FACTORS THAT INFLUENCE IMPLEMENTATION OF EAST AFRICAN COMMON MARKET WITHIN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for examination in any other university.

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DEDICATION

This project is dedicated to my late father Mr. William Obura Bolo who always inspired his children to strive for the highest academic goals. All glory goes to God for the health and strength and financial support to carry out the research.

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ABSTRACT

As international trade and investment levels continue to rise, the level of economic integration between various groups of nations is also deepening. There has been a worldwide wave of regional integration agreements. Most of these regional integration agreements were set up in Africa but they ended up dormant or failed. The importance of trade within the common market is paramount because it is the first step towards economic and political integration. Trading blocs have become quite ubiquitous, with approximately 200 of them presently operating in the world trading system. However, many of these trading blocs are not successful in their goal of improving the economic development of their respective regions. Indeed, in the last three decades many trading blocs have failed and have been dismantled. World over trading blocs has facilitated business and economic cum political integration. As international trade and investment levels continue to rise, the level of economic integration between various groups of nations is also deepening. The most obvious example of this is the European Union, which has evolved from a collection of autarkical nations to become a fully integrated economic unit. Although it is rare that relationships between countries follow so precise a pattern, formal economic integration takes place in stages, beginning with the lowering and removal of barriers to trade and culminating in the creation of an economic union. The defunct EAC collapsed as a result of mistrust of member countries and also due to non involvement of the private sector dealing a severe blow to all the potential benefits likely to be accrued.

The study sought to find the factors that influence implementation of East Africa Common Market within Kenya. In attempting to achieve the results, a case study research design was adopted. Towards this end, the study collected primary data from the ministry of East Africa Community using an interview guide. The study established that lack of complementarities in trade flows, overlapping membership, resolution implementation, pressure from regional corporations as an impetus for political change, the potential for greater economic gain for members than can be achieved through unilateral trade, Political dimension of the integration, importance of commitment

institutions, political will, importance of regional leader and infrastructure influence the implementation of East Africa Community Common Market.

The political will is a key ingredient for the long-term stability of a regional trading bloc and the EAC member states have confirmed that as 100% of the respondents were of the opinion that the member states have the political will as the leaders are fully committed to the success of the protocol. The results of the common market cannot be predicted with any certainty. The immediate uncertainty centers on the willingness of country leaders to support free movement of labour in practice. If unscrupulous politicians stir up trouble around it, governments may not be able to avoid responding with protectionist measures.

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

AFTA-Asean Free Trade Area

AGOA-Africa Growth and opportunity Act

ASEA-Association of Southeast Asian Nations

CACM-Central American Common Market

CARICOM-Caribbean Common Market

COMESA-Common Market of Eastern and Southern Africa States

EU-European Union

FTAA-Free Trade Areas of the Americas

G8-Group of 8 leading industrialized countries

GATT-General Agreement on Tariffs and Trade

LAFTA-Latin America Free Trade Area

NAFTA-North American Free Trade Area

NATO-North Atlantic Treaty Organization

NEPAD-New Partnership for Africa's Development

PTA-Preferential Trade Area

WEF-World Economic Forum

WTO-World Trade Organization

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The changing world order and the consequent impact on global economic activity during the past decades in general, and the decade of the nineties in particular, are bringing in increasing complexity in the way national economies act and interact with each other and with global economic institutions . Despite the creation of the World Trade Organization and the efforts at establishing the commercial rules of the game at the global level, it appears that regional economic arrangements will be the wave of the future. Their feasibility is reinforced by a variety of factor, including the fact that they need less negotiation and involve fewer transaction costs (Broadman, 2007). The move towards greater common market has now become a global phenomenon driven by the pull of market forces, as they open up opportunities for trade amongst centre-periphery. The ultimate goal of any common market is to create a common economic space among the participating countries. Monetary and economic integration may evolve from trade links, as well as, historical and cultural ties. The process entails the harmonization of macroeconomic policies, legal frameworks and institutional architectures, towards nominal and real convergence. Balassa (1961) categorized six stages of economic integration as preferential trading area, free trade area, customs union, common market, economic and monetary union and complete economic integration. Balassa's (1961) categorization implies that economic communities naturally evolve into political unions over time as supranational common markets generate demand for further integration, not only economically (via monetary unions) but also politically.

Prospects for common markets into world markets under better conditions seem limited in many respects due to the weakness of world markets for many underdeveloped countries industrial base. Common market and cooperation afford an intermediate solution. Although common market is sometimes advocated, even today, as a substitute for links with the rest of the world, increased openness to world markets and common markets are increasingly being seen as complementary aspects of a multipronged development strategy of reduced isolation. The potential for economic gain for the nation as a whole may also translate into potential economic gains for individual firms, since

common market provides a larger market for them to export their goods. According to Mattli (1999) this has been the experience of the European Community where the potential for economic gain (through an enlarged market) provided the impetus for corporate actors within the Community to lobby their governments to make the changes necessary to effect deeper political and economic integration (through the various governments to living up to their European Community (EC) commitments). Indeed, Mattli (1999) noted that, lobbying by large corporations was essential in transforming the European Union Treaty from a Treaty binding on nations, to one which binds all legal persons and entities, both public and private.

According to Adotevi (2006) common markets cannot properly succeed in the absence of a sense of belonging and identity of the general population with the proposed community of countries. He reminds us of the complex cultural identities inherited from the pre-colonial era, with its fluid and shifting borders, and suggests the need to draw upon those cultural identities if modern states and regional schemes are to acquire the legitimacy they currently lack. This suggests a model of common market based on a fairly radical restructuring of political authority of some sort. It also signifies the need to adopt a multilayered approach to community-building in which no particular community, such as the state, can lay claim to exclusive loyalty.

1.1.1 Common Market

A common market is a type of trade bloc which is composed of a customs union with common policies on product regulation and freedom of movement of the factors of production (Capital, Labour and Enterprise). A single market is a more advanced form of common market which envisions more efforts geared towards removal of physical (borders), technical (standards) and fiscal (taxes) barriers among member states. These barriers obstruct freedom of movement of the factors of production, to remove these barriers member states need political will. A Common Market is where member countries of a Regional Economic Community, in this case the EAC, agree among themselves to operate as a single market with free movement of people, services, labor and capital. It is a legal and binding commitment to a deeper and stronger functional integration by

member countries to remove all trade barriers on goods and services; and liberalization of movement of the factors of production (Shenz, 2007).

According to (Egan 2001) a Common Market is a merger/union of two or more territories to form one common territory in which there is free movement of goods, labour, services and capital, and the right of establishment and residence. The basic elements of a common market are: A smoothly functioning customs union including complete elimination of all tariff and non tariff barriers plus a common external tariff, free movement of persons, labour, services and right of establishment and residence, free movement of capital within the community, enhanced macro-economic policy harmonization and coordination particularly with regards to fiscal regimes and monetary policy and setting up, strengthening and empowering the necessary institutions/organs to support the common market operations.

