INTERNATIONAL TRADE / FOREIGN / EXTERNAL TRADE

This is the exchange of goods and services beyond the boundaries the of a given country. It involves the exchange of goods between countries e.g. From Uganda to Congo , Rwanda to Kenya e.tc

REASONS WHY COUNTRIES ENGAGE IN INTERNATIONAL TRADE

Difference in natural resource endowment: Different countries are endowed with different resources for example tropical Africa is endowed with fertile soils which are suitable for agriculture and they cannot easily produce petroleum while middle East countries / Arab countries are endowed with natural oil but faced with permanent desert. For tropical Africa to get oil , they have to engage in international trade with countries which have oil and vice versa

Difference in level of education: In developing countries we lack skilled man power so in order to get expatriates we must engage in international trade

To obtain what we cannot produce, different countries produce different goods because of difference in climatic conditions for this reason countries have to engage in international trade to get what they cannot produce

Difference in levels of development: many goods can be produce by very sophiscated / complicated equipment and only industrialized countries own such equipment so poor countries have to engage in international trade to acquire such items like computers , cars , electrical appliances etc

Differences in tastes and preferences: Most people have different types of preferences so they prefer goods of different styles and tastes/ fashions

Need for specialization: To enjoy the benefits of specialization countries ought to produce those commodities that they are best suitable for and through exchange, they get those they cannot produce hence engaging in international trade

THE CONCEPTS OF COMPRATIVE ADVANTAGE

This states that a country should specialize in the production of a commodity in which it incurs the least opportunity cost (can produce more cheaply) than other countries \trading partners. Normally countries specialize in the production of those goods suitable for their resources.

The concept of absolute advantage:-This is when given two countries producing the same amount of resources, and country can produce both commodities more cheaply at the least opportunity cost than the other.

ADVANTANGES OF INTERNATIONAL TRADE

1) To enable countries to get what they cannot produce at home.

2) It helps countries to obtain a variety of goods and services from other countries

3) International trade helps a country to earn revenue through taxes i.e. import and export duties.

4) It saves countries from natural calamity outcomes through supplies from other countries.

5) It provides market for the surplus products of a country which would be wasted.
6) It promotes competition between local and international producers that improves quality of goods
7) It allows transfer of technology thus economic development
8) Promotes international peace because of co-operation and dependency on each other
9) It encourages specialization which leads to increased out put
10) It creates more employment opportunities for example in industries o each other producing for exports and those involved in importing .

Disadvantages of international trade

1) Over specialization by a country leads to hardships in case of a fall in the demand and price for its products
2) It results in the exhaustion of a country's resources because of specialization
3) The superior imported goods from developed countries tend to threaten the growth of the local industries
4) Some imported goods may be dangerous to the citizen e.g. spirits, drugs , pornographic films
5) Over dependence on other countries. It may cause a country to suffer in case of any misunderstanding
6) A country may be forced to accept any conditions from a supplying country
7) It may result in the importation of very expensive goods leading to imported inflation
8) It makes rich countries richer and poor countries poorer . This is because poor countries produce low quality goods whose prices are very low while richer countries produce high quality goods whose prices are very high
9) Encourages dumping which tends to suffocate home industries where goods are dumped

   NB
   Dumping is the selling of goods in foreign market at a lower price cheaper than that at home

10) Poor countries tend to face balance of payment problems because they incur heavy expenditures on imports more than what they earn from exports

TERMS USED IN INTERNATIONAL TRADE

1) Bilateral trade :

This includes the exchange of goods and services between two countries

2) Multilateral trade

This involves the exchange of goods and services among more than two countries i.e. with many countries

3) Visible trade

This refers to the trade which involves export of goods and import of goods i.e. tangible items

4) Invisible trade

This refers to the import and export of services like branding, communication, tourism

5) Balance of trade

This refers to the difference between the value of visible items / imports and visible exports of a country when visible exports exceed visible imports

It is a favorable balance of trade and if visible imports exceed visible exports is favorable balance of trade

TERMS OF TRADE

6) **Terms of trade :** This is the relationship of prices of price index for exports to the price index of imports i.e. the imports purchasing power of exports

Terms of trade = price index of export × 100

Price index of imports

$$\text{T.O.T} = \frac{px}{pm} \times 100$$

The terms of trade can be described as favorable when the export price index is greater than the import price index and unfavorable when the import price index is greater than the export price index

