The Benefits of Regional Economic Integration for Developing Countries in Africa: A Case of East African Community (EAC)*

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Abstract

Regional Economic Integration (REI) refers to the commercial policy of discriminatively reducing or eliminating trade barriers only between the states joining together. Hereby, the lowest level of collaboration involves trade while a deeper integration goes beyond trade. Geographical proximity, cultural, historical, and ideological similarities, competitive or complementary economic linkages, and a common language among the Partner States are importantly required for effective economic integration.

The East African Community (EAC) (our case study) is one of the oldest Regional Economic Arrangements in Africa comprising the Republics of Kenya, Uganda, Tanzania, Rwanda and Burundi, with its headquarters located in Arusha, Tanzania. EAC Partner States share a common history, language, culture and infrastructure. These advantages provide them with a unique framework for regional cooperation and integration. Within this situation, the EAC offers many benefits to its Partner States including: increased trade, expanded markets, attraction of Foreign Direct Investment (FDI), increased bargaining power, strengthened security and conflict resolution in the region, and the free movement of people across the region. Furthermore, EAC Member Countries undertake several projects together including; transport and communication projects, collective employment and poverty reduction, joint environmental conservation especially on Lake Victoria, and joint tourism promotion.

However, and in the view of the contemporary global trend in which trade negotiations are increasingly being conducted under regional arrangements, and in order to benefit more from this integration, Partner States should strengthen their integration by ensuring among others full political commitment, good governance and by solving the problem of multiple membership facing them.

Keywords: common, unique framework, FDI, governance membership

* Burundi and Rwanda are new members of EAC from July, 2007.
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I. Introduction

1. Overview

The theory of economic integration can be regarded as the commercial policy of discriminatively reducing or eliminating trade barriers (technical and non-technical barriers) only between the states joining together (Salvatore, 2004). The main inspiration is the political and economic preferences among the members. Regional economic groups eliminate or reduce trade tariffs (and other trade barriers) among the Partner States while maintaining tariffs or barriers for the rest of the world (non-member countries).

The lowest level of collaboration in regional arrangements by and large involves at least trade, but deeper integration goes further and covers issues other than trade. “In some aspects, the United States is the perfect example of economic integration—the largest economy comprised of fifty states in the continental United States plus Alaska and Hawaii, a common currency, and a perfect labor and capital mobility and however it is just a one (check reference) country” (Daniels et al., 2004: 204).

Regional economic integration in Africa has a long history, but indeed, it has not been so effective and it faces some challenges including overlapping memberships due to the multiplicity of its economic communities. In reality, geographical proximity, cultural, historical and ideological similarities, competitive or complementary economic linkages, and a common language among the Partner States are among the desirable conditions for effective economic integration. The similarity and smallness of the African countries together with the competition between each other in the global market for the same agricultural products are among the reasons responsible for the past lack of success in the economic integration in the continent.

Regional Economic Integration offers many benefits to the participating member countries. However, these benefits are not pre-determined and they depend among other things on the internal design of the integration including the degree of political commitments by the Member States.

The benefits which developing countries in Africa can get from effective and well designed economic integration can better be understood by using East Africa Community (EAC) as a case study. The EAC is the regional intergovernmental organization of the Republics of Kenya, Uganda, Tanzania, Rwanda and Burundi, with its headquarters located in Arusha, Tanzania.¹ The people of EAC share a common history, language, culture and infrastructure. These advantages provide the Partner States with a unique framework for regional co-operation and integration. The regional co-operation and integration envisaged in the EAC is broad based, covering trade, investments and industrial development; monetary and fiscal affairs; infrastructure and services; human resources, science and technology; agriculture and food security; environment and natural resources management; tourism and wildlife management; and health, social and cultural activities (EAC Establishment Treaty, 2002).

¹ From: EAC Official Website: http://www.eac.int.
2. Statement of the problem

Regional economic communities are formed because of the expected benefits from them. According to Iyoha (2005), an important feature of the higher levels of economic integration is free trade among members and this free trade is expected to lead to a rapid increase of trade which in turn is likely to lead to rapid economic growth. These gains result from the dynamic effects of integration which are cumulative in nature and lead to growth. Indeed, the dynamic effects of integration are often described as the long-run consequences of economic growth of member states as a result of increased market size and exploitation of economies of scale, increased competition, learning by doing, and increased investment (Iyoha, 2005). This increased investment according to Salvatore (2004), is due to the fact that economic integration is likely to encourage multinational corporations to invest and produce within the integrated economies to avoid trade restrictions imposed on nonmember states. Among these dynamic effects of economic integration, Salvatore (2004) argues that, increased competition is the greatest one as it motivates producers to become more efficient in order to be able to compete with other producers, to merge or to be forced out of the business.

Some economic communities and in particular the European Economic Community (EEC) have shown that the larger the integration (in terms of the size) the more likely it is to lead to growth since the larger the integration, the larger the market created and so on. Also, the stronger the potential economies of scale are, and the more rapid the autonomous productivity advances, the more likely the integration will lead to growth. Thus, and as Iyoha (2005) argues, the contribution of regional economic integration to economic growth will be greater if the exploitation of scale economies, made possible by increased market size, takes place at the same time as learning by doing.

Several attempts of regional economic integration in Africa have been put into place over time but according to Yang and Gupta (2005) they have been ineffective in promoting trade and attracting Foreign Direct Investment (FDI) in the continent. Relatively high external trade barriers and low resource complementarity between Partner States limit internal and external regional trade. Small market size, poor transport facilities and high trading costs make it difficult for African countries to reap the potential benefits of economic integration (Yang and Gupta, 2005).

Recently, as Schiff and Winters (2002) clearly pointed out, there has been an increasing trend towards regionalism and it has made regional economic integration a part and parcel of the present global economic order. This trend is now a recognized feature of the international scene and has achieved new meaning and new significance. Many factors contribute to this current growing trend of regionalism and they include among others the desire to obtain more secure access to major markets, the pressure of globalization, the fear of being left out while the rest of the world sweeps into regionalism, and governments desire to bind themselves to better policies including democracy and to signal such bindings to domestic and foreign investors (Schiff and Winters, 2003). Even though the trend of regionalism is currently increasing, according to FONDAD (1996)\textsuperscript{2} economic integration can only have the potential to be growth enhancing if it

promotes investment in both physical and human capital.