According to Duina (2006) categorized six stages of economic integration: preferential trading area, customs union, common market and economic/monetary union. Duina (2006) categorization implies that economic communities naturally evolve into political unions over time as supranational common markets generate demand for further integration, not only economically (via monetary unions) but also politically. Preferential Trading Area gives preferential access to certain products from certain countries by reducing tariffs, but does not abolish them completely. Free trade area on the other hand arises when the economical structures of its members are complementary. They would have agreed to eliminate tariffs and quotas between them but may have different quotas and customs toward non-members. To avoid evasion (through re-exportation) member countries use the system of certification of origin, where there is a requirement for a minimum extent of local material inputs or local transformations adding value to the goods. A common market is a customs union (free trade area with a common external tariff) with common policies on product regulation and freedom of movement of all factors of production among members. The Economic and Monetary Union is a common market with a common currency, currency and a unified monetary policy. Eliminating exchange rate uncertainty improves the functioning of an economic union by allowing

trade to follow economically efficient paths without being unduly affected by exchange rate considerations. The study will however be dealing with the common market.

1.1.2 East Africa Community

The East African Community (EAC) is the regional intergovernmental organization of the Republics of Kenya, Uganda, the United Republic of Tanzania, Republic of Rwanda and Republic of Burundi with its headquarters in Arusha, Tanzania. The Treaty for Establishment of the East African Community was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three Partner States – Kenya, Uganda and Tanzania. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on 18 June 2007 and became full Members of the Community with effect from 1 July 2007. The EAC was established with a vision to set up a prosperous, competitive, secure, stable and politically united East Africa; and provide platform to widen and deepen Economic, Political, Social and Culture integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments (Weiland, 2006).

The realization of a large regional economic bloc encompassing Burundi, Kenya, Rwanda, Tanzania and Uganda with a combined population of more than 125 million people, land area of 1.82 million sq kilometers and a combined Gross Domestic Product of $73 billion (2009), bears great strategic and geopolitical significance and prospects of a renewed and reinvigorated East African Community. It also has agricultural, livestock, industry and tourism development. Its people have a common history, language (Kiswahili), culture and infrastructure. The EAC integration was aborted in 1977 after 10 years. Efforts to revive the community began in 1993 with the heads of state signing an agreement to establish a commission for East African cooperation. In the 1960s Kenya steadily enhanced its position as the industrial centre of the Common Market, producing more than 70% of the manufactures, exporting a growing percentage of them to its two relatively less developed partners (i.e. Uganda and Tanzania), and achieving faster GDP growth. The Common Market collapsed in 1977, partly because of lack of strong political will, lack of strong participation of the private sector and civil society in the co-operation

activities, the continued disproportionate sharing of benefits of the Community among the Partner States due to their differences in their levels of development and lack of adequate policies to address this situation (Venables, 2003).

The regional integration process is at a high pitch at the moment as reflected by the encouraging progress of the East African Customs Union, the signing in November 2009 and ratification in July 2010 of the Common Market Protocol by all the Partner States. The consultations on the Monetary Union, which commenced in 2009, and fast tracking the process towards East African Federation all underscore the serious determination of the East African leadership and citizens to construct a powerful and sustainable East African economic and political bloc (Gathii, 2009). However, the East African region has had its fair share of disputes and disagreements. The main bone of contention has been the long-held perception by Uganda and Tanzania that Kenya's economy - mainly the manufacturing sector - was more competitive than theirs despite the fact that it has been declining over the past few years under pressure from imports from the Middle East and inadequate infrastructure. Kenya exports approximately three-fifths of its goods to Uganda and Tanzania and had been facing tariffs of between 10 and 20 per cent before the establishment of the East African Community. However, the EAC is expected to present a good investment platform for both domestic and foreign investors due to their economies of scale. Benefits should also accrue to Uganda and Tanzania, who have, of late, reaped immensely from food commodity supply fluctuations in Kenya.

1.2 Research problem

The revival of interest in common markets and cooperation is a worldwide phenomenon, inspired by the success of the European experience. It also reflects a growing appreciation of the benefits to be derived from regional unity' and cooperation in meeting the challenges posed by increasingly competitive world markets (Weiland, 2006). In Africa, regional unity is seen as a possible solution to the continent's deep and prolonged economic and social crisis, at a time when private energies are being released thanks to the strengthening of civil society and the deregulation and privatization of national economies, while the continuing decline of state-imposed barriers to inter country flows is paving the way for increased regional trade (World Bank 1994). Removal of trade

barriers is like a market enlargement, as separate national markets move toward integration in a regional market. This allows firms to benefit from greater scale and attracts investment projects for which market size is important, including foreign direct investment (FDI). Removing barriers also forces firms from different member countries into closer competition with each other, possibly inducing them to make efficiency improvements.

While Common Market increases trade on the part of member states, it can lead to diversion of trade from a lower-cost nonmember state (which faces external tariffs) to high-cost member state (which no longer faces tariff) (Balassa 2007). Trade creation occurs when a member state starts importing from the other members a product that was previously produced locally by inefficient (higher-cost) producers. That is, trade creation refers to the emergence of new flow of trade among partner countries replacing domestic production. Trade diversion occurs when a member state switches her importing activities from lower-cost nonmember states to member states. Accordingly, trade creation represents an increase in welfare while trade diversion represents a decrease in welfare. Since both trade creation and trade diversion are equally possible, whether or not Common Market produces a net increase in welfare in member states.

There are few local studies that have been done in Kenya regarding the common markets. Wasilwa (2008) did challenges posted by common markets for eastern and southern Africa (COMESA) on sugar millers in Kenya and found out that the challenges faced included excessive deductions and taxation of farmers' income, negative effects of regional trading systems; inadequate capital for operations and survival of the sugar Millers and its ability to sustain growth, poor and patronage-based management systems, and massive investment of cash and energy. Gichuru (2006) who did trade related barriers to Kenya's export of fruits and vegetables to the European Union and found out that both the tariff and non-tariff barriers affected the export of fruits and vegetables to the EU market. The barriers both tariff and non-tariff resulted in an increase in the export costs and made the exports to become uncompetitive in the EU market due to their quality or cost. The benefits which come along with the common market are immense while at the same time there are challenges which inhibit smooth implementation of the

integration. This lead to the question: what factors influences the implementation of East African common market within Kenya?

1.3 Research objectives

The objective of the study was to determine the factors that influence the implementation of East African common market within Kenya.

1.4 Value of the study

This study was justified on the following basis; the Kenya Government joined other East African countries in transforming the East African Community into a common market. This strategy opened up the member countries to free movement of goods and citizens. Thus there is need to understand the factors that could be driving the member states to move towards the direction of common market.

This study benefited the government especially the Ministry of East Africa community in making policy decisions whose overall objectives were to accelerate the rate of common market formation and take advantage of the expanding regional markets and also be able to negotiate as a larger market on the growing world markets.