7) **Balance of payment:** This is the difference /relationship between a country's total receipts (both for visible and invisible exports) & pay goods and services or payment of goods.
   Merits (both for visible and invisible and invisible imports in a specific in a specific period of time. If receipts exceed payment, the difference is favorable balance of payment or balance surplus but if payments exceed receipts the balance is unfavorable or balance of payment deficits

8) **Balance of payment problems:** This arises when the balance of payment deficits persist in a country for many years .this balance of payment is put on an account called current accounts.
9) **Current account:** This shows the difference between the country's incomes from her exports and her payments for the visible and invisible. If the exports are more than payments for the imports , then we have got a surplus on the current accounts and if the payments for imports are more than income from exports we have got a deficit on the current account

a) Capital Account: this shows the difference between capital inflows and capital outflows for a country during a given year e.g. from loans and other capital investment. If capital inflows exceed the capital outflows then we have a surplus on capital account. But if capital outflows exceed the capital inflows , then we have deficit on the capital account

b) Cash account: This shows the money movements between a country and other countries due to the exchange of goods and services ,it shows whether the country has had a balance of payments deficit or balance of payments surplus

Balance of trade is the difference between visible export earnings receipts and visible import expenditure while terms of trade is the relationship between import prices and export prices of the country

PROTECTION /RESTRICTIONS USED IN INTERNATIONAL TRADE

Protection refers to the measures used by a country to control the volumes of goods imported and exported by the country. There two forms of trade restriction namely:

i) Tariff barriers
ii) Non tariff barriers

Tariff barriers: these are taxes or duties levied on imports or exports. They can be imports tariffs, export tariffs.

Non- tariff barriers: these are trade restrictions which are not in form of taxes for example total ban, subsidies etc..

TOOLS OR METHODS OF TRADE RESTRICTION

i) Tariffs: these are taxes imposed on imports or exports. The imposition of tariffs on imports makes them relatively more expensive than locally produced goods thereby reducing their domestic demand in favour of locally produced goods.
ii) Quotas: this refers to the quantitative restriction imposed on the amount of goods to be imported or exported in a given period of time. It may be import quota or export quota. An import quota involves direct restrictions on the physical amount of the commodity which can be imported into the country while an export quota is the restriction on physical amount of a commodity to be exported. An import quota is normally implemented by the government issuing a limited number of import licenses to importers of a particular commodity.
iii) Total ban (trade embargo): this is a complete refusal or legal prohibition of entry of specified goods into the country i.e government prevents completely the importation of certain goods into the country for example in Uganda there is ban on import of sodas, beers, mattresses and cigarettes.
iv) Devaluation: this refers to the legal (official) reduction in the value of a country's currency in domestic demand.
v) Subsidies to domestic control: subsidies to import substitution industries reduce their production costs making locally produced relatively cheaper than imported goods and hence reducing the inflow of imports.
vi) Foreign exchange control: this involves a set of regulations that restrict domestic importers access to foreign exchange. Government through the central bank can allocate foreign exchange to limited number of importers hence reducing the inflow of imports into the country.

vii) Import licensing: only those traders with valid import licenses are authorized to import goods into the country. Therefore the government can restrict imports by issuing out only a limited number of import licenses.

viii) Direct Administration control: the government can put in place complicated and bureaucratic or time consuming and lengthy procedures importers have to go through before they are cleared to import goods into the country.

ix) Quality control requirement : the importing country through the Uganda National Bureau of Standards may set up high quality and sanitary standards which imported goods must conform to before they are allowed into the country . This limits the inflow of imports into the country.

x) Trade agreement: government may sign bilateral or multilateral agreements with some countries allowing the import of specified goods from only those countries.

xi) Preferential duties: imports from specified countries may be taxed less than those from other countries.

xii) Voluntary export restrictions: this is where the importing country appeals to its trading partners to reduce on the volume of exports they are sending to the country on a voluntary basis especially when such imports are deemed to threaten the domestic industries.

xiii) State trading: this is where government through its trading agencies adopts a preference for purchase of locally produced goods rather than imported goods.

xiv) Transport discrimination: imports may be subjected to higher transport charges than exports to restrict their inflow into the country.

xv) Deflationary policy: this involves reducing money supply in order to reduce the domestic demand for imports.