According to Todaro and Smith (2006), the trade hypothesis of developing countries should go beyond greater trade with one another and move in the direction of economic integration. “The basic economic rationale for the gradual integration of the less developed is a long-term dynamic one: Integration provides the opportunity for industries that have not yet been established as well as for those that have to take advantage of economies of large-scale production made possible by expanded markets” (Todaro and Smith, 2006: 646). It is through these benefits and particularly the success of other regional arrangements like the European Union that has caused countries in Africa and other parts of the world to sweep into regionalism.

In Africa, however, there are several regional economic communities with a long history of existence but in most cases they are not very effective and the benefits from them are limited. Resources similarities and overlapping memberships are among the main problems for the limited benefits. Overlapping membership makes it difficult for the Member States to implement competing strategies of different economic groupings. Apart from overlapping membership, the integration arrangements are not characterized by strong supranational bodies and virtually all integration institutions are intergovernmental. This is because many developing nations are not willing to relinquish their sovereignty to a supranational community body, as is required for successful economic integration (Salvatore, 2004).

Given the current increasing trend of regionalism, developing countries in Africa need to carefully assess, taking experience from the EU and other successful economic communities, the extent in which they can benefit from effectively integrating their economies. It is through this reasoning that this study aims to reexamine how economic integration can be advantageous to the developing countries in Africa. This will be done by considering the benefits which EAC member countries are enjoying as an outcome of their economic integration.

3. Objective, Research Question, Methodology and Scope of the Study

The objectives of this paper are to study the literature related to regional economic integration and identify the general benefits which can be obtained from economic integration schemes. In relation to this, this paper will explore the several attempts made at regional economic integration in Africa and the problems encountered so far. However, the specific objective of this paper is to study the East African Community (EAC) as one of the regional economic communities in Africa and to identify the benefits that its member countries are getting or expecting to get as a result of being in such a regional economic community.

The main research question which guided this study is ‘What are the benefits (economic, political, social and cultural) which EAC member countries (Kenya, Tanza-
nia and Uganda) are getting or expecting to get as a result of being in such a regional economic community?*

This thesis employs a case study approach in finding out how economic integration can benefit developing countries in Africa. The case of the East African Community (EAC) will serve as the case. The gathering of the required information for the study came mostly from secondary information, largely collected from the EAC, research reports, websites and journals. In addition, this study mostly focused on reanalyzing data which are already available about the East African Community. Therefore, this paper is deeply-rooted on the analysis of secondary data. The most referred to sources are the EAC Development Strategy 2006-2010 and the EAC Official Website (www.eac.int).

Although the EAC currently has five member states (Tanzania, Kenya, Uganda, Rwanda and Burundi), the scope of this study is limited only to the former three member countries of the community namely; Uganda, Kenya and Tanzania. This is primarily due to the availability of the data.3

II. Theoretical Aspects of Regional Economic Integration

1. Overview of Regional Economic Integration (REI)

Regional economic integration is a post World War II (WW II) phenomenon and therefore it is not a new concept. It has been around for hundreds of years (Schiff and Winters, 2003). The post WW II period has seen a growing interest in integrating national economies at regional levels, though the efforts have often floundered due to political differences and unforeseen economic hurdles. The motivation for regional economic integration arises out of the realization of the limitations imposed by national frontiers and the expected benefits of trade, investment and economic efficiency. It begins by voluntary mingling or merging the socio-economic and political systems of the Member States. A good example of how the regional economic integration starts can be seen from the history of the European Union which began in 1951 with the establishment of the European Coal and Steel Community (ECSC) by six countries only, namely; The Netherlands, Britain, Italy, Luxembourg, France and the then West Germany. This was followed by the establishment of the European Economic Community (EEC) in 1957 and European Free Trade Association (EFTA) in 1960 (Daniels et al., 2004).4 These schemes and more importantly the survival and apparent success of the EEC triggered a proliferation of integration schemes in Latin America, Asia and Africa (Schiff and Winters, 2003).

Regional economic groupings can take several forms raging from the Free Trade Area (FTA), Customs Union, Common Market, Economic Union and lastly Political

3 As pointed out earlier, Rwanda and Burundi have just joined the EAC in July 2007 and therefore they have not participated much in the activities of the community and most of the data are referring to the former member state-Kenya, Tanzania and Uganda.
4 European Union Milestone, (Table 7.1), p.207.
These forms are diverse, involving different levels of economic integration. According to Daniels et al. (2004), most trade groups contain countries in the same area of the world (although not necessarily), for the reasons that, the distance that goods need to travel between such countries is short and consumers’ tastes and preferences are likely to be similar, and distribution channels can be easily established in adjacent countries resulting in reduced distribution cost. Another reason is that the neighboring countries may have a common history and interests, and they may be more willing to coordinate their policies. But the question which we can draw here is why countries agree to integrate their economies. This question can be answered by knowing the motivations or benefits which drive countries towards economic integration. This is examined in the following section.

2. Motivations and Benefits of Regional Economic Integration

The benefits of regional economic integration depend on the level of economic integration and the deeper the integration, the greater the benefits to the participating Partner States. However, the degree of integration depends upon the willingness and commitment of independent sovereign states to share their sovereignty. Driving forces and motivations for economic integration are diverse. Pangestu and Scollay (2001) identified trade, development and political and security as the main motives for economic integration in developing countries. Hoekman et al. (2002) pointed out economic aspects and political aspects as the main motives of economic integration. Hoekman et al. (2002) are clearer because trade and development as pointed out by Pangestu and Scollay (2001) can together be put under economic aspects.

Under economic aspects, Hoekman et al. (2002) pointed out that, the development impacts of economic integration for membership depend importantly on the countries that are involved, the type of agreement, and its substantive coverage. Recent research has suggested that of particular importance to developing countries are whether large industrial countries are members of the agreement, the extent of sectoral exclusions, and the degree to which the regional economic integration involves deeper integration—that it extends beyond preferential elimination of barriers to trade in goods (Hoekman et al., 2002).

Economic effects of regional integration according to Hoekman et al. (2002) include trade creation, trade diversion and transfers. According to Todaro and Smith (2006), trade creation occurs when common external trade policy and internal free trade lead to a shift in production from high to the low cost Partner State in the community. Trade diversion on the other hand arises when imports from the rest of the world are replaced by more expensive imports from the partner country. “Trade diversion is normally considered undesirable because both the world and member states are perceived to be worse off as a result of diversion of production from efficient foreign suppliers to the less efficient domestic industries of member states” (Todaro and Smith 2006: 647). The overall gain depends on whether trade creation is larger than trade diversion.

