

**TRADE IN SERVICES AND THE PROMOTION OF REGIONAL  
INTEGRATION IN EAST AFRICA**

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**DECLARATION**

This Research Project is my original work and has not been submitted for award of a degree to any other University.

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## **DEDICATION**

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## ABSTRACT

This paper analyzes trade in services and the promotion of regional integration in East Africa. The main objective of this study was to examine the overall performance of trade in services to promote regional integration in East Africa. The specific objectives of the study were to : Interrogate the key players in trade in services to strengthen regional integration processes in EAC; Examine the existing gaps that contribute to poor performance in the provision of services in EAC and ; Examine the major steps taken by the East Africa Community to improve trade in services in Eastern Africa. The theoretical framework underpinning this study is functionalism. The theory examines the state centric and politics that goes beyond the state giving birth to regional integration where countries shed off their borders to allow for free trade. This happens when a country merges in mutual agreement with others in their geographical setting. The EAC is the perfect arrangement where functionalist approach to international cooperation is to lead to a political federation coupled with institutional framework to guide it. These frameworks act as a guiding principle to enhance trade in services. The research methodology involved gathering relevant data from the specified documents and literature review from the recent studies conducted in the areas of trade in services in order to analyze the material and arrive to a conclusion in the services sector in trade. Primary data was supplemented by secondary data obtained from a wide range of sources including library resources, articles, newspapers, journals, theses and internet sites. The data presented was critical to determine the existing knowledge on the topic under study. The research design was a mixed method of qualitative and quantitative data used for data collection and analysis. The study was carried out in the Kenya, Tanzania, Rwanda, Burundi and Uganda. The data collection methods included structured and unstructured questionnaires and data was analyzed through machine-processed Statistical Package of Social Scientists (SPSS). The findings indicate that trade in services have promoted to a greater extent regional integration in EAC. The services that are vibrant are Business, Financial and Technological services. The MNCs were found to exert very strong influence in the provision of services and regional integration. Some of the gaps identified included lack of proper infrastructure and unavailability of adequate manpower and human resource required for the provision of specific services such as social services and health-care. Most governments still have protectionist policies which undermine business and integration efforts. Measures were also proposed to improve trade in services in the region including capacity building to custom official, strong policies etc. The study also revealed capacity-building measures recommended for immigration/customs officers and other key stakeholders to improve regional integration and they include; professional training in regional integration and foreign protocols, staff exchange visits to learn more on good replicable practices, training on policies and laws of other nations to ensure harmony in application.

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## ABBREVIATIONS

APRM	Africa Peer Review Mechanism
APSEA	Association of Professional Societies of East Africa
AU	African Union
COMESA	Common Markets in Eastern and Southern Africa
CSRs:	Corporate Social Responsibilities
EAC	East Africa Community
EALA	East African Legislative Assembly
EPA:	Economic Partnership Agreements
EPTA	Expanded Program of Technical Assistance
FDI:	Foreign Direct Investment
GATS	General Agreement on Trade in Services
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
LAPSET	Lamu Port Southern Sudan-Ethiopia Transport
MNCs :	Multi-National Corporations
NEPAD	New Partnership for Africa's Development
NTBs	Non-Tariff Barriers
ODA	Official Development Assistance
OSBP :	One Stop Border Posts
SMT	Senior Management Team
SPSS	Statistical Package of Social Scientists
SSA	Sub Saharan Africa

UNESCO United Nations Educational, Scientific, and Cultural Organization

WTO World Trade Organization

## CHAPTER ONE

### TRADE IN SERVICES AND REGIONAL INTEGRATION IN EASTERN AFRICA

#### 1.1 Introduction

The service sector in East Africa Community (EAC) Treaty has been considered as a crucial sector in the attainment of economic development goals and targets in the region. It is the key sector that the EAC Treaty seeks co-operation in harmonization of policies, joint development, standardization and testing, thus promoting regional integration.

The typical examples of services that enhance regional integration are communication technologies, transportation, financial and banking, engineering, construction, legal, healthcare, media, consulting and distribution, among others. The sectors include; communication, transport, tourism, financial related education, health, culture and sports and environmental management.<sup>1</sup>

Important sectors that provide services like, insurance, transport and financial institutions have greatly contributed to the process of regional integration. It is therefore imperative that governments assess the trade potential of their countries in given sectors or sets of sectors to make a decision to open their markets or promote their exports.

The services sector in least-developed countries face serious challenges in view of their special economic situation and their development, trade and financial needs. Therefore, as regional integration takes the center stage, focus is moving fairly fast in Africa and as such, regional integration arrangements like the EAC are fundamental and closely monitored as case studies for progressive regional integration.

Trade in services has been guided by key institutions which set agenda for free and fair trade. These include World Trade Organization (WTO), African Union (AU), East Africa

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<sup>1</sup> *Alain N. Liberalisation of Trade in Services in EAC: A regional perspective (2009) P.7*



Community (EAC) among others. The advancement in information and communications technologies has increasingly promoted trade in services. Technological progress has essentially transformed business practices, reducing the cost, increasing the speed, improving the quality and expanding the range of available services that can now be traded across borders.

Consequently, trade in services has now expanded in breadth in the trading arena to incorporate more professions and industries, taking into consideration the geographical reach, that has made it possible for business process outsourcing and offshoring practices.

The major Multinational Corporations (MNCs) have been seen to take a lead and central role to drive the processes because of their financial and human capacity to leverage and operate in the region extending their branches strategically to increase operations and customer base in the region. These are termed as key players and their presence can no longer be ignored by the states. The states are mandated to operationalize legal and regulatory mechanisms that are consistent to achieve economic growth.