REASONS FOR RESTRICTING INTERNATIONAL TRADE

Despite the advantage of international trade. Most countries take measures to control their imports in order to offset the disadvantages of international trade. Trade may be restricted because of the following reasons.

1) **To protect home infant industries from foreign competition :**i.e. goods which are imported pause a threat to locally produced goods and therefore need for government protection
2) **To discourage dumping:** countries restrict international trade in order to discourage dumping of cheap imports into the country which may be disastrous to the domestic economy.
3) **To improve balance of payments position:** countries restrict international trade to improve their balance of payment positions by reducing excessive importation of commodities into the country.
4) **To promote employment opportunities from domestic industries:** by putting restrictions on imports, government is able to increase demand for locally produced goods there by stimulating production and widening employment opportunities in home industries.
5) To discourage importation of dangerous goods and protect national security: government restricts international trade to discourage importation of dangerous goods like fire arms and ammunitions, and protect national security.

6) To reduce dependence and have a self sustaining economy: imports are restricted in order to reduce the extent of external dependency and achieve a self sustaining economy by stimulating the demand for locally produced goods.
7) To control the imported inflation: countries restrict imports to control imported inflation which arises from importation of goods from inflationary prone economies.
8) To protect strategic industries: countries restrict international trade in order to protect the health and morality of nationals by imposing total ban on importation of harmful goods such as cocaine, animal products from countries affected by animal diseases like bird flu, pornographic materials etc
9) To protect strategic industries: it is necessary to restrict international trade in order to protect basic or strategic industries for example food or agricultural processing industries.
10) To retaliate against trade restrictions imposed by other countries: countries put restrictions on international trade as a retaliatory measure against restrictions imposed by other countries on a country's exports i.e beggar my- neighbor policy.
11) To protect political objectives: countries restrict international trade as a tool of foreign policy to achieve political objectives for example during the apartheid policy in south Africa, African Countries had declared economic sanctions on South Africa.
12) To generate government revenue: countries put restrictions on international trade in form of import and export tariffs or duties to generate government revenue.

Disadvantages of Trade Restrictions (Protectionism)

Poor quality goods are produced domestically as industries are protected from foreign competition.

It leads to high prices of goods in the domestic market due to inefficiency of protected industries.

It leads to limited variety of goods on the domestic market.

It encourages retaliation from other trading partners which reduces foreign exchange earnings from exports.

It leads to loss of revenue from import duties if restrictions are in form of non-tariff barriers like quota.

It encourages trade malpractices such as smuggling.

It encourages monopoly tendencies due to lack of competition.

it increases government expenditure for example in form of subsidies.

Reduces competition by local industries

Promote inefficient industries to remain.

Intermediaries in international trade

Import commission Agents: these are middlemen who import goods and sell them on behalf of the exporter for a commission. They do not bear any risk since they can return any unsold goods to the supplier at his own expenses. Import commission Agents normally import goods whever they receive local orders.

Import merchants: these are traders who purchase goods from abroad in their own names and sell them on the local (domestic) market for a profit.

Import brokers: these are middlemen who do not physically posses the goods but simply connect the importers and exporters in the purchase or sale of goods by arranging deals to facilitate the possible purchase or sale of these goods. They are paid commission called **brokerage** for their services.

Del credere agents: these are middlemen who guarantee to sell all the exporter's goods as well as the collection of debts from his customers who buy on credit. Should any buyers fail to pay their debts, a del Credere agent undertakes to clear this debt using his own money. For undertaking this additional risk, a del Credere agent is given an extra payment called a **del Credere commission**.

Forwarding agent: this transports goods on behalf of the exporter or importer for example inter-freight Uganda Limited.

Sole accredited agent: this is the only person or firm authorized to sell the exporter's goods in particular country for example Spear Motors Ltd foe Mercedes Benz in Uganda.

Forwarding and clearing agents: these are middlemen who help in clearing goods at the borders on behalf of the importers and exporters.

Financing International Trade

An exporter may secure payment by any of the following methods;

Bank Draft: this is a cheque drawn by one bank to another. the importer may direct his bank to pay his exporter through the exporter's bank by drawing up a cheque in favour of the exporter's bank.

Telegraphic Transfer: the importer's bank instructs the exporter's bank to make payments to the exporter by use of a telegraph or cable. It is fastest means of payment in international trade.