Regional economic integration can serve a useful economic purpose beyond the direct gains from trade liberalization, by reducing uncertainties and improving credibil-
ity and thus making it easier for the private sector to plan and invest. Indeed, reducing uncertainty may be vital for realizing gains from liberalization. Whether economies benefit from a particular regional trade agreement depends on the scope and coverage of its provisions, the nature of the enforcement mechanism and the circumstances in which the agreement can be modified (Fernandez, 1997).

According to Park and Park (2007), economic integration can also serve as incentives for investment and attraction of Foreign Direct Investment (FDI). General reforms such as stabilization, market liberalization, and privatization adopted under regional arrangements can raise returns to all factors and are likely to be more than enough to increase private investment. Also as Baldwin and Venables (2004) pointed out, economic integration can help to ensure that production is located according to comparative advantage in each member state which in turn will lead to specialization which will further lead to increased output and services thus making the whole region better off as a result of such specialization scheme.

Regional economic integration example in the form of customs union can also increase the negotiating capacity for developing countries.

“Formation of a regional unit can increase the bargaining strength of the member countries. This requires an ability to adopt a unified regional position on the relevant issues. This is particularly important for negotiating trade and international commodity agreements with third parties. A prerequisite for this, however, is the coordination of national agricultural and industrial policies. It may be possible to obtain more trade concessions en bloc as opposed to individually.”5

In relation to political aspects, Hoekman et al. (2002) pointed out that many regional economic communities have been driven by political rather than economic goals. These political objectives include among others security, governance, democracy, and human rights. A good example is the European integration whose founding fathers sought to create a framework within which Franco-German wars would no longer be possible.6 Hoekman et al. (2002) argue that regional economic integration can enhance security because it increases the level of trade between member countries and, in so doing, increases familiarity between the people of the member countries and lessens the degree of misconception. It can also be a means through which democracy and governance objectives can be pursued and to lock in changes in political institutions. But generally, although economic integration can create political and security benefits (if these were parts of the objectives), it may also worsen security and this is likely to happen where the distribution of transfers is asymmetric between the member states.

Generally, the benefits from economic integration in terms of larger markets, greater competition, and the realization of economies of scale will depend on, among

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6 With this motive in mind, the European Coal and steel Community (ECSC) was founded in 1951 and the European Economic Community (EEC) in 1957, Hoekman et al. (2002: 554).
other things, the extent to which it involves deeper integration; that is, to what degree it extends to services markets and regulatory regimes that determine the conditions of competition existing in the regional markets (Hoekman et al., 2002). Todaro and Smith (2006) generally said that the developing countries at comparatively equal stages of industrial development with similar market sizes and with a strong interest to bring together and rationalize their joint industrial growth patterns stand to benefit from the combined inward and outward looking trade policies represented by economic integration. Todaro and Smith (2006) continued to argue that regional groupings of small nations like those of Africa can create the economic conditions (mainly in the form of larger internal markets) for accelerating their joint development effort and such groupings can also encourage long-run development. For this reason, economic integration should be seen as a means to promote a balanced division of labor among a group of countries, each of which is too small to benefit from such a division of labor by itself. Also, according to Todaro and Smith (2006), the fact is that, without integration, each individual country may not provide enough domestic market to enable local industries to lower their production costs through economies of scale. Maruping (2005)\(^7\) emphasized that the benefits of regional integration, and indeed globalization, remain a critical part of Africa’s workable development strategy. Maruping (2005) continued to argue that the era of isolated tiny national economies has to give way to strategic alliances that harness knowledge and resource based comparative advantages through integration and this however does not come effortlessly and at no cost, a lot of dedicated planning and hard work must be put in first.

As we all know, one of the major problems developing countries face is the formulation and implementation of good macro economic policies. Consequently, these countries have experienced instability in their macroeconomic environment and thus regional integration can help them to harmonize their macro policies, including fiscal and monetary policy and to achieve a stable macroeconomic environment within the integrated economies.

III. REGIONAL ECONOMIC INTEGRATION IN AFRICA

1. Attempts at Economic Integration among Developing Countries in Africa

According to Salvatore (2004), the success of the European Union has encouraged many attempts at economic integration among groups of developing nations in Africa as a means to stimulate the rate of economic development but most of these attempts met with only limited success or even failure. The main problem to the successful economic integration in African countries is the uneven distribution of benefits among members. The benefits are likely to accrue mainly to the most developed nations in the community. This leads to a withdrawal of lagging nations, causing the attempt at

economic integration to fail. This is one of the reasons that caused the former East African Community to collapse in 1977.⁸ According to Salvatore (2004), one way to avoid this problem is to provide investment support through industrial planning by assigning some industries to each Partner States in relation to their comparative advantage.

Another difficulty is that many of the developing nations in Africa are not willing to give up part of their sovereignty to a supranational community body, as is required for successful economic integration (Salvatore, 2004). For example, during the integration process of the EU, member states agreed to set up a supranational body which is independent from the government of the member states. As pointed out earlier, this is one of the requirements for effective economic integration. Due to the fear of losing their sovereignty, most of economic communities in Africa are intergovernmental institutions. Other difficulties are due to poor transportation and communication systems among the member states, often the greatest distance separating members, and the basically complementary nature of their economies and competition among themselves for agricultural export in the global market (Salvatore, 2004). The problems mentioned above, combined with others therefore limit the benefits of regional economic integration to the participating member countries and mostly to the developing countries in Africa.

Historically, regional economic integration in Africa traces back to 1910 with the formation of Southern African Customs Union (SACU) by the countries of Botswana, Lesotho, Namibia, Swaziland and South Africa. Other main economic arrangements include East African Community (EAC), Southern African Development Community (SADC), the Economic Community of Central African States (ECCAS, Economic Community of West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA), Arab Maghreb Union (AMU) etc. Also there is the planned African Economic Community, whose treaty was signed in 1991 (the Abuja Treaty) and it is expected by (what do you mean?) 2025 (Iyoha, 2005). All these efforts are aimed at unifying Africa, but as pointed out earlier, there has been limited success due to the various problems which the region is facing including the internal civil wars.

The next section presents some of the reasons which call for effective economic integration in Africa.