In addition, by being in common market and practicing common policies and regulations, countries in the trading bloc become their "brothers' keepers" and therefore they created a system of surveillance upon one another based on "best endeavors" and at time backed by legal systems. This in a way created an efficient bloc that operated in a higher indifference curve in consumption and efficient production curve.

The study is justified since it was of academic value to those countries which are interested in moving towards the direction of common market as they were able to understand what they ought to do in order to ensure that the market succeeds.

CHAPTER TWO: LITERATURE REVIEW

2.1 Theoretical foundations

The theoretical foundations of conventional approaches to common market date back to three important schools of economic thought in the 1960s: neoclassical economics, marxism, and development economics. The earliest theoretical work on regional integration emanated from the theory of comparative advantage in international trade, and the interest of liberal economists in promoting the reduction of tariff and nontariff barriers to trade. At issue was the choice of modalities for implementing such policies and the effectiveness of regional integration as a mechanism of trade liberalization. Viner's classic article on the subject pointed out that regional economic integration could lead to either "trade creation" or "trade diversion" (Endoh, 1999).

By reducing trade barriers between neighboring countries, customs unions and free trade areas could promote economic efficiency in the allocation of resources by contributing to the gradual strengthening of international trade. However, the emergence of such economic entities could also promote trade "diversion" and become a source of economic inefficiency, if the most competitive producers of a particular product suddenly found themselves excluded from the regional market as a result of the customs union. This approach continues to inspire the economics profession even today, and the issue of common market seen from the point of view of comparative advantage and the trade creation/diversion dichotomy is still prevalent in the specialized literature, as reflected in contemporary debate on whether the formation of major economic blocs constitutes progress or a hindrance to the liberalization of international trade (Bergstrand 2008),. However, there are serious analytic limitations to this model, with its focus on static efficiency in the allocation of resources, for countries whose main interest lies in the dynamics of development and industrialization.

Marxist-Leninist thinkers have adopted a different approach (Benallègue 1987). In their view, common market emerges as a reflection of the internationalization of capital and is intrinsic to the evolution of the capitalist economy. For example, the creation of a single European market is seen to reflect the concentration of capital and the internationalization

of European firms, rather than the desire of welfare-maximizing governments to rationalize the allocation of resources among the countries concerned. The integration of the European market is thus the consequence, not the precursor, of the transformation of production and trade in favour of larger firms (David, 2006). Common market, so conceived, is a source of exclusion and impoverishment of small-scale enterprise and a range of social groups through the usual mechanisms of market displacement.

The analysis adopted by Marchal (1995) and Perroux (1996) seemed to mark a watershed in thinking about common market. They proposed an alternative approach that would take into account the historical dimension of economic and social phenomena. According to Marchal (2006), common market as the result of development is distinct from integration as an instrument or precondition of development. Common market can be perceived as the historical product of evolving technical, economic, and social structures; or it can be the product of conscious efforts on the part of human societies, acting collectively to improve their economic condition as a matter of policy choice. Marchal (2006) shows that Common market taken as a product of history is first and foremost the result of social transformation. It cannot occur just anywhere or under just any conditions. Perroux (1996) follows a similar approach, centred upon three. questions: who integrates? through what process? and to whose advantage?

However, in operational terms, these two authors do not stray very far from the voluntarism approach of their predecessors or from related development thinking prevalent at the time. For Marchal (1995), common market must be based on industrialization as its driving force, and it must be sustained by those social forces capable of supporting and organizing the industrialization process. Similarly, borrowing from development and industrialization thinking of the 1960s, Perroux (1996) builds his model around the concepts of growth poles, strategic investments, and industrialization. Industrialization is presented here as a collective instrument of development, based on import protection. He draws a distinction between three models of integration and industrialization, based respectively on the use of markets, productive investments, or institutional mechanisms.

2.2 Stages of Economic Integration

As international trade and investment levels continue to rise, the level of economic integration between various groups of nations is also deepening. The most obvious example of this is the European Union, which has evolved from a collection of autarkical nations to become a fully integrated economic unit. Although it is rare that relationships between countries follow so precise a pattern, formal economic integration takes place in stages, beginning with the lowering and removal of barriers to trade and culminating in the creation of an economic union. These stages are:

2.2.1 Free Trade Agreements

According to Duina (2006) this stage eliminates import tariffs as well as import quotas between signatory countries. These agreements can be limited to a few sectors or can encompass all aspects of international trade. FTAs can also include formal mechanisms to resolve trade disputes. Aside from a commitment to a reciprocal trade liberalization schedule, FTAs place few limitations on member states. Although FTAs may contain provisions in these areas if the signatory countries agree to do so, no further harmonization of regulations, standards or economic policies is required, nor is the free movement of capital and labour a necessary part of a free trade agreement. FTA signatory countries also retain independent trade policy with all countries outside the agreement.

In order for an FTA to function properly, member countries must establish rules of origin for all third-party goods entering the free trade area (Gibb, 2006). Goods produced within the free trade area (and subject to the agreement) may cross borders tariff-free, but rules of origin requirements must be met to prove that the good was in fact produced in the exporting country. In the absence of rules of origin, third-party countries seeking trade access to the FTA area will choose the path of least resistance – the country where they face the lowest opposing tariff – in order to gain effective entry to the entire FTA region.

2.2.2 Customs Union

A customs union builds on a free trade area by, in addition to removing internal barriers to trade, also requiring participating nations to harmonize their external trade policy. This includes establishing a common external tariff (CET) and import quotas on products entering the region from third-party countries, as well as possibly establishing common trade remedy policies such as anti-dumping and countervail measures (Chauvin and Gaulier, 2002). A customs union may also preclude the use of trade remedy mechanisms within the union. Members of a customs union also typically negotiate any multilateral trade initiative (such as at the World Trade Organization) as a single bloc. Countries with an established customs union no longer require rules of origin, since any product entering the customs union area would be subject to the same tariff rates and/or import quotas regardless of the point of entry (Nissanke and Aryeetey,1998).

The elimination of the need for rules of origin is the chief benefit of a customs union over a free trade area. To maintain rules of origin requires extensive documentation by all FTA member countries as well as enforcement of those rules at borders within the free trade area. This is a costly process and can lead to disputes over interpretation of the rules as well as other delays (World Bank, 2004). A customs union would result in significant administrative cost savings and efficiency gains. In order to gain the benefits of a customs union, member countries would have to surrender some degree of policy freedom – specifically the ability to set independent trade policy. By extension, because of the increased importance of trade and economic measures as foreign policy tools, customs unions place some limitations on independent foreign policy as well.

2.2.3 Common Market

A common market represents a major step towards significant economic integration. In addition to containing the provisions of a customs union, a common market (CM) removes all barriers to the mobility of people, capital and other resources within the area in question, as well as eliminating non-tariff barriers to trade, such as the regulatory treatment of product standards (Venables, 2003). Establishing a common market typically

requires significant policy harmonization in a number of areas like free movement of labour which necessitates agreement on worker qualifications and certifications.

