

Impact of Non-Tariff Barriers on Regional Trade: A Case of Namanga One Stop Border Post

By

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Abstract

This study highlights the impact of non-tariff barriers (NTBs) on trade in East Africa. It examines the impact of non-tariff barriers on intra-regional trade. The study focuses on the Tanzania and Kenya border, specifically the Namanga One Stop Border Post (OSBP). Regional economic theory was used as the basis of the study. The study employed both qualitative and quantitative approaches where primary and secondary data were used. Both probability and non-probability sampling techniques were used to select respondents. Simple random and purposive sampling techniques were used to select the sample which involved 60 respondents. Using content analysis, data was transcribed and the study discovered several NTBs that impede trade. These include import bans, multiple quality checks and weighbridges, police roadblocks, and standards of packaging. The study recommends the upgrade of the network system and revision of NTB laws in order to address the effects NTBs are having on trade in the EAC in general and between Tanzania and Kenya specifically.

Keywords: East Africa, Intra-regional Trade, Non-tariff Barriers,

1.0 Introduction

In contemporary business environment it is not uncommon to come across the aspect of non-tariff barriers (NTBs). Trade protection policies such as NTBs have become the sort out strategies in the international scenery. In many political and economic unions such as the Association of Southeast Asian Nations (ASEAN) and North America Free Trade Area (NAFTA) the imposition of NTBs has become the norm (Oatley, 2019; EAC 2018). The same is true within the African continent. Regional blocs such as the Economic Community of West African States (ECOWAS) and East African Community (EAC) impose NTBs as a practical approach to achieve economic growth. The EAC in particular views NTBs as a basic pillar in establishing cooperation in trade (EAC, 2018). Member

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states have initiated agreements that prohibit the removal of NTBs that might affect relations in trade in the bloc. Initiatives such as One Stop Border Posts serve as instrumental phases in the eventual elimination of trade protectionism policies for member states and agencies.

Although measures have been put in place to facilitate trade between Tanzania and Kenya, they have not resulted in the desired levels of above 10% GDP growth rate. Trade protectionism has persisted between the two states (EAC, 2018). Kenya for example, has placed blame on Tanzania for unnecessary verification processes that have resulted in time wastage and increased costs at the border. On the other hand, Tanzania has argued that the Kenya Revenue Authority (KRA) has put in place various check points on products from Tanzania that also lead to an increase in cost for Tanzanian business people. Both states however agree that NTBs have a severe impact on trade (Ibid).

Mkuna (2014), for example, observed that NTBs can cause dire obstructions in intra-regional trade which include inaccessibility to partner country's market; increase in prices of products for export; diminishing in job creation; and limitations for economic development. Furthermore, NTBs are known to hamper free trade among partner states to the extent that even if regional blocs have signed existing treaties, they may not result in the blossoming of free trade or the investment environment (East Africa Business Council, 2008; Hangi, 2010).

This paper accentuates the impact imposed on regional trade by NTBs at Namanga One Stop Border Post. Several studies have been conducted to explore the impact of NTBs but much focus has been put on how NTBs impact state development. The paper analyses the impact of NTBs on trade facilitation by determining the impact that NTBs pose intra-regional trade and the general disruption it is having between Tanzania and Kenya's trade relationship. Finally, the paper outlines suggestions on how to improve and smoothen intra-regional trade. The basis of the paper is regional economic theory which is the underlining theory guiding regional economic integration (REI). REI is the progressive removal of obstacles to free trade. It is the establishment of preferential trade access to markets in each other's economies. The goal of REI is the eventual creation of an economic union (Balassa, 1961; Kahnert, et al, 1969; Hosny, 2013).

2.0 Literature Review

Among the most common forms of trade protectionism are tariffs. NTBs are usually put in place by states to protect local producers. However, whenever a community embarks on an ambition to increase intra-regional trade, NTBs will always act as an obstacle to the development. This is because NTBs disrupt trade. In the SADC region for example, one of the major causes attributed to the low trade between SADC countries is NTBs (UNCTAD, 2016).