2. Rationale for Economic Integration in Africa

Africa is the most fragmented continent in the world and therefore, economic integration will help to bring these developing countries together for mutual economic, political, cultural and social benefits. But in reality, the need for economic integration is usually perceived to be the result of the nature of the problems that individual African countries are confronted with in the attempts to industrialize and modernize their economies, while achieving self-sufficiency.⁹ These problems include “difficulties in

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⁸ As pointed out earlier East African Community was found in 1967 and in 1977 it collapsed due to among other reasons unequal distribution of benefits between the member states.

gaining access to all required materials, following the uneven spread of natural resources and the lack of funds; difficulty in finding efficient and affordable technologies to suit domestic market conditions; difficulty in securing domestic and external markets for manufactured goods."10 Also, individual countries in Africa are too small to provide meaningful domestic markets for both heavy and light industrial goods produced with equipment designed for larger scales of production, thereby forcing the acceptance of ineffective production techniques. The smallness of countries and the large number of them competing with one another on international markets for the same agricultural products often reduces the strength of their bargaining on such markets hence the need for regional arrangements to increase the negotiating power.

In addition to the small size of nations, the fact that many African economies are dependent on a narrow set of similar primary products generally affects their participation in world trade. Africa’s participation in world trade, which has never been significant, has fallen in the last decade and intra-regional trade is itself very low.11 To offset the unfavorable trends of external markets, it is often suggested that increased trade among African nations could bring greater advantages to the nations involved and help them to mobilize their resources by finding markets for their goods. This would be especially so if it involved some regional groupings. McCarthy (1996) has observed that the small size of most of these developing economies in Africa restricts their ability to benefit from lower unit costs (derived from economies of scale) and viable import-substituting opportunities, hence the argument that African countries should attempt to create effective economic integration. This will enable manufacturers to produce at lower unit costs for a larger protected market. In this light, formation of regional integration arrangements has been pursued as a developmental objective by many African governments. It can be concluded here that, Africa does not only need economic integration, but an effective one designed in a good manner.

3. Reasons for the past lack of success of economic integration in Africa

Despite the multiplicity of groupings, economic integration in Africa has not been very effective. Among the reasons which can be mentioned for this ineffectiveness include the following:

Firstly, most African states have suffered from harsh macroeconomic disequilibria, foreign debt service burdens, highly valued currencies, lack of trade finance, and a narrow tax base, with customs duties a substantial source of revenue (Matthews, 2003).

Secondly, limited national and regional capacities and specifically the lack of mechanisms and resources for effective planning, coordination, implementation, monitoring and pragmatic adjustment of programmes on the ground have been another constraint to regional integration in Africa (Maruping, 2005).

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Thirdly, according to Matthews (2003), the protective import substitution strategies adopted by most countries since independence resulted in a lot of regulations restricting trade like licensing, administrative foreign exchange allocation, special taxes for acquiring foreign exchange, advance import deposits etc. thus making the economic context unfavorable to the development of regional commitments in Africa.

Fourthly, the design of African integration schemes around inward-looking industrialization meant that the economic costs of participation for member states are often immediate and concrete (in the form of lower tariff revenues and greater import competition), while the economic benefits are long-term and uncertain and are often unevenly distributed among the member states (Matthews, 2003).

Fifthly, the supremacy of a few countries and the huge difference in size among members of regional integration raise a question about the distribution of benefits and most regions have found it difficult to address the equitable distribution of gains and losses from integration (Matthews, 2003). According to Hoekman et al. (2002) East Africa Community collapsed in 1977 due to this problem because Kenya had a more developed manufacturing sector than Tanzania and Uganda resulting in large income transfer from the other two members to Kenya. Mechanisms to provide compensation to the less developed members of groupings have been either absent or ineffective in most of regional economic communities in Africa. But this depends on how the economic integration was designed from the very beginning.

Sixthly, as Mistry (2000) pointed out, the political commitments to African integration have been restricted to a small group of political leaders and senior technocrats and hence the implementation, costs, benefits and opportunities of integration were neither fully understood nor supported by all levels of government nor by an adequately wide range of public opinion.

Lastly, according to (Matthews, 2003) the institutional weaknesses, including the existence of too many regional communities, a tendency towards top-heavy structures with too many political appointments, failures by governments to meet their financial obligations to regional organizations, poor preparation before meetings, and lack of follow up by Sectoral Ministries on decisions taken at regional meetings by Head of States has contributed to the past failure of the economic integration in Africa. Also as Iyoha (2005) insisted, the overlapping memberships in regional communities can cause complications and inconsistencies due to conflicting obligations and divided loyalties. The diagram below shows the multiplicity of regional economic communities in Africa. This is just to mention the few among the reasons responsible for the past lack of success in economic integration in Africa.

The new East African Community (EAC) is designed in such a way that takes into consideration reasons of the past lack of success in African integration as well as to avoid the problems that led to the demise of the former East African Community in 1977.

On the issue of political commitment, the new East African Community is receiving good political support from the leaders of Member Countries.

There are ongoing tripartite meetings among the members of Southern African Development Community (SADC), Common Market for Eastern and Eastern and Southern Africa (COMESA) and East African Community (EAC), aiming at harmonizing
and facilitating trade within the three blocs. This effort tries to solve, inter-alia, the problem of multiple/overlapping memberships.

The new setup of East African Community also recognizes the fact that one of the Member States—Kenya has an advanced economy compared to the others. This is taken care by the Asymmetry Clause in the Protocol for implementation of the Customs Union. This clause provides that goods from Kenya to other members will continue facing tariffs for a period of five years from 2005 to 2010, while other members will export to Kenya under duty free. The Asymmetric Clause intends to level the economies of Member States so as to ensure fair play in the community’s activities.

The new East African Community is an outward looking integration as opposed to inward looking integration. Trade liberalization is being insisted on in the community and in relation to this the EAC Member Countries are negotiating Economic Partnership Agreement (EPA) with European Union (EU) which will further open the EAC market to EU.

It is worth noting that since the re-inauguration of the new EAC, the integration process has been carried out successfully and as pointed out, Member Countries of East African Community are now negotiating a Common Market Protocol. In general, we can say that the performance of the community’s activities is pleasing. It is this good performance and its long history of existence (since, 1967) that has brought about the East African Community to be chosen as a case study in this research paper. The history, status of cooperation in some selected areas and the benefits that East African Community offers to its Member Countries are explained in the following chapter.