Bill of Exchange : this is an unconditional written order addressed by the creditor to the debtor requiring the person to whom it is addressed

(Debtor) to pay on demand or at a future stated date, a sum of money to a named person or his order. When it is accepted by the importer or his bank, the exporter may secure payment against it in any of the following ways;

He may keep it until it matures and then presents it for payment.

He may endorse it and use it to pay a debt of his own.

He may discount it with a bank or bill broker.

Documentary Credit: the exporter may request that the importer opens up credit facilities in favour of the exporter at a bank in the exporter's country. This bank will now guarantee payment to the exporter by sending him a letter of credit which will enable the exporter to receive payment upon presenting it provided he has sent the specified goods to the importer.

Documentary Bill. The exporter may draw a bill of exchange on the importer of his goods. If the other documents like a bill of lading, invoice, insurance certificate etc are attached, the bill is known as a **documentary bill.**

Cash with order (C.W.O): this is where the importer is required to place an order to the exporter together with cash. This payment can also be made in the form of cheques and not necessarily currency notes and coins.

Promissory note: this is an unconditional promise in writing made by a debtor to pay a specific sum of money to his creditor on demand or at a future date.

Cheques: this is a written order by an account holder to his bank to pay a specific sum of money to a named person or his order on demand. Traveler's cheques may be used to make small payments abroad.

Letter of credit: this is a document issued by the importer's bank to the exporter guaranteeing payment to the exporter. It is used when goods are sold on credit.

Traver's cheque: these are cheques issued by bank in fixed denominations to people traveling distant places after paying for them in advance. Traver;s cheques are also available in foreign currencies and can be used by business men to make small payments abroad.

DOCUMENT USED IN INTERNATIONAL TRADE

Indent: this is an international order for goods. It is usually placed by the importer through his agent in the exporting country. An indent may be **an open indent or closed indent**

Open indent: this is the one where the manufacturer expects to supply the goods is not specified by the importer. It is up to the importer's agent to choose a suitable supplier for the importer.

Closed indent: this is the one where the manufacturer expected supply goods specified.

Certificate of Origin: this is shipping document which specifies the country from which goods have been imported. It is used by chamber of commerce of the exporting country to certify the country of origin of goods and to enable the customs authorities calculate or assess the customs duty on goods. It is necessary to know the country of origin of goods because some countries have mutual understanding among themselves concerning free trade or preferential treatment in form of reduced taxes for example member states of regional economic grouping such as the East African Community, PTA, COMESA and the European Union.

Bill of Lading: this is a document issued by the shipping company acknowledging receipt of goods on a ship. It is a document of title which evidences receipts of goods on a ship. It gives details of goods on the ship and the conditions under which they have been accepted. It contains the names of the sender (exporter) and that of the receiver (importer) of goods as well as the port of embarkation and the port of disembarkation.

Functions of a Bill of Lading

It is a contract of carriage of goods between the shipping company and the exporter.

It is an official receipt of goods by the shipper ie. It acknowledges receipt of goods by the shipper.

It is a document of title or ownership of goods on the ship.

It is a negotiable document ie. Ownership is transferable.

It shows all the details of the goods shipped.

It shows the shipping charges and terms and conditions of shipping the goods.

Consular Invoice: this is a document signed by a country's representative abroad such as trade consul, ambassador or High Commissioner of the country from which the goods have been imported to verify that the goods are of good quality, reasonably priced and accepted in the country.

Letter of Hypothecation: this is a letter from the exporter to the bank authorizing the bank obtain and sell goods sent to the importer if the importer fails to pay.

Letter of credit: this is a document issued by the importer's bank to the exporter guaranteeing payments to the exporter when goods are sold on credit. A letter of credit operates in the following ways;

The importer places the order for goods i.e. asks the exporter to supply goods. the exporter accepts to supply these goods provided that the importer opens the letter of credit in the exporter's country.

The importer approaches his bank to open up the letter of credit on his bank by guaranteeing payment to the exporter abroad.

The letter of credit signifies that the issuing bank has guaranteed payment of the stated amount of the corresponding bank provided the exporter fulfills certain conditions.

Types of letter of credit

Guarantee Letter credit: this is the one where the issuing bank secures a guarantee for refund at an agreed rate of interest on sufficient security for granting a letter of credit.

Documentary letter of credit: this is the one where the promise to honour the obligation of payment is conditional on receipt of certain documents for example bill of lading, certificate of origin etc

Irrevocable letter of credit: this is the one which cannot be changed or modified without the approval of the beneficiary or the confirming bank.