The trade in services accounts for over a quarter of global trade flows and has been expanding rapidly in the last two decades because of technological changes. As a result, services are now squarely on the agenda in trade negotiations and trade agreements, making it possible to achieve regional integration. Trade negotiations play a complementary role in promoting beneficial policy reforms, as well as improving market access opportunities for exporters and contributing to the competitiveness and trade diversification strategies of countries.<sup>2</sup>

With the emergence of development projects in the Eastern Africa Region, for instance, Konza city, Dongo Kundu initiative, LAPSET projects and upgrading of roads, increases the trade links amongst countries and competitors and the need for customers to go for the best. The

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<sup>2</sup> Saez, Sebastian, Directions in Development: Trade in Services Negotiations: A Guide for Developing Countries((Herndon, VA, USA: World Bank Publications 2010))

services rendered in these endeavors are very significant to increase growth, increase in transnational and cross-border collaboration and economic growth.

## **1.2 Back ground**

Multilaterally, trade in services falls under the World Trade Organization's General Agreement on Trade in Services (GATS), which in Article V provides for economic integration by allowing member states to enter into an agreement to liberalize trade in services, subject to specific conditions.

Trade in services is a significant feature in regional integration model when the stage of the common market is reached. However services have received very little attention in formal African integration arrangements.<sup>3</sup> This in most cases requires taking advantage of trade opportunities and focus on policy reforms that create an enabling environment for private sector service providers.<sup>4</sup>

The neglect of the trade in services agenda is somewhat ironic in Africa, where infrastructure services such as transport and telecommunications adversely affect the costs of doing business, and pose obvious challenges to the regional and continental integration.

The importance of Non-Tariff Barriers (NTBs) should not be underestimated. The most important NTBs hindering regional trade in the East and Southern African region (COMESA), the EAC and SADC) include customs procedures and administrative requirements, technical standards and the lack of physical infrastructure. This is of particular importance to agricultural

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<sup>3</sup>Sudhanshu Sharma ,A perspective on economic integration in Africa - Part 1, [http://www.consultancyafrica.com/index.php?option=com\\_content&view=article&id=1231:a-perspective-on-economic-integration-in-africa-part-1-&catid=87:african-finance-a-economy&Itemid=294](http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=1231:a-perspective-on-economic-integration-in-africa-part-1-&catid=87:african-finance-a-economy&Itemid=294), Monday, 18 February 2013 06:02

<sup>4</sup> Olivier Cattaneo etal ,International Trade in Services: New Trends and Opportunities for Developing Countries, (Washington, D.C The world Bank 2010) p.7

trade within the region. Cumbersome documentation requirements, stringent standards and inefficient road and rail networks cause time delays and increase the cost of intra-regional trade.<sup>5</sup>

In addition services play an important role facilitating trade in goods and lack of services infrastructure or facilitating regulatory frameworks can restrict competitiveness and increase trade transaction costs.

Enhanced market access without enhancement of the capacity to produce goods and services to benefit from those opportunities will fail to produce higher economic growth.

A critical look at the competitiveness of EAC, countries generally have very efficient labour markets by both regional and international standards. Their financial markets are well developed, and they have relatively sound institutions as well as the capacity for innovation. However, the quality of infrastructure, macroeconomic stability and health and education indicators in the bloc are poor, as is technological readiness. Part of the major factors hindering business in the region are inter alia, inaccessibility to financing, high levels of corruption, high unwarranted taxes and inadequacy in the supply of infrastructure.<sup>6</sup>

This generally shows that EAC lags behind other world regions in terms of competitiveness and faces a constrained business environment more generally. This therefore calls for further reforms to improve competitiveness necessary to foster economic growth.

This study therefore looks at the type of services offered to enhance regional integration in Eastern Africa i.e Kenya, Uganda, Rwanda, Burundi and Tanzania

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<sup>5</sup> Willemien V, Non-tariff barriers affecting trade in the COMESA-EAC-SADC Tripartite Free Trade Agreement ( Stellenbosch 2011)p.3

<sup>6</sup> Sudhanshu S ,A perspective on economic integration in Africa - Part 1, [http://www.consultancyafrica.com/index.php?option=com\\_content&view=article&id=1231:a-perspective-on-economic-integration-in-africa-part-1-&catid=87:african-finance-a-economy&Itemid=294](http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=1231:a-perspective-on-economic-integration-in-africa-part-1-&catid=87:african-finance-a-economy&Itemid=294), Monday, 18 February 2013 06:02

### **1.3 Statement of the problem**

As countries continue to trade in a liberalized market, services have emerged to be a key component to ensure fair trade, profit maximization and market access and assurance. This guarantees transparency and progressive liberalization and as a means of promoting the economic growth of all trading partners and the development of developing countries.

Regional integration takes cognizance of these issues and looks at the rational response to the challenges faced by the countries in a region and special emphasis is given to the services being offered to avert the situation. African states have committed to ensure that regional integration arrangements are actualized and several countries have found themselves in several retrogressive processes that lead to inaccessibility of markets because of tariffs and non-tariff barriers to trade. This has led to provision of poor services that have led to many countries getting frustrated and engage in lower scale trade engagements.

Trade in services in East Africa has significant potential to propel trade amongst its members to enhance regional integration. Unfortunately the pace at which Trade in Services has been embraced in Africa is sluggish in the sense that the existing tariff and non-tariff barriers increases the cost of doing business making economic slack in the region. Information generated through data and research analysis remains weak to bring forth detailed and disaggregated data on trade in services and outward investment flows. This still remains a challenge. Negotiations related to trade in services have not been prioritized making it hard also to trade with other regional blocs and therefore denying market for services coming from EAC.