IV. A Case Study of East African Community

1. History of the East African Community (EAC)\(^{12}\)

Historically, cooperation in East Africa (Kenya, Uganda and Tanzania) goes back a long way on account of these countries being neighbors, their people engaging in trade across the borders, and on having the shared common colonial administration under the British\(^{13}\). These countries in 1967 established the East African Community (EAC) which lasted until 1977 when it collapsed for different reasons including different political ideologies. After the demise of the East African Community in 1977, the East African countries negotiated and signed the East African Community Mediation Agreement in 1984.\(^{14}\) Through this agreement the countries divided among themselves the assets and liabilities of the defunct Community which marked the end of the structured tripartite co-operation, although bilateral relations between the three countries continued. One of the positive elements of that Mediation Agreement was a provision for the possibility of a future of co-operation between the three countries. This provision paved

\(^{12}\) Materials covered under this are from EAC official website (www.eac.int), EAC Development Strategy 2006-2010 and the treaty for the establishment of EAC, 2002.

\(^{13}\) EAC Development Strategy 2006-2010.

\(^{14}\) Ibid.
The Benefits of Regional Economic Integration for Developing Countries in Africa

way to the re-establishment of the East Africa Community in 1999. The Treaty for the establishment of the new “East African Community” was signed by the Heads of State of the partner states on November 30, 1999 in Arusha, Tanzania and came into force on 7th July 2000. The East African Community was formally and officially launched by the Heads of State on 15th January 2001.15

The broad goal of the EAC as envisaged in its establishing Treaty is to widen and deepen co-operation among Partner States in political, economic, social and cultural fields, research and technology, defense, security and legal and judicial affairs for their mutual benefits. The vision of the EAC is to have a prosperous, competitive, secure and politically united East Africa.16 The mission however is to widen and deepen economic, political, social and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investment.17 Emphasis is placed on accelerating development and building the capacity to compete effectively in the world economy.

The first enlargement of the Community was made in July 2007 when the countries of Rwanda and Burundi officially joined the Community. Therefore, the Community now has five member states namely: Tanzania, Kenya, Uganda, Rwanda and Burundi. The EAC now is at the customs union and it has already launched negotiations for a common market which is to be the next stage in the integration process.18

2. Status of Cooperation in East African Community in Some Selected Areas

As pointed out earlier, the regional co-operation and integration envisaged in the EAC is broad based, covering trade, investments and industrial development; monetary and fiscal affairs; infrastructure and services; human resources, science and technology; agriculture and food security; environment and natural resources management; tourism and wildlife management; and health, social and cultural activities. This chapter therefore will look on the status or implementation of some of these issues including what is currently going on. It is important to note that EAC member countries cooperate in many areas as stipulated in the treaty establishing the EAC and therefore what is narrated hereunder is just a few of them.

The countries of EAC have agreed and together are now negotiating the Economic Partnership Agreement (EPA) with the European Union19 and have already signed a trade pact with the European Union.20 This was a tough decision to achieve be-

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19 “A major dispute between partner states of the East African Community has been averted after the parties agreed that all the five members will now collectively sign one Economic Partnership Agreement (EPA) with the European Union when the current Cotonou pact governing trade between the EU and the ACP (Africa, Caribbean and Pacific) countries expires at the end of this year” (EAC states avert major dispute over trade agreements with EU - The East African newspaper (20 August, 2007).
20 “East African Community partner States have concluded negotiations with the European Commission on a pact that will guarantee duty and quota-free access of goods from the latter to EU markets …” Accord-
cause Kenya and Uganda were negotiating the EPA under COMESA while Tanzania was negotiating under SADC. Negotiating together as a bloc is more beneficial as these countries are very small to have substantial impact in multilateral negotiations individually.

The EAC member countries have introduced a common passport valid within the community to facilitate cross-border movement of the nationals of its member states and it issued in all three EAC member countries. The holder of the passport (EAC passport) can enter any East African country for a period of six months without the need to stamp his/her passport. The East African passport is designed to ease cross border movements for citizens of the member states. Other measures to ease border crossing for East Africans include issuance of inter-state passes which commenced on 1st July 2003; a single immigration Departure/Entry card which has been adopted by the partner states; harmonization of the procedures of work permits and the classification process which has been finalized; and the studies on the harmonization of Labor Laws and Employment Policies which are at their final stages of compilation.\(^{21}\)

Also economic co-operation and development have been prioritized in the ongoing regional programme in the EAC. A number of identified regional projects, which are deemed to have the greatest impact on the lives and livelihoods in the region, are underway. These include the Lake Victoria Development Programme, the East African Road Network Project, East African Power Master Plan and other high profile infrastructure projects that are at various stages of implementation.\(^{22}\)

EAC member countries are also working together towards improving communications and transportation within and across the borders of the member states. Information and Communication technologies (ICT) have spread more rapidly in the East African and are seen as very important to the region’s economic development, democratization, social advancement, cultural progress and competitiveness.\(^{23}\)

By knowing that transportation and communications are the main problems within the region, a Tripartite Agreement on Road Transport has been ratified by Partner States. The main objectives of the agreement are to facilitate interstate road transport through reduced documentation for crews and vehicles at border crossings, harmonized requirements for operation licensing and customs and immigration regulations, among others. In order to fast-track decisions on transport and communications, the EAC established the Sectoral Council on Transport, Communications and Meteorology. The East African Road Network Project is currently working to improve East African infrastructure with a view to facilitate trade.

Regional infrastructure interventions are very important in attracting investment, improving competitiveness and promoting trade.

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\(^{22}\) EAC Development Strategy 2006-2010.
The partner states of EAC have also adopted together an action program that will focus on increased employment and poverty reduction in the region.24 Poverty remains high in all partner states and the general characteristics are similar between the member states. The EAC policies, projects and programmes intend to contribute completely and automatically to poverty reduction through their general focus on integration. The EAC projects and programs are assessed so as to know how they contribute towards poverty eradication in the region. In the area of labor and employment EAC member states have adopted a harmonized classification for issuance of entry/work permits consisting of twelve sectors and classes of entry/work permits.25

The EAC partner states have signed (in April, 2006), important protocols that will promote tourism in the EAC region. These protocols are the protocol on Environment and Natural Resources Management and the protocol for the Standards Criteria for the Classification of Hotels, Restaurants and other Tourist Facilities. These protocols will help in promoting East Africa as a single tourist destination and will result in attracting more tourists and increasing the contribution of the tourism industry to the East African economy. To further improve the tourism sector, EAC member states have established the EAC Tourism Council.