A common market is also typically associated – whether by design or consequence – with a broad convergence of fiscal and monetary policies due to the increased economic interdependence within the region and the effect that one member country's policies can have on other member countries. This necessarily places more severe limitations on member countries' ability to pursue independent economic policies. The principal advantage of establishing a common market is the expected gains in economic efficiency. With unfettered mobility, labour and capital can more easily respond to economic signals within the common market, resulting in a more efficient allocation of resources (Manners and Behar 2008).

2.2.4 Economic Union

The deepest form of economic integration, an economic union adds to a common market the need to harmonize a number of key policy areas. Most notably, economic unions require formally coordinated monetary and fiscal policies as well as labour market, regional development, transportation and industrial policies. Since all countries would essentially share the same economic space, it would be counter-productive to operate divergent policies in those areas (Walkenhorst, 2006). An economic union frequently includes the use of a common currency and a unified monetary policy. Eliminating exchange rate uncertainty improves the functioning of an economic union by allowing trade to follow economically efficient paths without being unduly affected by exchange rate considerations. Supranational institutions would be required to regulate commerce within the union to ensure uniform application of the rules. These laws would still be administered at the national level, but countries would abdicate individual control in this area.

2.3 Factors influencing implementation of common market

There are several factors which influences the implementation of common market. Some of them include;

2.3.1 Demand factors

The potential for economic growth is crucial for the success of any common market arrangement. According to Gilbert (2003) it is this potential for economic gain which will spur member states to relinquish some of their economic and political sovereignty in favour of a common market. A common market can assist firms in the region in achieving economies of scale in production since the larger market created by the single economic space facilitates larger quantities of a good being produced (Walkenhorst, 2006). As production increases, the cost of producing each individual unit of the product decreases and the firm therefore realizes greater profit. This increased profitability should also impact positively on the economies in the host country through the multiplier and circular flow effects.

According to Walkenhorst, (2006) common market assist member countries by providing a larger market, allows specialization within a region according to each country's comparative advantage. However, this benefit may not materialize in practice since, for political reasons, countries may not be willing to forgo development of a product or sector in favour of their neighbour since they fear too great a dependency on the neighbour for the product in question or the political leaders may see no reason to deprive their country of an opportunity for a profitable economic venture in favour of a neighbouring territory. Thus, "collective action problems" and "national sovereignty issues" may often hinder regional industrialization schemes. This has been the experience in the Caribbean region where despite early suggestions by economists such as Sir Arthur Lewis to pursue industrialization as a regional effort, the individual territories each sought to develop their own nascent national industries (Bhagwati, 2004). However, it is submitted that a shift toward regional industrialization is what is called for in today's global economic climate.

Trade diversion can also have deleterious effects on the member country that imports the products since governments lose revenue from tariffs that would have been gained had the goods been imported from non-member countries. However, the exporting country within the common market gains since their goods are being consumed more than before the common market was formed. In the final analysis, if the overall trade creating effects of the common market outweigh the trade diversionary effects then the common market would still be desirable. But unfortunately this is not always the case and some of the criticisms of common market as being trade diversionary are well founded (Bhagwati, 2004). In fact recent evidence suggests that trade diversion can be significant even when regional integration is accompanied by external liberalization (Schiff and Winters, 2003). The challenge then is to design a so called "open common market" which still allows goods from outside the common market to compete. Admittedly, it would be harder for outside goods to compete with goods produced within the common market but this problem may be surmounted by the formation of bilateral deals with other common market or with other countries.

2.3.1.1 The Potential for Greater Economic Gain for Members than can be achieved through unilateral trade

Mattli (1999) asserts that the essential demand condition for successful regional integration is that there be a greater potential for economic gain for each member of the common market under the regional model than by utilizing unilateral efforts in the world trading market. It seems that potential for economic expansion through integration will always exist in theory for the reasons outlined above; but whether this potential is ever actualized depends on the presence of a number of factors, the key ones being: The absorptive capacity of increased intra regional trade in the common market and complementarily in production and trade flows among the countries in the common market.

In the European Union (EU) the above factors were satisfied and this created the political motivation to seek deeper economic integration, even at the expense of national sovereignty over key economic sectors. The situation in Europe can be contrasted with

the formation of the Latin American Free Trade Association (LAFTA) which was established in 1960 by the Treaty of Montevideo which was signed by Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay with Ecuador, Columbia, Venezuela and Mexico joining later. The signatory states expressed their intention to create a Latin American common market. One of the rationales for creating LAFTA was to counteract the predicted effects of the formation of the European Community, which it was thought, would greatly reduce Europe's import of Latin American goods and thus cause economic hardship to the region Rodrik (1998). The framers of LAFTA thought that the trade lost to Europe could be supplemented by intra-regional trade. However, the initial damage to Latin American exports to Europe arising from the establishment of the European Community (EC), was reversed very quickly and the loss of markets that was feared did not materialize. Secondly, intra-regional trade did not grow as predicted; in fact it began to decline (Gibb, 2006). The economic motivation for sustaining the common market was therefore not present and LAFTA was replaced in 1980 by the Latin American Integration Association (LAIA) which was less ambitious in its outlook since it did not seek to form a common market but simply to reduce tariffs on selected goods.

2.3.1.2 Pressure from Regional Corporations as an Impetus for Political Change

The potential for economic gain for the nation as a whole may also translate into potential economic gains for individual firms, since integration provides a larger market for them to export their goods. According to Mattli (1999), this has been the experience of the European Community where the potential for economic gain (through an enlarged market) provided the impetus for corporate actors within the Community to lobby their governments to make the changes necessary to effect deeper political and economic integration (through the various governments to living up to their European Community (EC) commitments). Indeed, Mattli (1999) noted that, lobbying by large corporations was essential in transforming the EU Treaty from a Treaty binding on nations, to one which binds all legal persons and entities, both public and private.

Duina (2006) asserts that the movement of companies beyond national borders was already occurring before the proliferation of common markets due to new technological

advances and the lower costs of transportation and communication and the common market therefore crystallized an economic reality already in place, by supplying the institutional framework for increases in intra-regional trade. Thus, Duina (2006) like Mattli (1999) recognized the role of corporate pressure in fostering regional institutional arrangements in order to facilitate the continued growth of intra regional trade. He notes that the growth in and strength of intra-regional trade was a key contributing factor to the formation of NAFTA and Mercosur.

2.3.1.3 Lack of Complementarities in Trade Flows

The potential for economic gain will also be very limited if the countries involved in the regional integration agreement have overlapping production and trade flows (Wallace, 1999). This overlap in the kind of goods produced and/or the markets for the goods may affect the potential for economic gain for each country in the common market in two ways: the prospects for intra-regional trade will be reduced if all members are producing the same goods and a common market may result in some members capturing a greater share of the external market at the expense of other smaller/weaker members. This view is supported by Trebilcock and Howse (2005 Vol. 4 p. 197) who noted that: " .....many actual or potential regional trading blocs offer very small prospects for intra-regional trade expansion, even setting aside their effects on external trade. This is true for many actual or potential trading blocs in Africa, Latin America, the South Pacific and the Caribbean, where similarity of natural endowments often sharply limits the potential mutual gains from trade"

2.3.2 Supply factors

According to Deardorff (1998), the two most important supply conditions are the existence of an "undisputed leader state" among the group of countries forming the common market and the existence of "commitment institutions".