To improve integration in the region and maintain this momentum, EAC competitiveness must be improved by getting due attention from all the stakeholders especially the private sector.

The bigger question remains to be tackled. What measures should be taken to address the challenges that exist in the provision of services to enhance regional integration in East Africa?

## **1.4 Objectives**

### **1.4.1 General Objective:**

Examine the overall performance of trade in services to promote regional integration in EAC.

### **1.4.2 Specific Objectives**

- a) Interrogate the key players in trade in services to strengthen regional integration processes in EAC
- b) Examine the existing gaps that contribute to poor performance in the provision of services in EAC
- c) Examine the major steps taken by the East Africa Community to improve trade in services in Eastern Africa

## **1.5 Justification of the Study**

This study will strengthen the role of the East Africa Community to promote fair trade in services in the region and penetrate the global market. The recommendations drawn from the study will address the gaps and challenges the EAC countries face to fairly compete in the global market. The study will also inform strong economic policies put in place by governments to strengthen trade in services. The governments will make an evaluation and leverage strategic decisions and actions to exercise comparative advantage on what services to capitalize on in the

region. The research will also create a platform where the International Trade in Services will provide an assessment of how policy makers in the EAC can further increase their bargaining power and bolster their service sectors by leveraging the changes brought about by technological advancements. The research will purposefully give strong policy recommendations in the reduction of barriers to trade in services in the EAC region. The key players especially the MNCs that originate in Africa will rebrand to continue offering quality services that have a guarantee to be promoted locally and internationally.

In the academic realm, improved trade in services influences how countries operate and almost certainly promotes peace and security among nations who converge to achieve a common goal of maximizing profits by establishing binding and legal framework and policies that favor all the nations that operate in a region. It will contribute immensely on bargaining in the international markets, benefit EAC from economies of scale, comparative advantage among others. The study will therefore promote peace and security among trading partners thereby minimizing wars and conflicts.

## **1.6 Literature Review**

### **1.6.1 The dynamics of trade in services**

The recent trends in trade in services have taken different forms. Companies have increased their efficiency through outsourcing where they contract another specialist or company with key competence to provide services that were previously carried out as internal company functions. Examples could include billing or information help services, call centers and other

related types of operations.<sup>7</sup> Outsourcing has grown to become more common to have parts of a production process conducted in different economies.

### **1.6.2 Global perspectives of trade in services**

The services sector accounts today for two thirds of global output (65% of GDP in 2006; 45% of GDP in 1960) and represents the fastest growing sector of the global economy. In a world where competitiveness is key to economic development, services play a vital role in ensuring competitive economy. Service industries provide the infrastructure allowing modern economies to function by linking geographically dispersed economic activities or supplying crucial inputs into products competing in the domestic and global markets<sup>8</sup>

Given the increasing worldwide request for service, the services production is the dominant economic activity in the world and services exports amounted to 2.6 trillion US \$ in 2006 and the new specific commitments expected to be undertaken in the current Doha Round negotiations, the GATS rules become even more important for economic actors, states and lawyers.<sup>9</sup>

### **1.6.3 Trade in services in the developing countries**

The potential of the trade in services has remained largely overlooked and untapped by developing countries. A number of reasons could be cited, including the widespread and persistent idea that services, as opposed to goods, are non-tradable. Because of the technological gap between developed and developing countries, the impression has persisted. However, there

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<sup>7</sup>MSITS 2010: Manual on Statistics of International Trade in Services,p.40

<sup>8</sup>Federico Ortino: “ Regional trade agreement and trade in services” in Simon Lester and Bryan Mercurio : “Bilateral and regional trade agreements : commentary, analysis and case studies”, Cambridge, 2008

<sup>9</sup>Feinäugle, and Stoll, Peter-Tobias, eds. WTO : Trade in Services. Leiden, NLD: Martinus Nijhoff, 2008.p.x

has been a belief that the service trade is the privilege of the countries of the Organisation for Economic Co-operation and Development and that there is nothing or little value in this trade for the poorest countries. Recent research and evidence have proven this to be erroneous. The fact remains that any country, including the least developed, can join the club of service trade exporters and benefit from increased market opening.<sup>10</sup>

According to World Trade Organization, (WTO), article 1.2, Trade in Services is defined as the supply of a service from the territory of one Member into the territory of any other Member (cross-border supply), in the territory of one Member to the service consumer of any other Member (consumption abroad); by a service supplier of one Member, through commercial presence in the territory of any other Member (commercial presence); and by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Members (temporary presence of natural persons)

For a very long time, multilateral trade negotiations heavily concentrated on trade in goods and reducing tariffs. In the 1970s, trade was still assumed to be under domestic regulations. The only exception and deliberate steps towards regulation of trade in services dated back in 1959 and when GATT issued a recommendation “Freedom of Contract in Transport insurance”<sup>11</sup>

International awareness of trade in services sector came as a result of the growing importance of trade in services to world trade. This witnessed international trade in services to grow at an annual rate of nineteen percent between 1970 and 1980 while access to service market was very restricted and access denied.<sup>12</sup>

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<sup>10</sup> Mattoo and Payton, Services Trade & Development: The Experience of Zambia, Washington DC, 2007,p.44

<sup>11</sup> GATT Secretariat, Freedom of Contract in Transport Insurance ,Recommendation, BISD 82/26 27<sup>th</sup> May 1959

<sup>12</sup> Reyna, in Stewart (ed), vol II,2335,2342



Through the WTO negotiations on the GATS, Brazil has made requests to Argentina, China, India, Korea, Mexico, Paraguay and Uruguay for market access in their distribution sectors.<sup>13</sup> This is due to their ability to attract large scale international investments.