Member countries of the EAC are undertaking together environmental conservation programmes like that of conserving Lake Victoria. Lake Victoria is a common factor shared by Tanzania, Kenya and Uganda. Lake Victoria is facing problems of persistent decline of water levels and increasing levels of pollution. East African partner states have taken a number of steps to preserve the lake through the implementation of the Lake Victoria Environmental Management Program. The establishment of the Lake Victoria Commission mandated by the East African partner states in ensuring sustainable use of Lake Victoria is vital for the sustainability of the lake and the Commission is responsible in overseeing the management and development of the lake Victoria Basin.26

In relation to cooperation on development of human resources, and science and technology, partner states are working on the protocol on the establishment of a Science and Technology Council and it is under a good stage of clearance while the regional study on harmonization of curricula, examinations, certification and accreditation has to be concluded.27 The East African Advisory Committee on Education, Research and Training has been formed and is active since 2002.

Regarding political matters, peace and security, legal and judicial affairs, the EAC partner states have established two important organs namely East African Court of Justice (EACJ) and the East African Legislative Assembly (EALA). Also there are memoranda of understanding guiding cooperation in foreign policy, and in defense and security.

3. Benefits that East African Community offers to its Member Countries

The benefits or impacts which developing countries in Africa can get or expect to get from regional economic integration can be better understood by looking at the benefits that member countries of EAC are getting or expecting to get out of that economic

integration. EAC is one of the old regional economic communities (since 1967) in Africa. Given such history the new East African Community started with a customs union as the first stage in the process of economic integration. But the customs union as explained in the introductory part was supposed to be the third stage of integration after the preferential trade and free trade areas. Therefore, real economic integration in the region commenced with the customs union.

Since the re-launching of EAC, Member countries of the EAC have been enjoying some benefits and they are expecting to benefit more from that economic community. However, more benefits are expected at the higher level of economic integration. This chapter will point out the benefits of EAC to its member states.

3.1 Increased/expanded market

Regional cooperation offers one route to overcome the disadvantages of economic smallness, by pooling resources or combining markets. Tanzania, Kenya and Uganda are all developing countries with small economies. In 2005, Kenya had a GDP of US$19 billion, Tanzania US$10.3 and Uganda US$9. These economies are too small on their own to attract any major investment in this globalised economy. By moving towards the economic integration via the EAC they have created a single market of over 90 million people (2005) and a combined GDP of around US$38.3 billion. Thus, we can say that the EAC provides its partner states with a wider market within which investors can take advantage of economies of scale and thereby produce competitively. Furthermore, it provides a training ground and facilitates them to survive within the liberalized and competitive world market.

3.2 Increased Foreign Direct Investment (FDI)

Investment, both foreign and domestic, is one of the important macroeconomic aspect which has attracted the attention of all member countries in the EAC. The customs union has promoted cross-border investment and served to attract investment into the region. This is because the enlarged market with minimal customs clearance formalities is more attractive to investors than the previously small individual national markets. The customs union has also offered and is expected to offer a more predictable economic environment for both investors and traders across the region as regionally administered common external tariff and trade policy will tend to be more stable. (Table 1) below shows the FDI flows and stock (in million US$) for EAC member countries, i.e. Kenya, Tanzania and Uganda. Inward FDI flows and FDI stock in 2000 and 2004 is more favorable as compared to the period of 1992 to 1997 without the integration. Inward FDI will benefit the economies of the member countries by bringing in new technologies, new managerial practices, capital and new ways of doing business. Although there may be other factors specific to the country responsible in attracting FDI, we cannot deny the fact that stable investment environment brought on by the economic integration (customs union) is the main factor. In Kenya, investments from partner states are mainly in the manufacturing and trade sectors, in Tanzania, investments are dominantly...

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in the manufacturing, tourism and transport sectors, and in Uganda the investments are in the manufacturing, agriculture and tourism sectors (EAC Trade Report, 2005).

Table 1: Foreign Direct Investment Flows and Stock (million US$)

<table>
<thead>
<tr>
<th></th>
<th>Inward FDI Flows</th>
<th>FDI Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>18</td>
<td>111</td>
</tr>
<tr>
<td>Tanzania</td>
<td>90</td>
<td>282</td>
</tr>
<tr>
<td>Uganda</td>
<td>95</td>
<td>275</td>
</tr>
</tbody>
</table>


3.3 Increased negotiation capacity

In view of the current global trend where trade negotiations are increasingly being carried out under regional blocs, the formation of a customs union in East Africa was not a matter of choice but of necessity. It would be difficult for partner states to negotiate a Free Trade Area (FTA) with other regional blocs, for example the EU, unless they have liberalized trade among themselves. Due to the multiple memberships of the partner states in other regional organizations, the EAC customs union can enter into FTAs with other trading blocs, or in the extreme circumstance, merge with them to make a larger trading bloc. It is worth to note that countries which on their own have strong competitive economies such as Germany, France and the United Kingdom (UK) are strong supporters of the EU, which is still expanding by including the former less developed countries of Eastern and Central Europe. The USA together with Canada and Mexico have come together under NAFTA, and want to expand taking on board countries of Central and Latin America. In Asia, the countries of South East Asia are revolving around Japan and China. Therefore, it will be difficult for small countries such as those of East Africa and generally in Africa to negotiate with such giants on their own. As pointed out in chapter 3, member countries of the EAC are together negotiating and have signed a trade pact with European Union.

3.4 Trade development

Trade is one of the main motives of economic integration in East Africa and countries expect to expand their trade to their neighbor’s liberalized market under the agreement. As indicated in (Table 2) below, trade within the EAC has increased over the period of 1991 to 2006. If we compare the national exports (as % of National Exports) of Tanzania, Kenya and Uganda in 1991 (before integration) and in 2006 (after integration), the data shows that countries exported more after integration though there was a slight decrease of trade in 2006. Therefore, we can conclude that the EAC has made it possible for its partner states to expand their trade within the region due to agreed trade liberalization under the agreement. The ongoing implementation of the EAC customs union and deeper integration to be achieved later is expected to provide momentum for even higher achievements on trade.
Let us single out Tanzania and use it to explain more about the trade development in East African region.