Although a legal framework for the elimination of NTBs was passed by the EAC in 2015, NTBs still persist and curbing intra-regional trade. However, a study by Okumu and Okuk (2010), discovered that trade is increasing within the EAC despite the existence of NTBs. For example, in 2018, trade within the EAC increased to \$5.98 billion from \$3.18 billion in 2010 (The East African, 2020). Okumu and Okuk (2010) argue that the reason for this could be that NTBs are not effective in affecting trade. However, this is untrue because there is a general consensus that NTBs are holding back the EACs full trade potential (EAC 2018). The other reason that can be attributed to the growth is traders finding different ways to go around the NTBs. This is more likely the reason because many informal cross borders exist within the EAC region. This leaves room for corruption and improper regulation of goods and services.

According to Odebero (2011), it was the unfavourable economic conditions that led to the implementation of NTBs. As the EAC grew, it was undoubtedly clear that Kenya was reaping the larger share of benefits compared to her counterparts. Other EAC members saw that in order to maintain the same level of growth as Kenya they had to apply the principle of irregularity. These irregularities implied imposing NTBs to ensure their economies are protected from the exports of Kenyan products. However, measures such as these can have a drastic impact on the economy. In 1997 the Japanese, for example, imposed a ban on pork exports from Taiwan for fear of the foot and mouth disease. Although the move was pushed by a health risk and not the need to protect their economy, Marie-Helene et al (2011) report that the decision led to a two-year delay in pork exports. This is because Taiwan supplied 41 per cent of the Japanese port imports. This of course is an extreme example but it does shed some light on what would happen if NTBs are severely imposed.

According to Jonyo (2018), the effects of NTBs to trade should not be underestimated. NTBs cause goods to be denied access to certain markets, raise the cost of conducting business, and disrupt trade in general. This is most notably seen in Kenya. A study conducted by Nganga (2013) reports that Kenya has the most NTBs in the region. The presence of numerous weighbridges and roadblocks, and unnecessarily long import processes presented obstacles to businesspersons. Other obstacles also included unusual working times at the border and long bureaucratic processes for acquiring work permits. In fact, a 2008 report by the East African Business Council proclaimed Kenya as the worst delinquent of NTBs. The fact of the matter is that NTBs play a much bigger role as barrier to cross border trade than any other tariff (Stahl, 2005). It is the very same obstacles that can lead to a build-up in pressure which may eventually find release in the form of riots as it happened in March 2019 at the Namanga border.

The other major impact, according to Karugia et al (2009), caused by NTBs is tax disparities. Throughout the development of the EAC there has yet to be a harmonization of their tax regimes. It is not uncommon to find the EAC members charging different tax rates, whether value added tax or excise tax, to foreign investors. This is ironic because one of the reasons attributed to the collapse of the first EAC was disparities in their economic systems (Karugia et al 2009). Nevertheless, this disharmony in tax regimes has resulted in increased cost of compliance and has affected investor decisions regarding where to invest and source finance. It has also shifted the burden to consumers who at times are facing different prices for similar products.

An equal obstacle that burdens both consumers and investors are trade costs resulting from invisible trade barriers. These may be in the form of technical or health standards that are often not harmonized (Cernat, 2001). The lack of an imposed common control system more often than not produces and fosters an environment for corruption and fraud (Ibid). In Tanzania, for example, measurements of quality and standard are done by several agencies including the Tanzania Bureau of Standards (TBS) and Tanzania Food and Drugs Authority (TFDA). Tanzania, in fact, is considered by Calabrese and Eberhard-Ruiz (2016) to impose the largest margin of safety and quality measures in the EAC since 2009. This double to triple checking of goods causes disruptions to trade and investors incur costs when goods are delayed passage.

3.0 Research Methodology

Qualitative and quantitative research approaches were used in this study to address the aim of the study. These approaches also assisted in designing the research tools, data collection and analysis. Quantitative approach was used to generate statistical data on NTBs such as import bans, police road blocks, and weighbridges while qualitative approach was used to get in-depth information from all key stakeholders. The study employed a survey-based approach. The study area was at the Namanga border between Tanzania and Kenya. Both probability and non-probability sampling techniques were employed to select respondents of this study. Simple random and purposive sampling techniques were used to select the sample. The sample size was obtained by deriving Yamane's formula from a sample size of 150 (see Prince, 2005). The triangulation of methods was used to increase reliability and validity. However, the number of respondents covered does not capture the full scope of stakeholders. This leaves room for further research.