2.3.2.1 The importance of a "regional leader"

According to Deardorff (1998) an undisputed leader helps to overcome collective action problems in deciding which rules, regulations and policies to adopt and it may also act as a "regional paymaster" distributing aid to the poorer members and helping them during

the transition as their industries adapt to greater competition in the larger regional market. Applying these criteria to the EC, it would seem that both conditions are satisfied since Germany emerged as the undisputed leader of the EC and there are commitment institutions such as the European Commission and the European Court of Justice. Germany had, and still has the strongest economy of all the members of the EC. It is therefore able to contribute the most to the EC budget and it is the major trading partner of all the other members (European Commission, 2003). This economic pre-eminence led to its political dominance, with Germany being able to shape the formation of EU institutions. This is illustrated by the widespread acceptance of the Bundesbank as the model for the statute for the European Central Bank.

In relation to the issue of whether an undisputed leader is necessary, past experience partially supports Mattli's (1999) assertion that an undisputed leader is necessary for successful operation of common market. MERCOSUR may be an exception to this proposition, since some commentators believe that it has been relatively successful in increasing the trade between its members (Hall, 2001); and it has achieved this without the presence of an undisputed leader. Also, it is submitted that in a large trading bloc, leadership can be shared by more than one country, if the joint "leaders" take responsibility for different areas. Some leadership is necessary to overcome collective action problems- whether this leadership takes the form of an undisputed leader or a joint leadership by more than one country does not matter. What matters is that at least one member must take charge of integration efforts, especially those relating to income distribution, policy formation and institution building.

2.3.2.2 The importance of commitment institutions

According to Chortareas and Pelagidis (2006) commitment institutions carry out monitoring function in order to ensure that the members and individual entities are living up to their treaty obligations and also provide enforcement procedures against states and individuals which violate treaty obligations. According to Duina (2006) the two main commitment institutions in the EU are the European Commission and the European Court of Justice (ECJ). The Commission is charged with the responsibility of ensuring that

states, firms and individuals comply with their obligations under the treaties and secondary EU legislation (European Commission, 2003). The ECJ adopts two doctrines, Supremacy and Direct Effect. Under the doctrine of Supremacy, EU law has primacy over national legislation and the doctrine of Direct Effect provides that EU law is directly applicable to the citizens of the member states without prior intervention by their governments. These doctrines have assisted the ECJ in fulfilling their monitoring and enforcement role. Indeed, without strong monitoring and enforcement mechanisms the members and individuals of the EU may have been able to circumvent their EU obligations and undermine integration initiatives but the various organizations, especially the two cited above have helped to ensure that members continue to be committed to integration.

The benefit of this extensive harmonization effort is that it levels the playing field for corporations operating in these trading blocs and reduces the production and transportation costs between members. Interventionism also increases the pressure to respect regional law. But the major drawback to the interventionist approach is the high financial and human resource costs to staff the various institutions which are needed to generate comprehensive laws on all areas of cooperation and to monitor and implement the large body of laws. The minimalist approach as seen in NAFTA, though much less costly than the interventionist approach, does make it more difficult for corporate actors to compete with each other since regional laws are not homogenized Garnaut and Vines (2007). The risk for unresolved conflict is also higher under the "minimalist approach" since there is less written law to guide relations between states or between firms operating in the member countries.

Thus, both Mattli (1999) and Duina (2006) are of the view that "commitment institutions" are necessary to sustain integration movements – but the form and extent of these "commitment institutions" is not rigid but depends on the historical and cultural realities of the particular trading bloc. The CSME with its infant jurisprudence is now free to decide which approach will best serve its needs. The CSME does satisfy the requirement of having commitment institutions since the following bodies are charged

with implementing community decisions: the Council of Ministers, the Bureau of the Conference of the Heads of Government, the Secretariat, the Regional Negotiating Machinery. The Caribbean Court of Justice (CCJ) and to a lesser extent the Secretariat are responsible for monitoring and enforcing community decisions. It is submitted that the institutional arrangements within the CSME need to be streamlined to promote greater efficiency in the implementation of decisions since there are presently too many bodies responsible for implementing CSME decisions, a CSME Commission with similar function to that of the EU Commission may assist in centralizing the implementation process and making it more efficient. The CCJ as it begins to examine regional cases pursuant to the exercise of its original jurisdiction to oversee Treaty matters and disputes between member states, must assert its role as the primary enforcer of community decisions and also in the formulation of sound regional jurisprudence. The success of the CCJ in fulfilling these two roles will have a direct impact on the success of the CSME as a whole.

2.3.2.3 Political dimension of the integration

According to Casella (2003), where "political will" is lacking, integration is unlikely to be successful. Casella (2003) acknowledges the role played by successful models of integration, such as the European Union, as guides to more recent attempts at integration, such as MERCOSUR. He also notes that blindly following a model will not bring success, especially if the political will to support deepening of economic ties is absent. Commenting on this issue Casella (2003) states: "On the one hand, it is not possible to solve every problem before starting implementation. Yet on the other hand, integration cannot be implemented without first having defined its parameters. The evident variation in models and paths illustrates the vital relevance to the success of integration of factors that go beyond strictly economic and legal ones, notably the key role of political will, its stability and capacity to reflect national interest." Where the national interests of a country are ignored in an integration agreement, the political will to move forward with integration is likely to be absent. Casella (2003) notes that the European Union's first focus was on forming economic ties and breaking down barriers to the movement of goods, before it was possible to forge political linkages and to deal with issues such as: a

single currency, collective security policy and human rights policy. The lack of political will stem from the fear of the loss of sovereignty. There are many reasons for this fear in the Region. These include the fact that most members only gained their sovereignty a few decades ago and also the collective memory of the failure of past integration efforts such as the Federation which collapsed in 1962 just 4 years after it began. Whilst it seems that the leaders of the CSME nations have committed themselves to Caribbean integration, the political support from the wider populations is not as readily forthcoming. This deficiency in support from Regional populations (including the corporate actors) may have arisen since the wider populations have not been convinced of the positive effects of integration and how integration will improve the profitability of their businesses or their standards of living.

2.3.3 Improved Infrastructure

The need for improved regional infrastructure for communications, transport, and energy systems is widely recognized in the literature on regional integration and cooperation, and provides an opportunity for collaboration to proceed along project-driven lines that are less likely to encounter political difficulties than other schemes — provided that funding can be found. The experience of the Southern African Development Community (SADC) is often cited as a model of regional cooperation centered around the development of infrastructure, but comparable achievements in West Africa can be found in the transportation and communications sectors (Bundu, 2007).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the proposed research design, data collection and the techniques for data analysis that will be used.