Least developed countries will not be significantly affected because they are unlikely, over the foreseeable future, to attract large-scale international investments in distribution given their limited market size. Trade liberalization alone is therefore unlikely to have a significant impact on the volume of Foreign Direct Investment (FDI) flows into such countries. Moreover, they are unlikely to host national companies that are capable of setting up subsidiaries abroad.<sup>14</sup>

In the GATT Tokyo Round of Multilateral Trade Negotiations (1973-1979) trade in Services was highly embraced by and put top on the agenda because of the US initiative. Most of US sectors previously pressurized the Government to commence negotiations to lead a liberalization of trade in services. Since then, the US continued taking the lead role in the entire negotiations.<sup>15</sup>

In the negotiations at WTO, trade in services progressed slowly and the processes were largely seen as being studied because the field was seen as scarcely documented. OECD trade Committee undertook research and concluded that trade barriers were impediment towards trade in services. This led to GATT consultative group of Eighteen (CG-18) to declare trade in services as a priority among other emerging trade policies that led to a recommendation that trade in services might be a proper concern of the GATT.<sup>16</sup>

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<sup>13</sup> Olivier Cattaneo et al, International Trade in Services: New Trends and Opportunities for Developing Countries, (Washington, D.C The world Bank 2010)p.153

<sup>14</sup> Olivier Cattaneo et al, International Trade in Services: New Trends and Opportunities for Developing Countries, (Washington, D.C The world Bank)2010,p.153

<sup>15</sup> Reyna, in Stewart (ed), vol II,2335,2343

<sup>16</sup> GATT Secretariat, Report of Consultative Group of Eighteen to the Council of Representatives, BISD 28S/71.23 October 1981,p 14

Throughout history, most trade liberalization has concerned the movement of goods and people because they can be stored and transported. However, while services like banking, education and telecommunications and health, account for only about 20 percent of global trade on a balance of payments basis, this sector is the fastest growing. Much of this increase in service-related trade has resulted from changes in technology, which make e-commerce and telemedicine technical possibilities, meaning that from easier travel and border restrictions, which make temporary movement of patients and professionals feasible.<sup>17</sup>

Most recent and critical development in international legislation concerning trade and health services has been the WTO negotiations aimed at the further liberalization of trade in services.

GATS was initiated in 1994 during the “Uruguay Round” of WTO negotiations, where initial commitments in health services were made by a large number of countries. More recently, negotiations began following the WTO meeting in February 2000, with initial requests for specific commitments made by the end of June 2002, initial offers due by the end of March 2003, and finalized agreement by the end of January 2005. This pace of development of the new GATS commitments, and especially their binding nature, has created a fresh imperative to establish how health services will be affected<sup>18</sup>. The situation is not any different with the other sectors aforementioned. This clearly depicts the positive trend of legislation taken to improve trade in services in general.

Regional economic integration has been viewed as a novel phenomenon in global trade dynamics with the potential to halt the marginalization of African countries in the multilateral

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<sup>17</sup>Blouin, Chantal, Drager and Smith. International Trade in Health Services and the GATS : Current Issues and Debates.(Herndon, VA, USA: World Bank Publications) 2005. p 15

<sup>18</sup>Blouin, Chantal, Drager, Nick Smith and Richard. International Trade in Health Services and the GATS : Current Issues and Debates (Herndon, VA, USA: World Bank Publications2005). p 2.

trading system and the subsequent eradication of poverty. However, cross-border production networks, that have been a salient feature of development in other regions, especially East Asia, have yet to materialize in Africa<sup>19</sup>.

The service sector is key to economic growth, export competitiveness and poverty reduction. The trade in services has grown more rapidly than the trade in goods. The share of the trade in services in overall trade has been increasing for much of the last three decades. Together, the European Union and the United States still account for over 60 percent of service exports in the world, but India may soon be exporting more services than goods, and the business service exports of Brazil, China, and India have been growing by well over 10 percent every year for the last decade. Within the trade in services, commercial services such as financial services, communication services, and business and professional services have emerged as particularly dynamic. The service sector currently comprises more than two-thirds of the world economy: 72 percent of the gross domestic product (GDP) in high-income countries, 53 percent in middle-income countries and 46 percent in low-income countries.<sup>20</sup>

#### **1.6.4 NEPAD and Trade in Services**

Trade in services has been a debate in the recent years because of trade activities tracking African development and obtaining an improved position for Africa in the international community. The main driving force behind this thrust is The New Partnership for Africa's Development (NEPAD), a programme of the African Union (AU) that has developed into a process that become internationally recognized as the primary framework for African

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<sup>19</sup>Economic Commission for Africa, Eighth Session of the Committee on Trade, Regional Cooperation and Integration, Addis Ababa, Ethiopia 6-8 February 2013(p.2)

<sup>20</sup> World Development Indicators publication, 2013

development since its inception in 2001.<sup>21</sup> The NEPAD has endorsed an improved position for Africa's international trade as a priority and has poverty reduction among its chief objectives. It is certain that there are linkages between NEPAD and the WTO, and that this has special relevance for poverty alleviation in Africa. The relevance of this linkage is heightened as the NEPAD process is currently taking place parallel with a Round of negotiations of the WTO that is supposed to specifically deliver improved conditions of trade to better support global development.