Table 1: Respondents of the research study

S/N	Respondents	Sample Size
1	TRA Officials	6
2	Drivers	26
3	Local traders/Businesspeople	28
TOTAL		60

Source: Researchers' Field Data, 2020

Primary data was obtained from semi-structured questionnaires which contained both close ended and open-ended questions which were administered to drivers and businesspeople. The study also employed interview method to attain data from Tanzania Revenue Authority officials. Secondary data was obtained from documentary review such as Foreign direct investment reports, Tanzania development vision 2025, East Africa Vision 2050, Economic and Social Research Foundation (ESRF), to mention a few. Online books and journals related to the topic were also used. Data was successfully sorted, filtered, entered and analysed in relation to the specific objectives while Statistical Package for Social Sciences (SPSS) version 20 was employed to determine frequencies of responses of sixty (60) respondents from different stakeholders as presented in Table 1.

4.0 Results and Discussion

4.1 Characteristics of the Population

The study intended to identify the characteristics of the population under study in order to observe their contribution to the overall theme. The characteristics observed were gender, age, level of education, and occupation of population. The findings showed that 53 (88.3%) of the respondents were male, while 7 (11.7%) respondents were female as indicated in Table 2. This signifies that, for the implementers, there are more male than female in the category of drivers and businesspeople. This, according to the researchers, may be attributed to the nature of the job.

Table 2: Gender of Respondents by Type of Stakeholders

Stakeholder	Frequency		Total Observation
	Male (%)	Female (%)	
TRA Officials	5	2	11.7%
Drivers	25	0	41.7%
Local Traders/ Businesspeople	23	5	46.6%
Total	88.3	11.7	100% of 60 respondents

Source: Researchers' Field Data, 2020

Table 3: Age of Respondents

Age (Years)	Frequency	Percent (%)
Youth (18- 38)	18	30
Middle (39 – 60)	39	65.0
Old (61 and above)	3	5.0
Total	60	100

Source: Researchers' Field Data, 2020

Table 3 depicts the age of the respondents. Majority of the respondents i.e. 57 (95%), were between the ages of 28 to 60 years of age. The basis for enquiring about respondents' age was to capture the percentage of youth and middle aged people who would be engaged in some form of economic activity that would be directly impacted by the theme of the study.

The results in Table 4 further indicate that 98.3% had formal education whereby those with secondary education were leading (36.6%) followed by the group with primary education (35.0%). This indicates that the majority of the respondents were not illiterate and were aware of the circumstances of their daily activities.

Table 4: Level of Education of Respondents

Education Level	Frequency	Percent (%)
None	1	1.7
Primary	21	35.0
Secondary	22	36.6
College	16	26.7
Total	60	100

Source: Researchers' Field Data, 2020

The majority of the respondents were businessman followed by drivers and 10% were TRA officers. All of them encountered NTBs and they posed challenges in their line of work in one form or another.

Table 5: Occupation of Respondents

Occupation	Frequency	Percent
Businesspeople	28	46.7
Driver	26	43.3
TRA Officers	6	10.0
Total	60	100

Source: Researchers' Field Data, 2020

Despite efforts to resolve the NTBs that exist in EAC through the introduction of various principles of custom union, there have been some that have not yet been resolved. The study therefore embarked on determining the current NTBs that hamper intra-regional trade between Tanzania and Kenya.

4.2 Identified NTBs at the Namanga OSBS

Respondents pointed out that there were import bans present at Namanga OSBP. In fact, 35% of the respondents agreed to the presence of these bans while 58.3% were neutral meaning that they were of the view that they existed but were not sure to what extent. Import bans are notorious impediments to trade

and quite often hampered relations between trade partners.