3.2 Research design

The research design was a case study. A case study is an in-depth investigation of an individual, institution or phenomenon. The primary purpose of a case study is to determine factors and relationships among the factors that resulted in the behavior under study. The study was used to identify the factors that influence implementation of East African Common Market within Kenya. In this light therefore, a case study design was deemed the best design to fulfill the objectives of the study as the results are expected to provide an insight in understanding the factors that influence implementation of East African Common Market within Kenya. It is through an interview with some selected persons concerned in the implementation of East African Common Market within Kenya that the researcher can be able to identify factors influencing the implementation of East African Common Market. As a result of this, a case study research design was an appropriate design.

3.3 Data Collection

The study used primary data which was collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda and Mugenda,2003). The respondents to be interviewed were those involved in implementation of the East Africa Common Market. This will make it possible to obtain data required to meet specific objectives of the study. The respondents were the top managers in charge of administration, management consultancy services, human resource management and human resource development. These were considered to be key informants for this research. In addition the departments in which the intended respondents work in are the key developers' and implementers of the Ministry's strategies.

3.4 Data Analysis

The data collected was qualitatively analyzed by use of content analysis techniques. Content data analysis makes general statements on how categories or themes of data are related. The content analysis is adopted in this study because the researcher was able to describe, interpret and at the same time criticize the subject matter of the research since it was difficult to do so numerically. The content analysis technique was used because it assisted in making inferences by systematically and objectively identifying specific messages and then relating them with their occurrence trends.

CHAPTER FOUR:

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The objective of the study was to establish the factors that influence implementation of East African Common Market within Kenya. This chapter presents the analysis and results with regard to the objective and discussion of the same.

4.2 Respondents Profile

The respondents comprised the strategist in the ministry of East Africa Community. In total, the researcher interviewed six respondents out of the intended seven respondents. This represented 85.7% response rate. All the respondents interviewed had university degrees with three of them having a Masters degree as well. The respondents had worked in the ministry for over three years thus they have sufficient information regarding the ministry. The respondents indicated that what they liked about the position was contributing to the EAC integration, position been challenging and responsibility which comes with it. The respondents did not like bureaucracy and weak communication processes.

4.3 Factors influencing implementing of East Africa Community Common Market

Regional Trading Blocs are now a permanent feature of the World Trading System with 197 Regional Trading Agreements being notified to the WTO as at 2006. Regional Trading Blocs refer to the formation, by neighbouring territorial units, of alliances to boost economic and, subsequently, political integration through free trade areas or customs unions. However, all of these trading arrangements are not successful and many RTBs have failed in the last few decades. The question therefore arises as to: "what are the factors necessary for the regional trading blocs to succeed".

4.3.1 Demand Factors

The respondents' response on existence of measures to ensure that the common market does not collapse like the previous one was that, all the respondents (100%) said the member countries have put in place measures in place to guide against the collapse. The measures are; the EAC treaty stipulates measurers to be undertaken which includes institutional review strength, provisions in the treaty promoting equity and equal benefit and existence of political will. The respondents differed on whether mistrust among the EAC member countries will hinder full implementation of the protocol, 66.7% of the respondents said it may hinder full implementation due to mistrust by some countries that others tend to benefit more than them, collective action problems and national sovereignty issues while 33.3% said it will not hinder implementation of the protocol.

All the respondents (100%) unanimously agreed that the pace of resolving the resolutions being implemented slowly by member countries due to unwillingness by the member countries to forgo development of a product or sector in favour of their neighbor since they fear too great a dependency on the neighbor for the product in question or the political leaders may see no reason to deprive their country of an opportunity for a profitable economic venture in favour of a neighbouring territory. Five out of the six respondents or 83.3% of the respondents said that the overlapping membership to the regional arrangements may affect achievement of common market because it would be difficult to come up with the common external tariff and rules of origin. This multiplicity of membership, along with the fact that not all COMESA members are signatories to the customs union agreement, challenges deeper integration in the region. To achieve deeper integration, COMESA member states that belong to multiple memberships need to make some policy choices with regard to multiplicity of membership which includes withdrawal from multiple memberships although Withdrawal from regional integration schemes results in the shrinking of market size and runs contrary to the purpose of integration in the first place. Withdrawal requires thorough consultation with different sectors of the government and business organizations that will be affected as a result of the withdrawal while another possible solution is the merger of COMESA, EAC and SADC. If this happens it will result in the largest block in the continent although the

harmonization of COMESA, EAC and SADC is a long-term project that requires a deeper political will.

The respondents indicated that the enlargement of the market has contributed to the implementation of EAC due to trade volumes increasing which increases revenue to the government and more private sector engagement to push the EAC agenda forward by lobbying their governments to make the changes necessary to effect deeper political and economic integration. The enlargement of the market has not brought about specialization due to the fact the entire member countries are agriculture based although Kenya is a pacesetter in the manufacturing and service industry and that the EAC states are still primary commodity producers and exporters. 66.7% of the respondents said that the technocrats have worked on the issue of trade diversion as the overall trade creating effects of the common market outweigh the trade diversionary effects, the common market countries can form bilateral deals with other common market or with other countries and also the exporting country within the common market gains since their goods are being consumed more than before the common market was formed.

The respondents (100%) intimated that the presence of greater potential economic gain for each country assisted in the implementation of common market. The gains highlighted were establishment of common external tariff policy, free movement of manufactured goods by increasing economies of scale, free movement of the member states citizens, making more resources available, it provides a more propitious environment to address persisting social inequality and poverty, the absorptive capacity of increased intra regional trade in the common market and complementarily in production and trade flows among the countries in the common market. The respondents (66.7%) were of the opinion that the lack of complementarities in trade flows will affect implementation of the common market because the overlap in the kind of goods produced and/or the markets for the goods may affect the potential for economic gain for each country in the common market because the prospects for intra-regional trade will be reduced if all members are producing the same goods and a common market may result in some members capturing a greater share of the external market at the expense of other smaller/weaker members.

4.3.2 Supply factors

The respondents were divided on the existence of a regional leader in the EAC common market as 50% of the respondents said Kenya is the regional leader while another 50% said all the member countries have equal rights. The respondents acknowledged that the leader is needed to take charge of integration efforts, especially those relating to income distribution, policy formation and institution building and also that some leadership is necessary to overcome collective action problems whether this leadership takes the form of an undisputed leader or a joint leadership by more than one country does not matter. The contributions to the EAC common market by the member countries are equal and therefore no country contributes the most to the EAC budget and therefore despite Kenya been considered as the regional leader it does not contribute more to the common market.