3.4 Tanzania Intra-EAC Trade

Tanzania trade with its EAC partner states increased noticeably between 2002 and 2005. Reasons for this increment are increased economic growth in the region, improved business environment and ongoing economic liberalization. During 2005, after one year of implementation of customs union, Tanzania intra-EAC trade volume increased by 13.1 percent (EAC Trade Report, 2005). As it can be seen from (Table 3) below, Tanzania’s imports increased by 29.7% while exports dropped marginally by 2.4% in 2005. During 2006, Tanzania’s trade with its EAC partner states (Kenya and Uganda) increased to US$ 368.04 million, representing an increase of US$ 49.97 million compared to the amount that was recorded a year earlier. Much of the increase in total trade was attributed to imports which recorded an increase of US$ 44.71 million to a total of US$ 220.6 million. On the other hand, exports increased slightly by US$ 5.26 million to US$ 147.41 million which was recorded in 2005. During 2007, exports decreased US$ by 20.71 million to US$ 127.24 million compared to US$ 147.41 million which was recorded in 2006. Generally, Tanzania’s intra-EAC trade has been increasing since 2002, an increase which can be attributed to the re-established EAC and more importantly the Customs Union.

From (Table 4) above, Tanzania’s imports from Kenya rose by 18.4% in 2003, 17% in 2004, 32.6% in 2005, 27% in 2006 and -52% in 2007. As (Table 4) above shows, Tanzania’s exports to Kenya increased by 110.4% in 2003, 7.8% in 2004, 3.6% in 2005, 11.2% in 2006 and 3.1% in 2007. In relation to Uganda, as (Table 5) below depicts, Tanzania’s imports increased by 85.2% in 2003, 73.3% in 2004, -17.2% in 2005, -16% in 2006 and by 20% in 2007. Tanzania’s exports to Uganda rose by 128.3% in 2003, 185.2% in 2004, -12.1% in 2005, -10.6% in 2006 and by -54.5% in 2007.

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Table 2: Country Exports/imports to EAC as % of National Exports

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports Within EAC:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya’s Exports to EAC as % of National Exports</td>
<td>8.0</td>
<td>27.0</td>
<td>22.7</td>
<td>25.0</td>
<td>22.3</td>
<td>18.3</td>
</tr>
<tr>
<td>Tanzania’s Exports to EAC as % of National Exports</td>
<td>2.8</td>
<td>4.6</td>
<td>9.9</td>
<td>7.0</td>
<td>8.3</td>
<td>7.9</td>
</tr>
<tr>
<td>Uganda’s Exports to EAC as % of National Exports</td>
<td>1.3</td>
<td>0.9</td>
<td>2.2</td>
<td>14.0</td>
<td>11.2</td>
<td>10.6</td>
</tr>
<tr>
<td><strong>Imports with EAC:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya’s imports from EAC as % of National Imports</td>
<td>0.4</td>
<td>0.9</td>
<td>1.4</td>
<td>-</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Tanzania’s Imports from EAC as % National Imports</td>
<td>3.1</td>
<td>12.7</td>
<td>7.0</td>
<td>5.0</td>
<td>7.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Uganda’s Imports from EAC as % of National Imports</td>
<td>13.9</td>
<td>36.0</td>
<td>48.4</td>
<td>23.0</td>
<td>28.5</td>
<td>16.8</td>
</tr>
</tbody>
</table>

The Benefits of Regional Economic Integration for Developing Countries in Africa • 87

Table 3: Tanzania’s intra EAC Trade in USD Millions

<table>
<thead>
<tr>
<th>Period</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007&lt;sup&gt;30&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra EAC-Imports</td>
<td>94.65</td>
<td>113.68</td>
<td>135.63</td>
<td>175.92</td>
<td>220.63</td>
<td>110.05</td>
</tr>
<tr>
<td>Intra EAC-Exports</td>
<td>46.03</td>
<td>97.97</td>
<td>145.67</td>
<td>142.15</td>
<td>147.41</td>
<td>127.24</td>
</tr>
<tr>
<td>Total Volumes</td>
<td>140.68</td>
<td>211.65</td>
<td>281.3</td>
<td>318.07</td>
<td>368.04</td>
<td>237.29</td>
</tr>
<tr>
<td>% change</td>
<td>50.4</td>
<td>32.9</td>
<td>13.1</td>
<td>15.7</td>
<td>35.5</td>
<td></td>
</tr>
</tbody>
</table>

Source: EAC Trade Report 2005 and 2006 and Tanzania Revenue Authority (TRA).

Table 4: Tanzania’s Trade Balance with Kenya in USD Millions

<table>
<thead>
<tr>
<th>Period</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007&lt;sup&gt;31&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports to Kenya</td>
<td>39.71</td>
<td>83.54</td>
<td>90.08</td>
<td>93.29</td>
<td>103.70</td>
<td>106.91</td>
</tr>
<tr>
<td>Imports from Kenya</td>
<td>92.22</td>
<td>109.18</td>
<td>127.83</td>
<td>169.46</td>
<td>215.23</td>
<td>103.57</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>-52.51</td>
<td>-25.63</td>
<td>-37.74</td>
<td>-76.17</td>
<td>-111.53</td>
<td>3.34</td>
</tr>
</tbody>
</table>

Source: EAC Trade Report 2005 and 2006 and Tanzania Revenue Authority (TRA).

Table 5: Tanzania’s Trade Balance with Uganda in USD Millions

<table>
<thead>
<tr>
<th>Period</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007&lt;sup&gt;32&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports to Uganda</td>
<td>6.32</td>
<td>14.43</td>
<td>55.59</td>
<td>48.86</td>
<td>43.70</td>
<td>20.33</td>
</tr>
<tr>
<td>Imports from Uganda</td>
<td>2.43</td>
<td>4.5</td>
<td>7.8</td>
<td>6.46</td>
<td>5.40</td>
<td>6.48</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>3.89</td>
<td>9.93</td>
<td>47.79</td>
<td>42.4</td>
<td>38.30</td>
<td>13.85</td>
</tr>
</tbody>
</table>

Source: EAC Trade Report 2005 and 2006 and Tanzania Revenue Authority (TRA)

From (Table 4) above, Tanzania maintained a trade deficit with Kenya from 2002 through 2005 but trade between Tanzania and Kenya has been on the rise with increased exports and imports. On the other hand, from (Table 5) above, Tanzania’s trade balance with Uganda has been characterized by a positive balance, with more exports than imports. Trade performance is expected to improve more with the implementation of the East African Customs Union.

3.5 Free movement of people across the border

As a result of the EAC, citizens of member countries are now moving freely across the border by the use of East African Passports which are issued in all member

<sup>30</sup> Data updated from Tanzania Revenue Authority.
<sup>31</sup> Data updated from Tanzania Revenue Authority.
<sup>32</sup> Data updated from Tanzania Revenue Authority (TRA).
countries. To facilitate more the movement of people in the region, EAC member countries have agreed to remove visa requirements for their citizens. Free movement of people is very important because it eases cross border trade and it also creates a sense of unity and community through increased interaction of the citizens of the member states. East African citizens can easily move from one country to another and do their business activities there. This is a good step towards the deeper integration including the East African Common Market of which negotiations have already been launched by the member states.