In such a consideration of the NEPAD-WTO relationship, it is important to outline the nature of NEPAD in order to better understand its positioning vis-à-vis the WTO. This comparison will bring out the existence of NEPAD and how the process is largely founded on the concept of various series of supportive forms of collaboration or partnerships, both intra-African and those between Africa and the international community, but remains a process that is African owned and African driven.<sup>22</sup>

### **1.6.5 Africa Peer Review Mechanism**

On the other hand, the Africa Peer Review Mechanism (APRM), Launched in 2003 by the African Union (AU), is a mutually agreed instrument voluntarily acceded to by the Member States of the AU as an African self-monitoring mechanism. The APRM is a bold, unique and innovative approach designed and implemented by Africans for Africa. The APRM process focuses on four thematic areas to assess state's compliance with a wide range of African and international human rights treaties and standards: These are Democracy and political governance,

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<sup>21</sup> World Trade Organization(WTO) Support to NEPAD: Period of report: 2002 – 2004

<sup>22</sup> Jimi O. Adesina: NEPAD and the challenge of Africa's Development: Towards a political economy of a discourse, December 2002

Economic governance and management, corporate governance and Socio-economic development.<sup>23</sup>

The APRM is an ambitious initiative by African governments to undertake critical assessment of virtually every aspect of the governance of their political, economic, corporate and socio-economic development systems. It is a voluntary process that requires African governments and their citizens to analyse systemic governance problems, assess progress towards improvement and identify suggestions for effective reform. By May 2008, 28 countries had acceded to be reviewed.<sup>24</sup> The APRM is a critical platform for EAC countries to evaluate their economic performance in trade in services and enforce the frameworks guiding how service sector operate. Since it is a self-regulating mechanism, the challenges can be addressed carefully to come up with robust measures that are not imposed from other regions.

### **1.6.6 The East African Community and Trade in Services**

The importance of regional economic integration as a means for accelerating and consolidating economic and social development has long been recognized by African decision-makers and leaders including Kwame Nkrumah, Thabo Mbeki, George Patmore, and Muammar Gaddafi, to name a few. Hence the call for integration is well-rooted in African history, though in most instances the initial aim was more to gain greater political influence and voice in the international arena. As the challenges of globalization and interdependence make their impact

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<sup>23</sup> [http://en.wikipedia.org/wiki/African\\_Peer\\_Review\\_Mechanism](http://en.wikipedia.org/wiki/African_Peer_Review_Mechanism)

<sup>24</sup> Katito G, Understanding APRM Research: Planning, Process and Politics A Practical Handbook for Peer Review Research Number 4, June 2008

felt on the countries of the African region, including the possible marginalization of the African continent, the imperative of integration has taken centre stage once again.<sup>25</sup>

The East African Community is among the fastest growing regions, outpacing the rest of Sub-Saharan Africa (SSA). Growth rates have picked up strongly in EAC countries over the last two decades—outpacing the rest of SSA since 2000. During 2005–10, per capita income growth reached 3.7 percent a year in the EAC, compared to 3.2 percent for SSA as a whole, and almost quadruple the rate achieved in the previous 15-year period. Part of the recent high growth is catching up after years of very poor growth—in the last part of the 20th century the region suffered periods of severe civil strife and bouts of economic instability. Since then, the region has been committed to strong policies.<sup>26</sup>

## **1.7 Theoretical Framework**

### **1.7.1 Functionalism**

Functionalism is a theoretical approach which emerged towards the middle of the past century as an alternative to federalist designs concerning the organization of the international system.<sup>27</sup> Functionalists are interested in identifying those aspects of human needs and desires that exist and clamor for attention outside the realm of the political. They believe in the possibility of specifying technical and non-controversial aspects of governmental conduct, and of weaving an ever-spreading web of international institutional relationships on the basis of meeting such needs.<sup>28</sup> David Mitrany in his book, *A Working Peace System*, is the principal work. It

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<sup>25</sup> Tsidiso Disenyana Towards An EAC, COMESA And SADC Free Trade Area , Issues and Challenges 1 October 2009 p5

<sup>26</sup> Lee et al, Il Houg; Syed, Murtaza H.; Xueyan, Liu. East African Community : Prospects for Sustained Growth. (Washington, DC, USA: International Monetary Fund 2012)p 5.

<sup>27</sup> Mihai Alexandrescu in David Mitrany: From Federalism to Functionalism, Babe-Bolyai University of Cluj-Napoca, 1995 p.20

<sup>28</sup> HAAS, ERNST. Beyond The Nation State. Stanford, Calif: Stanford University Press, 1964.p.6

presents a pointed critique of federation and the constitutional approach to international order. The paper suggests the functional alternative to achieve international society. With remarkable insight, Mitrany anticipates the growth of functional organization, e.g., the economic, social and technical agencies of the United Nations family. As James Sewell points out, the International Bank for Reconstruction and Development (IBRD) and its affiliate, the International Development Association (IDA), are active in providing economic development assistance to developing nations. The development of transportation and electricity are historically the backbone of the bank's business; IDA, in addition to sharing these interests, shows a strong tendency toward agricultural development as well. Furthermore, the growth in programs of such agencies as the United Nations Educational, Scientific, and Cultural Organization (UNESCO), and the formation of the UN Development Program from the Special Fund and the Expanded Program of Technical Assistance (EPTA) are illustrative of the increase in functional tasks in the social and technical areas. Thus, A Working Peace System contains a theoretical basis for the growth in these functional sectors. Such foresight is an indication of the value of Mitrany's work.<sup>29</sup>

Functionalist theory was significantly changed by David Mitrany after the failure of the League of Nations (LN), and its role after the World War II. There was a growing need to see cooperation from both international governmental organizations and non-governmental organizations in view of technological advancements that was seen to promote welfare and increase interstate cooperation. Functionalism theory further emphasized and took cognizant of the fundamental role of professionals in formal organizations in the promotion of international cooperation. The WTO has been such an important institution that ensures cooperation is the order of the day to ensure non-discrimination and fairness in trade. Neo-functionalism on the

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<sup>29</sup> Raymond Tanter, A working functionalism? - a review 1, Department of Political Science, University of Michigan

other hand propelled the argument that successive rounds of commitments and collaborations in one area would result in an incremental benefit and cooperation in other related areas and bring to fruition other loose arrangements.<sup>30</sup>

The set of organizations particularly The Bretton Woods monetary system were established to avoid economic conflicts, maintain currency stability and free trade. The GATT original mandate was to maintain open trade based on the principle of non-discrimination. In its transformation, it was established in 1995 and strengthened to become the WTO purposefully to strengthen dispute settlements through its adopted procedures.<sup>31</sup>

Other proponents like Leonard Woolf's expound the state-centric model of international organizations. In his book *International Government*, he is concerned about the fundamental aspects of how states relate and the components of peace and security. More specifically he is more interested in government's technical and economic cooperation and the institutions inherent.