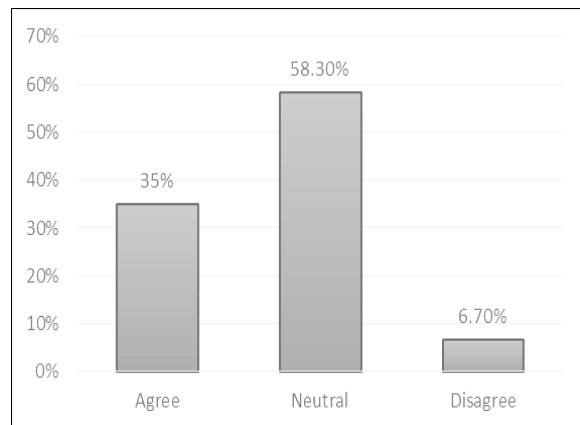


Figure 1: Import Bans

Source: Researchers' Field Data, 2020

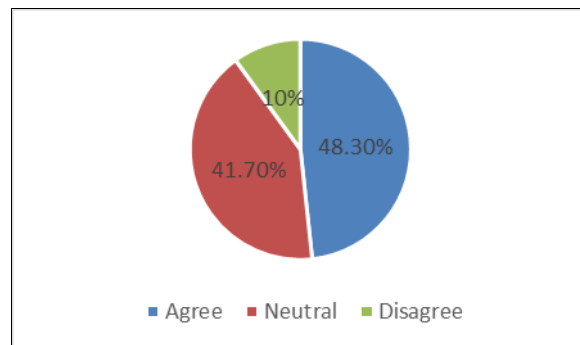


Figure 2: Police Roadblocks

Source: Researchers' Field Data, 2020

Similar results were observed at Malaba OSBP between Kenya and Uganda by Jonyo (2018). This author noted that 60% of trade between Kenya and Uganda is being affected by the import bans. Although the degree of disturbance was not established at Namanga OSBP but, from the responses, it is certain that it is impeding trade.

Figure 2 shows 48.3% of respondents agreed that there were numerous road blocks that caused nuisance to trade. Road blocks lead to an increase in delays

and delivery time. They also foster a bribery environment which leads to further impediments to intra - regional trade.

As observed in Figure 3, 65% of respondents agreed that the classifications and valuation processes of goods were lengthy to the extent that it impeded trade. Due to numerous classifications goods may be delayed or businesspeople may incur extra costs which act as a deterrent to intra - regional trade.

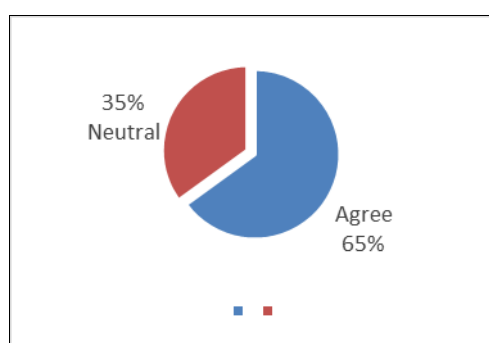


Figure 3: Lengthy Classification and Valuation Processes

Source: Researchers' Field Data, 2020

According to Figure 4, 80% of traders reported to encounter multiple quality checks of their products. 20% may be engaged in trade that does not make them encounter quality checks or they manoeuvre around them. As indicated above, multiple quality checks always lead to delays and extra costs for businesspeople. The inconveniences that result from the multiple checks are not compensated in any manner by either government. This circumstance leads traders to manoeuvre in whatever way they can so as to avoid any additional costs to their businesses. Otherwise, the extra costs can be unloaded on the consumer which again is another unfair aspect.

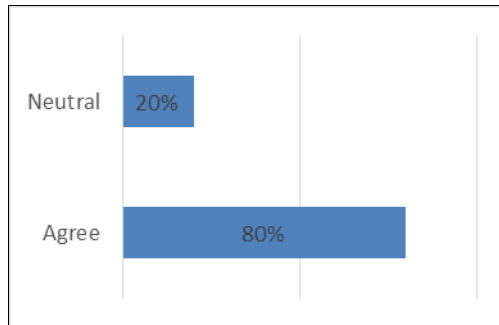


Figure 4: Multiple Quality Checks for Products

Source: Researchers' Field Data, 2020

The existence of multiple weighbridges is another NTB that has been pointed out. Note in Figure 5, 80% of respondents indicated the existence of multiple weighbridges. Although weighbridges are a useful method of restricting trucks from overloading and escaping tariffs, the agreed EAC procedure is that they should be only at entry and exit points. The presence of multiple weighbridges encourages corruption, leads to cargo delays and increased cost of business.