On the effectiveness of commitment institutions in ensuring that the member countries adhere to the treaty obligation, 100% of the respondents agreed that the institutions are effective as they resolve any dispute arising in the implementation of the common market and also ensures that there is justice. The two main commitment institutions in the EAC are the East Africa Community Secretariat and the East Court of Justice (ECJ). The Secretariat is charged with the responsibility of ensuring that states, firms and individuals comply with their obligations under the treaties. Indeed, without strong monitoring and enforcement mechanisms the members and individuals of the EAC may have been able to circumvent their EAC obligations and undermine integration initiatives but the various organizations have helped to ensure that members continue to be committed to integration. The respondents (100%) unanimously agreed that the institutions operate freely without interference as the institutions have to abide by the law of the EAC partner states. The respondents once again, agreed that the dispute resolution mechanisms which have been adopted by the member states have been effective so far as they have performed their duties to the satisfaction of all the member states.

The respondents (83.3%) indicated that there is harmonization of laws in the EAC common market in order to ensure that they comply with the provisions of the common market protocol. The areas that have witnessed harmonization of the trade policies include policies dealing with trade such as the regulatory treatment of product standards,

foreign policy, mobility of people, capital and other resources affecting the common market. Harmonization of taxes and investment incentives may be easier, and there is much to be gained from it, both in promoting the region as an investment destination and in enabling more competition among investors and potential investors. A draft of a model investment code exists, but investment incentives are currently far from being harmonized. The central banks and Ministries of Finance are actively discussing harmonized monetary and fiscal policies. The findings on whether the laws would lead to a level playing was that 66.7% of the respondents said that a level playing field would be achieved once the all the laws have been harmonized otherwise for now there is no level playing field for the organizations.

The political will is a key ingredient for the long-term stability of a regional trading bloc and the EAC member states have confirmed that as 100% of the respondents were of the opinion that the member states have the political will as the leaders are fully committed to the success of the protocol. The results of the common market cannot be predicted with any certainty. The immediate uncertainty centers on the willingness of country leaders to support free movement of labour in practice. If unscrupulous politicians stir up trouble around it, governments may not be able to avoid responding with protectionist measures.

The respondents (100%) said that the national interests of the member countries has been taken into consideration so that the supra-national institutional arrangements are essential to ensure that long-term commitments to integration are kept and that the integration agenda is not delayed unnecessarily by changes in political leadership of the member countries or variations in public support for integration. Political will must be coupled with the potential for economic gain, in order to provide the impetus for deeper regional integration; one cannot exist without the other. There is no loss of a country's sovereignty in the formation of the EAC common market as the national institutions remain in place as long as they comply with the provisions. The world is also moving towards regional trading blocs.

4.3.3 Improved Infrastructure

The need for improved regional infrastructure for communications, transport, and energy systems is widely recognized on regional integration and cooperation, and provides an opportunity for collaboration to proceed along project-driven lines that are less likely to encounter political difficulties than other schemes — provided that funding can be found. The infrastructure among the member countries varies with improvements been undertaken in all the countries. The respondents (100%) unanimously agreed that availability of infrastructure plays a crucial role in the implementation of the common market as it promotes the operations of the common market. Transport and communications have been given the highest priority in EAC because of their importance in achieving goals in other areas such as food security, industrial production and trade.

The respondents (100%) indicated that the EAC member countries have done enough to ensure there is up to standard infrastructure as they have gone to the extent of pulling together efforts to improve roads, railways, ports and power distribution. The respondents said that the member countries have prioritized the improvement of infrastructure as they devote most of its resources to ministries dealing with infrastructure. According to 100% of the respondents, the roadmaps which have been put by the member states to guide the implementation of the protocol has tasked national entities to work closely in infrastructure development and to uphold proper standards. The respondents recommendations on what can be done to enhance EAC common market include; more private sector participation, harmonization of the protocol with national laws, sensitization of the EAC partner states citizens on the benefits, cultivation of greater political goodwill, mutual recognition of academic and professional qualifications and certificates and working towards adoption of single currency and introduction of single currency. Other priorities areas include development of transport and communications infrastructures and services with special emphasis on linking the rural areas with the rest of the economy in each country as well as linking the member States; trade promotion, trade expansion and trade facilitation especially, geared to the private sector, so as to enable the business community to take maximum advantage of the Common Market, and development of comprehensive, reliable and up to date information data bases covering

all sectors of the economy including industry, energy, environment, agriculture transport, communications, investment and finance, trade, health and human resources to form the basis for sound investment decisions and macro-economic policy formulation and programming.

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CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The findings from the study were that the member countries of the EAC have put in place measures to ensure that the regional bloc does not collapse like the previous one. The measures are institutional review strength, provisions in the treaty promoting equity and equal benefit and existence of political will. The formation of a common market will involve mistrust among the members as to who will benefit most and for that, the respondents indicated that the mistrust will slow down the pace at which the common market was being formed. The member countries were implementing the resolutions agreed upon by member countries slowly as they need to ensure that their interest have been taken into consideration in both short and long term. The overlapping of membership among the member countries will affect the achievement of the common market as policies which are designed to be adopted by the EAC member countries could be against the policies in other trading blocs thus resulting to conflict among the member countries.

The enlargement of the market has resulted to trade volumes increasing which increases revenue to the government and more private sector engagement to push the EAC agenda forward by lobbying their governments to make the changes necessary to effect deeper political and economic integration. The enlargement of the market has not yet brought about specialization as implementation is still at the very early stages and clear patterns are not yet visible and also the member states are still primary commodity producers and exporters. Although trade diversion has some adverse effects on the common market, the benefits which comes with the formation of the common market outweighs the adverse effects and therefore member countries should look at the gains which comes with it since their goods are being consumed more than before the RTB was formed. The lack of complementarities in the trade flows will hinder the trade creation among the member countries as they compete to export the same products and therefore the potential for

economic gain will therefore quite be restricted and will not be enough to sustain the demand for deepened economic integration.

The EAC common market does not have a regional leader although Kenya has been taunted as the regional leader based on the country's strong economy as compared to other member states. The contributions by the member states to the EAC budget is on equal proportion and these was meant to ensure that all the countries are on equal footing as they move forward towards integration. There are two commitment institutions which are tasked with ensure that the member countries adhere to the treaty obligation. The two main commitment institutions in the EAC are the East Africa Community Secretariat and the East Court of Justice (ECJ). The Secretariat is charged with the responsibility of ensuring that states, firms and individuals comply with their obligations under the treaties while the ECJ is tasked with dispensing justice which affects the member countries. The institutions operate freely without interference from the member countries and therefore they are able to achieve their objective whichever way it goes and the member countries adhere to the decisions made.

The member countries of the EAC have been trying to harmonize the laws in order to achieve the targets which were set in the protocol. The areas that have witnessed harmonization of the trade policies include policies dealing with trade such as the regulatory treatment of product standards, foreign policy and movement of people, capital and other resources affecting the common market. The harmonization of the laws will lead to a level playing field once all the laws have been harmonized, otherwise for now some member countries will have an edge over others. The current leadership of the EAC member countries has the will to ensure that the common market succeeds as they have learnt from the lessons which lead to the collapse of the initial common market and also the world is moving towards integration. The national interest of all the member states have been taken into consideration in order to ensure long-term commitments to integration are kept. There is no loss of a country's sovereignty in the formation of the EAC common market as the national institutions remain in place as long as they comply with the provisions.