His arguments postulate that we are accustomed to regard the world that is neatly divided into states or nations which are isolated, but the fact remains that the arrangements in the current state is more than the states. The greater emphasis is laid on non-state international relations where the basis of the study transcends beyond a state.

David Mitrany borrowed heavily these arguments and took further his writings in international politics and functionalism. He found much intellectual stimulation after coming to London in 1912 and worked together with Leonard Woolf to analyze the League of Nations

Argument for my theory: The state centric and politics that goes beyond the state has given birth to Regional integration where countries shed off their borders to allow for free trade.

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<sup>30</sup> Alexander Thompson and Duncan Snidal, 9800 *International Organization*, *University of Chicago* (Alexander Thompson and Duncan Snidal,1999)p.8

<sup>31</sup> Alexander Thompson and Duncan Snidal, 9800 *International Organization*, *University of Chicago*,1999)p.6



This can only happen if a country merges in mutual agreement with the other in their geographical setting. The EAC is the perfect arrangement where functionalist approach to international cooperation is to lead to a political federation coupled with institutional framework to guide it. The countries therefore need to put in place legal and regulatory framework and compromise state laws to make it binding. This creates room for trade to prosper, market the finished products and allow movement of goods and services within its region.

Therefore there is an assumption that states can create a peaceful world where gradualistic and pragmatic cooperation in technical and economic terms work in the best interest of the majority. This creates an option of a model where power politics is broken down further similar to realism. This paves way to the elimination of nationalism which is seen as the root cause of war by attacking national sovereignty. Ultimately, economic and technical cooperation would be fostered in the long run. GATS as an off shoot of GATT, has led to realization of trade in services, being accorded more emphasis as the elements are guided by legislative frame work and a constitution. More countries of EAC are coming together with the ultimate goal to realize political federation that will eventually knock off the border mentality and demystifying sovereignty in the 21<sup>st</sup> century

## **1.8 Hypotheses**

- 1) The key players in trade in services have significant influence in regional integration.
- 2) Challenges in trade in services hinders regional integration.
- 3) Increased commitment of East Africa Community member countries contributes to growth of regional integration in EAC

## **1.9 Methodology**

The research methodology used included gathering relevant data from the specified documents and literature review from the last recent studies conducted in the areas of trade in services in order to analyze the material and arrive at a more complete understanding of the services sector in trade. More emphasis was put in the processes that the key organizations driving trade in services underwent, challenges they faced in trade in services and also the EAC role in the involvement in the regional integration.

The theoretical framework was a guide to determine the tools that were used for data gathering, analysis and drawing insights on the dynamics in trade in services in the EAC. The primary data was largely supplemented by secondary data which was obtained from a wide range of sources including library resources, articles, newspapers, journals, theses and internet sites. The data presented was critical to determine the existing knowledge on the topic under study.

### **1.9.1 Research Design**

The methodology used was mixed methods where both qualitative and quantitative data were used for data collection and analysis. The study was carried out in the Kenya, Tanzania, Rwanda, Burundi and Uganda as a proxy representative of the Eastern Africa region, since it was assumed that the practice in trade in services along the borders of the countries is much more vibrant.

The tool used was questionnaire that was administered to the key respondents. The target stakeholders involved categories of people like: the business people working for multinational corporations, customs officials, the secretariat of EAC and civil society organizations and corporate entities involved in regional integration.

### **1.9.2 Study site**

The study area was EAC countries of Kenya, Rwanda, Burundi, Uganda and Tanzania. These states were purposively selected because of movement of goods and services within the borders and the presence of natural persons who actually do business in service sectors. Business interaction takes pace in these offices and some practices were identified including how the policies and legislation are enforced to foster trade in services. Key government offices located at the headquarters and field offices in the relevant ministries like the foreign affairs and trade were targeted

### **1.9.3 Data collection Methods**

The study adopted a participatory approach, where the data was collected in consultation with the key respondents and business people in East Africa through a questionnaire.

Data was collected through structured and unstructured questionnaires and machine processed through the Statistical Package of Social Scientists (SPSS). Questions as well as the possible answers were coded and themes generated. The questionnaire had open ended questions to collect qualitative data that generated unexpected insights that might otherwise not be available from structured quantitative data Mail questionnaires was administered and mailed to the respondent with a request to return back after completing. Before applying this method, the questionnaire was pretested and weaknesses revealed. Thereafter, adjustments were made to the questionnaire to be more effective in collecting the relevant information.

#### **1.9.4 Data Analysis**

Quantitative data was entered and analyzed using the computer software package SPSS. The data was handled from a central data management point using the SPSS computer package and various outputs generated. Frequency tables and distributions were used to elicit information on the respondents' background characteristics such as education level, occupation, age, social economic factors such as professional affiliation among others.

#### **1.9.5 Validity and Reliability of Research**

In order to increase the validity of the research and strengthen confidence, a number of selected combinations of strategies within the research time frame were used. Triangulation was systematically applied to compare data from different research tools and groups under study. The research realized accuracy and truth of the data and the results produced. The research was subjected to a peer debriefer to enhance accuracy of information.

