

ABSTRACT

This study applied the gravity trade model to evaluate Kenya's benefits from regional trade within the EAC partner states and the role played by each partner country towards the growth of Kenyan exports. A panel data analysis was used to accommodate the time invariant country specific effects and to capture the relationship between the relevant variables overtime. We found the fixed effects model suitable and preferred to the random effects gravity model. The study affirmed the gravity model expectations that National income, population and Distance (proxy for transport costs), are important determinants of bilateral trade. In addition, openness variable was found to be insignificant though it had a positive relation with growth of Kenyan Exports. The results further reveal that Kenya has tremendous trade potential with Uganda, Tanzania and Burundi hence trade should be encouraged in the bloc.