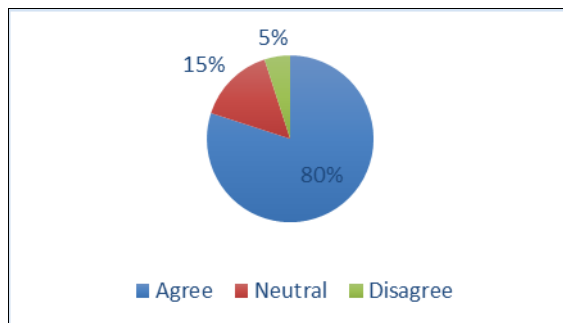


Figure 5: Multiple Weighbridges

Source: Researchers' Field Data, 2020

It is not uncommon for countries to have their own standards regarding certain goods and services. Even at the Namanga OSBP 47 (78.3%) respondents agreed that there were standards and packaging checks. However, the standards are not universally observed as you would expect in a regional community that has signed a trade Treaty. In fact, both Tanzania and Kenya are supposed to conform to WTO guidelines, however this is not the case and this leads to more delays of cargo at the border.

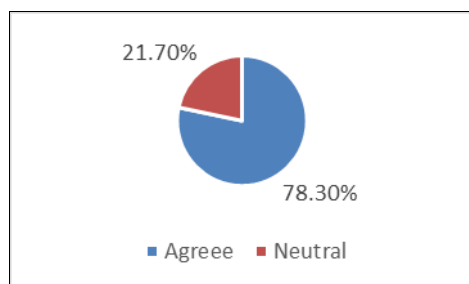


Figure 6: Standards and Packaging

Source: Researchers' Field Data, 2020

As stated earlier, EAC member states still employ NTBs in most of their trading activities. This is despite the fact that this goes against the treaties mentioned in the introduction. Article 13 of the EAC Customs Union, for example, advocates for the elimination of NTBs. Table 6 presents a summary of the responses which show respondent interpretations of the effects of NTBs on the following areas; cost of doing business; delaying of business; increase in organizational cost; denial of access to markets; and changes in quantity traded.

Table 6: Rating Scale

Mean range	Response	Interpretation
1.00-1.99	Agree	Very high
2.00-2.99	Neutral	Moderate
3.00-3.99	Disagree	Very low

Table 7: Descriptive Statistics

Effects of NTBs	Mean	Standard Deviation	Interpretation
Increases cost of doing business	1.28	0.824	Very high
Delays business	1.23	0.700	Very high
Increases organizational cost	1.72	0.890	Very high
Denies access to certain markets	1.65	0.781	Very high
Changes quantities of goods traded	1.65	0.847	Very high
Controls spread of diseases	2.03	0.663	Moderate

Is for Security purposes	2.75	0.644	Moderate
Ensures the growth of internal markets	1.82	0.704	Very high

Source: Researchers' Field Data, 2020

The respondents were asked to provide suggestions for solutions to the NTBs and Table 7 outlines their responses. Most respondents suggested that there needs to be an improvement in the border services since that is where the bulk of activities are. In order to reduce delays and unnecessary costs the number of weighbridges should be reduced and follow the agreed terms already signed in the EAC treaty. Respondents also insisted on the freedom of trade from political interference. Finally, the other major suggestion made by the majority of respondents was the increased frequency of stakeholder meetings to discuss problems and find solutions to the Namanga OSBP. This also means that laws guiding the NTBs should be revised from time to time and should not be stagnant.

Table 8: Solutions to the NTBs Problem at Namanga OSBP

Responses	Number of respondents	Percentage
Transparency on NTBs law	2	2.7
Stakeholders meeting to discuss about the issue	8	18.5
Political conflict should not interfere business issues (let business be free from political interference)	5	10.6
Reduce the number of road weighbridges	16	24.3
Improve border services like the network system	17	25.2
Provision of education of NTBs to businessman	1	0.7
Laws based on NTBs should be revised time to time	5	9.8
Reduce multiple checks	4	5.5
Reduce number of police blocks	2	2.7
Total	60	100

Source: Researchers' Field Data, 2020

5.0 Conclusion and Recommendations

This study has examined the effects of NTBs at the Namanga OSBP and identified several NTBs that are affecting trade. The NTBs indicated are import bans, lengthy processes for validation, multiple quality checks and weighbridges, police road blocks, and standards and packaging. The discovery is that these

NTBs cause delays to cargo, add unnecessary costs to businesspeople which in turn may be passed down to the consumer, and impede trade between Tanzania and Kenya. The study has pointed out the mild and severe consequences of NTBs. The study recommends that the network system should be upgraded; NTB laws should be taught to business people and consumers; and stakeholder meetings should be held periodically that involve all parties affected.

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