The peer debriefer in the field of trade in services reviewed and ask questions about the qualitative study to resonate with the people and add to the account a different view point.

On the other hand, the reliability was observed by designing a time frame that was realistic and achievable .The design minimized bias and maximized the reliability of the data collected and analyzed. Similarly, the approaches used ensured that the research results remained the same if the research is repeated. The data collection methods employed will produce similar results if used by other researchers or by the same researcher more than once.

### **1.10 Scope and limitation**

This study lasted for 6 months and resources where both financial and human resources were utilized. Respondents were representatives either living in diaspora or in the home country drawn from Kenya, Uganda, Tanzania, Rwanda and Burundi. Some of the key informants were experts of regional integration, the Senior Management Team (SMT) of selected MNCs, the representatives of the governments departments representing trade and immigration ministries. However, owing to their busy schedules, not all respondents managed to fill in the questionnaire where others chose to delegate to junior offices who have less experience and limited knowledge in the area of trade in services. This had an impact on the content of data generated.

Because of the short time frame, the research only administered questionnaires that saw 75 % return rate.

### **1.11 Definition of Terms**

*Trade in Services:* Refers to the sale and delivery of an intangible services between a producer and consumer and takes place between a producer and consumer that are, in legal terms, based in different countries, or economies

*GATS:* A treaty of the World Trade Organization (WTO) that came into full force in January 1995 as a result of the Uruguay Round negotiations. It creates a platform where negotiations are held to ensure there is free and fair trade and also plays trade mediation role

*Regional Integration:* It is a process in which states within a geographic location and share common interest enter into an agreement in order to foster cooperation and collaboration through common institutions and rules.

*Coalition of the willing:* These are countries who are not in the same block and are willing to support the initiative of regional integration and bring it to fruition

*Cross border supply:* services supplied from one country to another e.g international calls

*Business process outsourcing:* is a component of outsourcing involving contracting operations and to a third party service tasks provider. It involves both back office and front

*Regional Trade Agreement (RTA):* The agreements successfully reached between countries not necessarily belonging to the same geographical region; more specific, because the WTO provisions which relate specifically to conditions of preferential trade liberalization with RTAs

*Offshoring practices;* it is the process where technical and administrative services are supporting operations in another country. The typical relocation of a company or business to another country in various fields like manufacturing, accounting, marketing, etc to support operations in that country .

## 1.12 Chapter outline

This Section provides the layout of the research study. Lays the sequence in which the chapters of the whole research project will run. The study will flow in the following order:

*Chapter One:* Introduces the topic of the research study by first setting the broad context of the research study, the statement of the problem, Objectives, hypotheses, justification, literature review, theoretical framework and the methodology of the study.

*Chapter Two:* The chapter discusses details of Trade in services in the EAC. The chapter analyses in depth services sector of health and distribution as well as their dynamics

*Chapter Three:* This chapter discusses key players including Multi-National Corporations (MNCS), their role in providing services in EAC challenges and measures that the state must take to ensure regional integration in EAC materializes

*Chapter Four:* Analyses the data collected in the previous chapter in the light of the hypotheses and theoretical framework already stated

*Chapter five:* Provides conclusions of the study, gives recommendations and provides suggestions on areas for further study.

## CHAPTER TWO

### TRADE IN SERVICES IN THE EAC

#### 2.1 Introduction

Extensive coverage has been witnessed in the Common Market Protocol towards liberalization and integration of trade in services in the region. It advocates for removal of restrictions on the rights of establishment and residence for the nationals of other Partner States and the removal of measures restricting movement of services and services suppliers.<sup>32</sup>

Trade in services has been silent in EACs integration process, because the primary focus of the community's was on trade in goods. This saw limited work to pursue a regional trade in services agenda. However, efforts have been recorded and priorities are changing given the urgency to operationalize the Common Market Protocol provisions on trade in services, in addition to the negotiations on services under the Economic Partnership Agreements (EPA). The secretariat therefore needs to lead these efforts in spite of limited skills and expertise to develop an appropriate program.<sup>33</sup>

#### 2.2 Trade in health services

Competition has been cited in number of countries to become the exporters of health services. This has been appealing to many developing countries where Health tourism has been seen as a preference and clinics have emerged providing services to foreign clientele . Similarly,

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<sup>32</sup> Eastern Africa Regional Integration Strategy Paper 2011 - 2015 Regional Departments – East I & East II (Orea/Oreb) September 2011 p ii

<sup>33</sup> Eastern Africa Regional Integration Strategy Paper 2011 - 2015 Regional Departments – EAST I & EAST II (OREA/OREB) September 2011 p ii



services like surgery and recuperation have also emerged. Surprisingly, on the demand side, the United States remains the largest consumer of health services worldwide.<sup>34</sup>

### **2.3 Experiences of EAC in the Distribution Service Sector**

In Africa, supermarkets, hypermarkets and large discount stores started to expand abroad in the mid-1990s. South African retailers were the first to establish themselves in foreign markets; they were soon followed by Kenyan retailers. African foreign direct investment (FDI) has targeted the retailing sectors in Botswana, Namibia, Swaziland, Zambia, and Zimbabwe, and, more recently, Angola, Ghana, Madagascar, Mauritius, Mozambique, Tanzania, and Uganda<sup>35</sup>

There are benefits accrued from the EAC integration processes and a number of achievements have been made so far in the process of integration in EAC. Freedom of movement across EAC countries has been enhanced and improved in the Eastern Africa region. Freedom of movement is further associated with ease of travel across borders in Kenya, Uganda and Tanzania. The citizens experience free movement of people goods and services who are the business persons, workers, professionals, students and farmers<sup>36</sup>. This means that services has attained much recognition and the problem is how to improve these services to liberalize the markets fully.