Calling Forward Note: this is a document sent to the exporter informing him when the goods should be at the dock ready for lading.

Shipping Note: this is a document issued by the ship owner giving details of the goods shipped.

Freight Note: this is a document issued by the shipping company to the exporter showing the shipping charges.

Certificate of Insurance: this is a document send by the exporter to the importer to certify that the goods have been insured against possible risks while in transit.

Air Way Bill: this is a document issued by the air line company as a contract of carriage of goods and a document title to the goods.

Charter Party: this is an arrangement between the ship owner and the person intending to hire a ship. It is a contract between a shipper and a ship owner.

Weight Note: this is a document stating the weight of goods delivered at the dock.

Import Licence: this is a document issued by the government authoring a trader to import specified goods into the country.

Export Licence: this is a document issued by government to the trader authoring him to sell specified goods abroad.

Certificate of indemnity: this is a document signed by the importer and his bank authoring the importer to take possession of goods in case the goods arrive before receiving the bill of lading.

Dock Warrant: this is a document of title for the goods that are stored at the dock. It is used when withdrawing goods from the dock.

Certificate of Inspection: this is a document that certifies that the goods entering the country have been checked and conform to specified quality or sanitary standards for example food stuffs.

Ships Manifest: this is a document that gives details of goods loaded on the ship such as the name of the shipper, packing list of number of containers and specification of goods packed in each container.

Profoma Invoice: this is the document sent by the exporter to the importer when the payment for the goods is expected before delivery.

TERMS OF SALE OR PRICE QUOTATIONS IN INTERNATIONAL TRADE

These are expenses involved in international transactions, some of which are paid by the seller and included in the price quoted to the importer while others are paid by the buyer or importer himself. Price quotations are important because they indicate where the responsibility of the seller ends and where that of the buyer or importer begins. Some important price quotations include the following;

Ex-works: this price quotation includes only the cost of goods as they leave the seller's factory and all other expenses thereafter are to be paid by the buyer.

Free on Rail (F.O.R): the price quoted included the charges for carriage of goods to the seller's factory. It does not include railway freight.

Free On Truck (F.O.T) : the price quoted includes all expenses till the goods are loaded on the truck.

Delivered on Docks (D.D) : the price quoted includes the cost of carrying goods to the docks. Docks are places where ships are wait for cargo.

Free Alongside Ship (F.A.S): the quoted includes all expenses till the good are placed along side the ship. These expenses include packing, carriage to the docks, dock handling charges, dock due but not lading expenses.

Free On Board (F.O.B) : the price quoted includes all expenses to be met till the goods are placed on board the ship. It includes all the above expenses (F.A.S) plus loading expenses.

Cost and Freight (C & F) : this covers all the above expenses (FOB) plus the shipping freight charges.

Cost, Insurance, and Freight (CIF): the price quoted includes all the expenses under C & F) quotation plus insurance premiums to cover all goods against marine risks.

Cost, Insurance, Freight and Exchange (C.I.F & E) : the price quoted includes all the expenses covered by CIF quoted and also risks of exchange fluctuation.

Cost, insurance, Freight and Interest (C.I.F& I) the prices quoted includes expenses covered by C.I.F & E quotation and also interest on the value on the value of the goods.

Cost, Insurance Freight interest and Commission (C. I.F.I&C) the price quoted includes all the items of expense under (C.I.F&I) and also the commission of the agent who under takes to import on behalf of the importer.

Landed: the price quoted include all expense to the port of destination plus unloading charges.

Duty paid: the price quoted includes all the expenses mentioned above plus payment of custom duty.

Ex-quay: it means that the seller has to transport goods up to the quay ie a place where goods anchor for loading or off loading. This term is used in case of delivery of goods in internal routes made at the dock.

In-bond (price in-bond): the prices quoted include all the items of expense till the goods are delivered to the bonded warehouse.

Franco (free of Expenses): the prices quoted include all charges up to and including delivery of goods to the buyer's premises. The price quotation excludes the buyer from all expenses.

Loco (local price): the price quoted is the one charged wherever goods are found. It is the responsibility of the buyer to arrange for packing, insurance and transport to make goods reach his premises.

Loco (EX- ware house): this the price quotation which indicates that the buyer will have to meet all the expenses of taking the goods from the seller's warehouse.