The infrastructure in member countries varies, however the member counties have tried to improve the infrastructure in order to ensure that they are not left behind in the integration. The availability of infrastructure facilities plays a significant role as it promotes the operations of the common market. Transport and communications have been given the highest priority in EAC because of their importance in achieving goals in other areas such as food security, industrial production and trade. The member countries have done enough to ensure that there is up to standard infrastructure as they devote a larger proportion of their resources to infrastructure development. The respondents recommendations on what can be done to enhance EAC common market include; more private sector participation, harmonization of the protocol with national laws, sensitization of the EAC partner states citizens on the benefits, cultivation of greater political goodwill, mutual recognition of academic and professional qualifications and certificates and working towards adoption of single currency and introduction of single currency.

5.2: Conclusions

From the research findings and the answers to the research questions, some conclusions can be drawn about the study. From the study it can be concluded that demand factors, supply factors and infrastructure influence implementation of the East African Common Market within Kenya.

The potential for economic growth is crucial for the success of any economic integration arrangement. It is this potential for economic gain which will spur member states to relinquish some of their economic and political sovereignty in favour of a common market. Integration by different countries will enable them to have a large market and at the same time be able to bargain as one entity and not as a country thus resulting to favourable trade policies. The small size of most EAC economies points to unification as a useful means of expanding markets and increasing participation in the global economy. Thus, a relaxation of trade restrictions within a given region could reduce internal transport costs, stimulate intraregional trade, and ultimately increase the growth and productivity of member states.

From the findings, it was established that the member countries have put in place mechanisms to ensure that it does not collapse like the previous one. Although mistrust among the EAC member countries will slow down the pace of implementation, it will not affect the implementation fully. Multiple membership to regional bodies affect the EAC as the policies adopted by the other bodies could be contrary to what the EAC has adopted. The enlargement of the market has led to more market for the member countries goods thus more revenue which spurs the growth of the economy.

The technocrats have ensured that trade diversion will not occur in the EAC as the exporting country within the common market gains since their goods are being consumed more than before the common market was formed. If the overall trade creating effects of the common market outweigh the trade diversionary effects then the common market would still be desirable. Although there is no regional leader in the EAC common market, the commitment institutions has ensured that the member countries adheres to the common market protocol as the institutions operate freely without interference by any country.

There is political will among the member countries to ensure that the common market does not fail like the previous one. The national interest of the member countries have been taken into consideration as the policy makers is drawn form all the member countries who drafts the proposal for the countries to discuss and agree. Infrastructure connects all the member countries and that is the reason all the member countries have committed a large part of their budget towards infrastructure development.

5.3 Recommendations

The study recommends the following:-

The member countries should work on ways of ensuring that the suspicion that exist between the member countries is dealt with amicably without jeopardizing the implementation of the protocol which binds the countries. The EAC member countries should ensure that the resolutions agreed upon are implemented quickly so that the common market can meet the deadlines which they have set for the different phases to have been completed.

Although there is no regional leader in the formation of the common market, it is recommended that the member countries should each play their role and not become a hindrance. The commitment institutions should continue playing their role without interference so that decisions they make does not seem to favour only one country every time but are working towards full implementation of the common market. The leadership in the common market should continue playing their role of sensitizing its citizens of the benefits of the common market and also having will to ensure that the common market achieve the intended objective. The infrastructure which connects all sectors of the economy should be upgraded by the countries to ensure that it plays its role in the implementation of the common market.

5.4 Recommendations for further research

The study confined itself to the East African Common Market. This research therefore should be replicated in other trading blocs operating in Africa so to establish whether there is consistency among the trading blocs which are working towards formation of a common market on the factors influencing the implementation.

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APPENDICES

Appendix I: Letter of Introduction

University of Nairobi

School of Business Studies

Dear Respondent,

I am a postgraduate student in the School of Business Studies, University of Nairobi, conducting a management research paper on factors that influence implementation of East African Common Market within Kenya.

In order to undertake the research, you have been selected to form part of the study. This letter is therefore to request your assistance giving me information to the attached interview guide. This information will be treated with strict confidence and is purely for academic purposes. A copy of the final report will be availed to you upon request.

Your assistance and co-operation in this exercise will be highly appreciated.

Yours faithfully,

Bolo Daniel Ochieng

MBA student

Dr. John Yabs

Supervisor

Appendix II: Interview guide

Goals of the interview process

1. The objective of the study is to investigate the factors that influence the implementation of East Africa Common Market within Kenya.

Respondents Background

- What is the highest level of education you have received?
- How long have you worked in this ministry?
- What position do you hold in this ministry?
- What do/did you like best about the position/s you have held?
- What do/did you like least?

Part B Demand factors

1. In your opinion are there measures which have been put in place by the EAC member states to ensure it doesn't collapse like the previous one?
2. Do you think the mistrust among the EAC countries will hinder full implementation of the protocol?
3. How fast are the resolutions agreed upon by the member countries implemented?
4. Does overlapping membership to regional arrangements affects achievement of a common market?
5. To what extent has the enlargement of the market contributed implementation of EAC common market?
6. Has the enlargement of the market brought about specialization by the member countries?
7. In your opinion, has the technocrats working on EAC common market worked on the issue of trade diversion?
8. Does the presence of greater potential for economic gain for each country assist in the implementation of EAC common market?

9. Does the economic gain to specific firms assist in the implementation of EAC common market?
10. Does the lack of complementarities in trade flows assist in the implementation of EAC common market

Part C – Supply factors

1. In the formatting EAC common market, is there a regional leader?
2. In your opinion, which country is the market leader?
3. Do you agree that the presence of "regional leader" helps in the formation of EAC common market institutions?
4. Does the "regional leader" contributes the most to the EAC budget and provide assistance to other member countries?
5. How effective are the commitment institutions in ensuring that member countries adhere to the treaty obligation?
6. Do, these institutions operate freely without interference by member countries?
7. Is the EAC dispute resolution mechanism effective and efficient?
8. Is there harmonization of laws in EAC common market
9. Does the harmonization of laws leads to level playing field for organizations operating in the common market?
10. Is there political will be ensure EAC common market succeeds?
11. In your opinion has the national interest been taken into consideration in the implementation of etc common market?
12. Do you agree there is no loss of a country's sovereignty in the formation of EAC common market?

PART D: Improved Infrastructure

1. How is the infrastructure among the member country's of EAC?

2. Does availability of infrastructure plays a crucial role in the implementation of EAC common market?

3. Has the member country's done enough to ensure that there is up to standard infrastructure?

4. Does the member country's prioritize the improvement of infrastructure among them?

5. Does the member countries keep each other to ensure that there is good infrastructure within all the member countries?

6. As an employee of the ministry of East Africa, what recommendations would you make to enhance EAC common market?