), with global share of 1.7 percent and USD82 billion in value. In 2015, the UAE was the 14th exporter to Singapore (USD 1478 million), 10th in Japanese services import basket (USD 2170 million), 14th in Hong Kong, China (USD 471 million) after India, 9th for Russian Federation (worth USD 1113 million). It imported commercial services worth USD 655 million from the Russian Federation in the same year.

The UAE major exports included construction services, transport and travel services; insurance and pension services; telecommunication, computer and information technology services, and it is a major spender on the use of intellectual property. In construction services, the UAE ranked 7th in two consecutive years, 2015 and 2016, after the United States of America, with export value estimated at USD2451 million and USD2505 million, in 2015 and 2016, respectively—accounting for 3 percent share of top-10 global exporters.

UAE appeared among the top-10 global importers of construction, insurance and pension services in 2015 and 2016. It ranked 8th importer of construction services in 2015 and 2016, with imports worth USD 3022 million in 2015 and USD3104 in 2016, after Saudi Arabia (4th position) and Angola (7th). Table 7 on the UAE WTO construction-related services commitment shows more restriction for mode 4 across all major sub-sectors.

Table 7. UAE WTO construction-related services commitments

	Limitations on market access Mode				Limitations on national treatment Mode			
	1	2	3	4	1	2	3	4
1 BUSINESS SERVICES								
1.D Architectural services 1.E Engineering services 1.G Urban planning and landscape architectural services	None	None	None	Unbound, except as indicated in the horizontal section	None	none	None, except as indicated inthe horizontal section	Unbound, except as indicated in the horizontal section
3 CONSTRUCTION AND RELATED ENGINEERING SERVICES								
3.A General construction work for buildings	None	None	None	Unbound, except as indicated in the horizontal section	None	None	None, except as indicated in the horizont. section	Unbound, except as indicated in the horizont. section
3.B General construction work for civil engineering								
3.C Installation & assembly work								
3.D Building completion and finishing work								
3.E Other								

HORIZONTAL SECTION

Mode 3

Market access: Commercial presence for all sectors will be through either (i) a representative office or (ii) an incorporation as a company with maximum foreign equity participation of 49% subject to UAE law.

National treatment: (i) Acquisition of land and real estate is not permitted to foreigners or to companies in which foreign nationals have a shareholding.
(ii) Foreign nationals or companies with foreign shareholdings may be required to pay direct taxes on income derived from work or operations in the UAE, whereas local services suppliers or local UAE companies may not be required to pay similar taxes keeping in view the provisions of paragraph (d) of Article XIV.
(iii) Government subsidized services may only be extended to UAE nationals.

Mode 4 - following categories:

(i) Business visitors: persons not based in the territory of the UAE and receiving no remuneration from a source within the UAE, who visit the UAE on behalf of a service supplier for business negotiations (and not for selling services directly to the public) or for doing preparatory work for establishing commercial presence in the UAE. Entry for persons in this category shall not be for more than ninety days.
(ii) Intra-corporate transferees: managers, executives and specialists (as defined below) who have been in the employment of a juridical person of another Member outside the UAE, for a period of not less than one year prior to the date of application for entry into the UAE and are being transferred to a branch or affiliate in the UAE of the aforesaid juridical person. Entry will be subject to the following conditions:
a) The number of managers, executives and specialists shall be limited to 50% of the total number of managers, executives and specialists of each service supplier.
b) Their entry shall be for a period of one year subject to renewal for two additional years with a maximum of three years.
c) Their stay in the UAE will be subject to UAE labour and immigration laws.

Source: WTO, World Bank I-TIP online database.

On imports of insurance and pension services, UAE ranked 3rd, after the EU and US, with import value of USD39510 million in 2015 and USD40654 million in 2016, and import share of 24.3 percent of the top-10 import recipient economies. However, cross-border supply of insurance services is not possible for companies located abroad (Ayoki, 2015). All assets and risks in the UAE must be insured domestically. Maximum foreign ownership of domestic insurance companies is set by law at 49%. Representative offices may not engage in business or act as agents.

For the intellectual property, it ranked 8th after Canada and Singapore, with and import bill of USD 1688 million in 2015 and USD 1235 million in 2016.

Evidence from recent study places Gulf Cooperation Council (GCC) countries (Qatar, Kuwait, Bahrain, Oman and Saudi Arabia) among the most restrictive policies with services trade restrictive index (STRI) score of 50 (Borchert et al 2012). The highest barriers to trade are observed in professional services, and telecommunication services. GCC countries recognise only professional licensing from other countries within the bloc. Moreover, nationality is required in order to be licensed to practice and even to be admitted to the accountancy or legal professional associations.

The UAE made no commitments on telecommunications under the GATS. The law governing the provision of telecommunications services allows only licensed operators to supply telecommunications services to the public or conduct a regulated activity, and it prevents the Telecommunications Regulatory Authority (TRA), from issuing licences to any entity having less than 51% local ownership (Ayoki, 2015). Kuwait and Oman do not permit entry in fixed line services.

6 Conclusions and implications for policy

This paper assesses the performance of Uganda's exports to the Gulf States over the last 15 years. The paper elaborates on this trend by reviewing the nature and evolution of the Gulf States-Uganda trade relations and the potential impact of the growing Middle East African relations as well as the role they might play in the process of economic integration in Africa.

From the results, Uganda's exports are still heavily concentrated within the top-5 products—precious stones and glass, raw materials, animal, vegetable, and consumer goods—with Uganda's strongest revealed comparative advantage being in vegetables. In the past, Uganda had the highest revealed comparative advantage (RCA) in two sectors: hides and skins, and stone and glass. The changes in Uganda's RCA profile reflect the dynamic natures of the UAE market, characterised by growing number of new entrants and competition. Animals and food products have shown a decade-uninterrupted growth in their revealed comparative advantage (RCA) index—making them the most promising export sectors. It clearly shows that Uganda has competitive strength in these products, which can be harnessed by addressing the supply side constraints.

Taken together, Uganda's export sector strengths lie in five products: vegetables; precious stones and glass as well as animal; food products, and hides and skins. The dynamic of the export market requires continuous efforts at both government and industry level, to among other goals, improve productivity and to stay ahead of completion. Much progress has been made in reducing waiting times at borders, but to successfully harness Uganda's exports in the UAE market, would require supplementing this effort with micro level interventions to improve product quality (to have the right quality and quantity available, timely). Reducing on real time of exporting and trade cost—especially cost of freight for perishable fresh produce is crucial.

In the context of Africa's integration, breaking down barriers within the continent that limit intra-regional trade is essential. Even though the Gulf markets hold a great promise for African economies, the real promise lies in trading within the continent. Increasing regional trade is still the best way into Africa's diversification, and realisation of sustainable development goals and integration into the world economy.

Notes

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