FACTORS THAT HINDER INTERNATIONAL TRADE BETWEEN COUNTRIES

Currency differences: the differences in currencies used by countries involved limits international trade as the importers have to first convert the domestic currency into foreign currency before importing goods abroad.

Languages differences (language barrier): the use of different languages by different countries creates communication barrier between exporters and the importers there by limiting international trade.

Tariff barriers: the high taxes imposed by government on imports increases their prices thereby limiting international trade.

Differences in cultures, customs and religion: countries have different cultures, customs and religions which hinder the free flow of goods and services between countries as some commodities are prohibited in some countries for example Islamic countries do not allow imports such as pork.

Differences in weights and measures: countries use different weights and measures for example kilograms,litres, metres etc which limit exchange of goods.

Long distance: the long physical distances between countries make transport and communication difficult and result into high transport costs which limit trade.

Political or ideological differences: political and ideological differences or conflicts between countries hinder trade between countries.

Complicated documentation: international trade involves many formalities and documents which limit trade between countries.

Many risks: the many risks involved in international trade such as loss or damage of goods in transit increase insurance costs to importers hence limiting international trade.

MEASURES TAKEN BY THE GOVERNMENT TO PROMOTE REGIONAL TRADE

1) Removal of trade barriers and restriction e.g. liberalization of trade reduction of tariffs easy acquisition of trade license etc.
2) Formation and promotion of economic groupings e.g. EAC , COMESA ,Preferential Trade Area (PTA)
3) Easing the movement of people across the boarders i.e. E.A passport PTA travelers cheques
4) Exchange of trade delegations from partner friendly trading countries

5) Establishment and promotion of export and import promotion agencies e.g. Uganda National Chamber of Commerce and Industry
6) Promotion of peace , security and stability I the region
7) Holding and participation in international trade fairs and exhibition and shows
8) Easing foreign exchange purchase through liberalizing forex bureau opening up many local and international

ECONOMIC INTEGRATION

Is the coming together of several countries in a given region so as to promote trade for the sake of mutual economic benefits to all. Examples of regional economic integration include the Preferential Trade Area (P.T.A) for Eastern and Southern Africa, The East African Community (E.A.C), European Union (E.U) etc

STAGES OF ECONOMIC INTEGRATION

Preferential Trade Area: this is where countries give preferential treatment in form of reduced tariffs on selected goods from member states.

Free Trade Area: this is where there is free trade among member states but with no common external tariff structure on goods from non-member states.

Customs Union: this is where there is free trade among member states and a common external tariff structure on goods from non- member states.

Common market: this is where there is free trade among member states with a common external tariff structure on goods from non-member states and free movement of factors of production.

Economic Union (economic community): this is where there is free trade among member states, common external tariff structure on goods from non-member states, harmonized economic and political policies as well as sharing and running of common services jointly.

ADVANTAGES OF ECONOMIC INTEGRATION

It increases the size of the market for a country’s goods and services in the region.

It increases the bargaining power of member states within the region.

It increases employment opportunities due to increased production.

Member countries can easily obtain aid and loans from donor countries and international bodies.

It leads to improved quality of goods and services due to competition.

It increases the volume of goods and services hence wider choice for consumers.

It encourages international specialization with each member state concentrating on what it can produce at a low cost.

It promotes full utilization of resources due to big market.

It leads to political cooperation and mutual understanding among member states.

It leads to trade creation where countries shift from consuming products of high cost non-member states to those of low cost producers in the region of integration.

DISADVANTAGES OF ECONOMIC INTEGRATION

It may result into diversion i.e the shift from consuming products of non-member states at a low cost to those of high cost member countries in the area of integration.

It results into loss of customs revenue as a result of abolition of tariffs on goods from member states.

It may result into loss of political sovereignty by member states.

It may lead to uneven distribution of industries and development in the region.

Member states may be compelled to buy inferior products from within the region instead of importing better quality products from non-member states.

High administrative costs are incurred by member states.

National economic interests may be sacrificed for the sake of the wider interests of the integration.

The movement of goods and services may be in one direction leaving other countries without goods and services.

FACTORS THAT LIMIT UGANDA'S EFFECTIVE PARTICIPATION IN ECONOMIC INTEGRATION IN THE REGION

Production of similar goods and services: the production of similar goods and services limits international specialization and exchange.

Poor transport and communication network: the poor transport and communication network hinders the movement of goods and services in the region.