3.6 Increased efficiency in the region

Opening up of the domestic economies to competition from member countries of the EAC has resulted in increased efficiency in some sectors, increased product varieties and the introduction of new and modern methods of doing business in the region. This is due to increased competition from other member states in which local companies are forced to adjust themselves in offering better services for fear of being left behind or kicked out of the business.

Increased competition may lead to efficiencies, but in the short run the firms which stand to gain most are those that are already competitive. In the EAC this was clearly taken into consideration and that is why the EAC member countries adopted the principle of asymmetry in the phasing down of internal tariffs in order to provide firms located in Uganda and Tanzania with an adjustment period of five years. This is because firms in Kenya are more competitive than firms in Tanzania and Uganda. Nevertheless, such firms may in the medium term overcome lack of competitiveness, through additional investment in newer production technologies; specialization in activities where they have a competitive advantage; re-training of human resources; and forming strategic alliances with their competitors.

3.7 Motivation for the Private sector

Regional cooperation in the EAC through the customs union is expected to play a great role in enabling private sector operators based in the region with cross-border business operations to exploit the comparative and competitive advantages offered by regional business locations, without having to factor in the differences in tariff protection rates, and added business transaction costs arising from customs clearance formalities. The regionally based enterprises will also get better protection, as enforcement of the common external tariff is done at the regional level. The EAC customs union has also assisted to level the playing field for the region’s producers by imposing uniform competition policy and law, customs procedures and external tariffs on goods imported from third countries. This in turn has assisted the region in advancing its economic development and poverty reduction agenda.

3.8 Security stability and conflict resolution

Regional integration reduces the risk of conflict in two ways. First, increasing interdependence among members makes conflict more costly. Economic integration may pave the way for political integration, substantially reducing the risk of internal conflict. Second, regular political contact among members can build trust and facilitate coopera-
tion, including on security. Security and political matters are among the issues raised in the broad goal of the EAC. The EAC has already established two important institutions, the East African Court of Justices and the East African Legislative Assembly, which are very important in conflict resolution and also serve as building blocks to a political federation. Enhanced cooperation in security and defense matters is important in ensuring that the region is peaceful so as to provide a conducive environment for sustainable development.

3.9 Improvement of transport and communications infrastructure

Through the EAC, member countries have worked together to improve transport and communication infrastructure within and across the borders of member states. Several projects have been initiated with the view to modernize transportation and communication aiming at facilitating trade in the region. Regional cooperation on public goods such as water basins (Lake Victoria), infrastructure (roads, railways), the environment, hydroelectric and other sources of energy and fisheries have generated benefits to member states.

3.10 Collective Employment and Poverty Reduction

EAC member states have agreed to a harmonized classification for issuance of entry/work permits aiming at addressing problems of unemployment and poverty in the region. There have been some achievements in social indicator especially in education. However, there are still development disparities and income inequality in three EAC member states which need to be addressed.

V. CONCLUSION AND RECOMMENDATIONS

1. Conclusion

In view of the contemporary global trend in which trade negotiations are increasingly being conducted under regional blocs, the formation of the East African Community and particularly the customs union was a wise decision. This is because economies of East African Countries are too small on their own to attract any major investment in this globalised economy. By moving towards the economic integration via the EAC, these countries have benefited in several ways including: increased trade, attraction of foreign direct investment (FDI), increased bargaining power, strengthened security and conflict resolution in the region, free movement of people which has eased cross border trade and management of the joint projects together. These benefits can be enjoyed by any regional arrangement in Africa if it is well designed and managed.

Although there are some increases in trade and investments, broadly speaking, the East African Community has not been very effective in promoting trade and foreign direct investment. Low resource complementarity between member countries limit both internal and external regional trade. Small market size, poor transport facilities and high trading costs make it difficult for countries in the EAC to reap all the possible benefits
of regional grouping. To increase regional trade and investment, countries in the EAC need to undertake more broad based liberalization together with improving infrastructure and trade facilitation.

Nevertheless, it is important to understand that the gains of integration are not pre-ordained. A lot of efforts need to be made in exploiting the emerging market opportunities. The private sector ought to take the driving seat in improving production and productivity. Likewise, internal non-tariff barriers to trade are a major hindrance to the firm’s competitiveness and export development and therefore EAC member countries should clearly address the issue of non-tariff barriers to trade.

2. Recommendations

EAC member countries have a problem of overlapping membership as they belong to more than one regional economic community. For example, Kenya belongs to Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and Intergovernmental Authority on Development (IGAD), New Partnership for Africa’s Development (NEPAD) and African Caribbean Pacific/European Union (ACP/EU). Tanzania, Uganda and even other new members of EAC-Rwanda and Burundi have the same problem of overlapping memberships. The multiple memberships are costly to the country and may at times result in conflicting policies. This problem of overlapping memberships of competing groups needs to be addressed quickly so as to allow clear political commitments to the EAC.

Also, ways should be found to increase the involvement of the private sector in the integration process as the EAC seeks to go further for deeper integration. The participation of consumer groups and other NGOs should also be encouraged as these groups can gain from exploiting the opportunities from greater intra-regional trade. However, it should not be expected that all private sector groups will favor deeper regional integration. In some countries, farmers may fear low-cost competition from elsewhere in the region and may take quite a protectionist stance. But involvement of the private sector in other levels of integration, for example in common market, economic union and lastly political federation should be encouraged.

EAC member countries should cement their integration efforts by ensuring political stability, stepping up trade liberalization, opening up economies to competition and deepening their integration into the world economy, therefore giving a decisive boost to their integration drive.

EAC member countries should put in place a mechanism to ensure policy credibility to the region. This is because investors need to have confidence that integration measures will not be reversed and that barriers to regional markets will not be reinstated overnight.

EAC member countries should ensure that political commitment is sustained by adhering to the provisions of the treaty and they should put in place adequate capacity, both financial and human, for timely implementation of the treaty, projects, programmes and policies. Also they need to make sure that the various organs of the community and institutions are well coordinated in executing their duties and responsibilities.
Lastly, more effort is needed in improving regional infrastructure within and across the borders of the member states. All member countries need to be well connected with a view to facilitate and increase trade within the region.

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2006.