Political insecurity: the political insecurity in countries in the region hinders trade for example south Sudan, Somalia, D.R.C etc

Differences in the level of development: some countries in the region are more developed than others for example; Kenya is ahead of Uganda in industrial development.

Limited political will and commitment by the political leaders: some leaders in the region are still reluctant to implement economic integration.

Fear of loss of customs revenue: some countries depend heavily on customs revenue and thus fear economic integration or free trade may lead to loss of the customs revenue.

Conflicts among leaders: the conflict among leaders hinders economic integration for example Uganda and Rwanda etc.

Differences in political ideologies: the lack of common political ideology in the region limits economic integration.

Differences in currencies: lack of common currency hinders regional trade.

Fear of unequal sharing of benefits: there is lack of a common mechanism of sharing benefits among member states and this hinders regional economic integration.

Differences in social factors: the difference in social factors such as customs, languages and religion hinders regional economic integration.

Limited public support: there is limited political will and support from the public due to ignorance of the benefits of integration.

POLICY MEASURES BEING TAKEN BY THE UGANDA GOVERNMENT TO PROMOTE FOREIGN TRADE IN THE REGION

Regional economic integration i.e. formation of economic grouping: the government of Uganda is encouraging and joining regional economic groupings for example the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA) etc. this is aimed at promoting free trade in the region hence widening market for Uganda’s exports

Improvement of international transport and communication network: the government is extending and improving both international transport and communication network for example road network, airport facilities, international communication net work etc to facilitate the movement of goods and services in the region.

Promotion and maintenance of political stability: the government is promoting peace, security and stability in the region in order to encourage investment and trade.

International trade shows and exhibitions: through encouraging and facilitating international trade fairs and exhibitions, the government is able to market Uganda's exports and trade opportunities internationally for example the UMA international trade fair at lugogo show grounds.

Diversification of exports: the government is diversify Uganda's exports by encouraging export of many non- traditional cash crops for example for example vanilla, flowers, fruits, and fish.

Formation of export promotion institutions: the government is putting in place export promotion agencies to promote international trade for example Uganda export promotion council, national chamber of commerce and industry, etc

Liberalization of the economy: the government is liberalizing the foreign exchange restrictions through allowing the setting up of private forex bureaus. It has liberalized the banking sector by allowing many international banks to do business in the country.

Easing the movement of people and factors of production; the government is easing the movement of people and other factors of production across borders by removing many rigid immigration document and introduction of the East African passport.

Removal of trade barriers (trade liberalization): the government is removing many trade barriers and restrictions by liberalizing trade thus allowing free exchange of goods and services in the region.

Exchange of bilateral trade deletions; the government is encouraging exchange of trade delegations between different countries in order to promote trade in the region.

Strengthening commodity agreement: the Uganda government is making and strengthening commodity agreements to which she is a signatory in order to increase her bargaining power for example Africa Growth Opportunities Act (AGOA) etc.

Adding value to exports: the government is encouraging value addition to exports by processing them into finished products to make them more competitive internationally and hence fetches high prices.

DIFFERENCES BETWEEN HOME TRADE AND INTERNATIONAL TRADE

Home trade involves the movement of goods and services within the boundaries of a country while international trade involves movement of goods and services across international boundaries of different countries.

Home trade transactions involve the use of local currency for example the Uganda shilling while international trade involves the use of foreign currencies such as the United States Dollar.

Home trade is made up of retail trade and wholesale trade while international trade is made up of export and import trade.

Home trade involves simple formalities and a few documents while international trade involves elaborate formalities and many documents.

Goods in home trade are subjected to few restrictions while those in international trade are subjected to many restrictions.

Home trade involves the use of local languages while international trade involves the use of foreign languages.

Home trade involves the use of local advertising media while international trade involves the use of international advertising media.

Goods in home trade are subjected to excise duties while that of international trade are subjected to customs duty.

Few risks are involved in home trade while many risks are involved in international trade.

Road and railway transport are mainly used in home trade while water and air transport are mainly used in international trade.

Home trade involves smaller market while international trade has a wider market.

Goods in home trade are kept in public ware houses while those in international trade are kept in bonded warehouse.

Copy the notice attentively as you read and understand.

Do not forget to invoke the Holy Spirit to guide whoever involved in the struggle of fighting corona virus.

May God Bless you all.

From Bro.WASSWA PETER(0704504485/ 0777691436)