One of the recommended measures to enable East African citizens to benefit from regional integration is capacity-building measures for immigration/customs officers and other key Stakeholders. The recommendation given are among others to train immigration and

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<sup>34</sup>*Olivier Cattaneo* et al, International Trade in Services: New Trends and Opportunities for Developing Countries, (Washington, D.C The world Bank 2010) p.99

<sup>35</sup> *Olivier Cattaneo* et al, International Trade in Services: New Trends and Opportunities for Developing Countries, (Washington, D.C The world Bank 2010) p.146

<sup>36</sup> Regina G Mwatha, Benefits Experienced By Ordinary Citizens From East African Community (EAC) Regional Integration, Final Report, February 2009(P 51-52)

customs officers on the current regulations, customer relations in modern government institutions and all progress made in the integration process. This is key to ensure consistency and close monitoring of processes that are largely geared towards eliminating barriers and reducing the cost of doing business. The need to mainstream matters of integration processes within line ministries such as labour, agriculture, education and health including frameworks that integrate East African Community affairs in the planning and budgeting processes of the Partner States.<sup>37</sup>

According to 2011 East African Community Business Climate Index Survey, the business climate factors (bcf) situation deteriorated in year 2010, where the average EAC responses indicated no changes that occurred regarding access to affordable skilled labour, quality and cost of transport, security, legal and regulatory framework, and access to business support services. In addition, some minor deterioration was recorded on access to affordable energy and on access to finance.<sup>38</sup>

Regarding the Current Situation of BCF, access to affordable and reliable energy is perceived as the single most serious obstacle to businesses operations across the region by three business respondent categories, except in Rwanda where respondents view access to affordable skilled labour and quality and cost of transport as poor. In addition, the current situation on ease of trading across EAC borders is regarded as poor by Tanzanian respondents; while for Zanzibar respondents, in addition to Energy, access to finance, access to business support services, ease of trading across EAC borders after recent establishment of the Common Market in July 2010, and ease of trading across EAC borders since introduction of the Customs Union in January 2005 are

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<sup>37</sup>Regina G.M Benefits Experienced By Ordinary Citizens From East African Community (Regional Integration, Final Report, February 2009)P 53

<sup>38</sup>Economic Commission for Africa, Eighth Session of the Committee on Trade, Regional Cooperation and Integration, Addis Ababa, Ethiopia 6-8 February 2013(P.4)

regarded as poor.<sup>39</sup> This is an indication that the service provision is declining within EAC despite a raft of measures being put in place to improve the transactions across countries.

However, progress has been recorded on intra-regional trade that expanded from US dollars 1617.1 million in 2005 to US dollars 3800.7 million in 2010, and that the EAC total trade with the rest of the world maintained an upward trend by posting a growth rate of 8.3 percent in 2013 compared to what was recorded in 2012.<sup>40</sup>

Examining how the services have been underutilized, on the other hand, some fairly good trends have been observed and steps made. In this regard, Kenya offers online procedures for tax and value added tax registration and also introduced online name search, reducing the time and cost to start a business, Uganda has an online system allowing entrepreneurs to apply for corporate tax and value added tax identification numbers at the same time. Tanzania consolidated and digitized registered company names, allowing the company name search to be done online and speeding up name clearances. Around the world 86 economies—Burundi and Rwanda among them have some variation of a one-stop shop for business registration.<sup>41</sup>

Restrictions on commercial presence assume particular significance if the services cannot be delivered through cross-border supply. For example, in the health service sector, rules may pertain to the form of establishment, foreign ownership, and nationality and residency requirements.<sup>42</sup>

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<sup>39</sup>Economic Commission for Africa, Eighth Session of the Committee on Trade, Regional Cooperation and Integration, Addis Ababa, Ethiopia 6-8 February 2013(P.14)

<sup>40</sup> Dr. Richard Sezibera, EAC Secretary General,

[http://www.eac.int/index.php?option=com\\_content&view=article&id=1796:eac-secretary-general-kenya-private-sector-discuss-ways-to-improve-business-environment-in-the-region&catid=146:press-releases&Itemid=194](http://www.eac.int/index.php?option=com_content&view=article&id=1796:eac-secretary-general-kenya-private-sector-discuss-ways-to-improve-business-environment-in-the-region&catid=146:press-releases&Itemid=194)

<sup>41</sup>Doing Business In the East African Community, Smarter Regulations for Small and Medium-Size Enterprises (P 28-29), 2013

<sup>42</sup>Olivier Cattaneo et al ,International Trade in Services: New Trends and Opportunities for Developing Countries, (Washington, D.C The world Bank 2010) p.14

A common thread of the issues aforementioned depict that trade in services has a huge potential and significantly reduces the cost of doing business catapulting the economic growth of individual countries. It is particularly appropriate to note that the tariff and Non-tariff barriers hinder a great deal trade in services and their elimination increasingly enhance market access and developing countries progressively liberalize their services thus maximizing their potential in economic growth. Similarly, EA countries have made significant strides to bridge the gaps and owing to the governments commitments, the trends and prospects are good to venture fully in trade in services.

Therefore, the literature provided in this study has put an emphasis on trade in services in the EAC and how it has been, overlooked, untapped and underestimated. The findings have brought out the key challenges that the EAC is facing whilst attempting to venture into the core of trade in services. Reasons have been cited ranging from technological gaps to perceptions that trade in services is non-tradable as opposed to trade in goods.

**CHAPTER THREE**  
**KEY PLAYERS, CHALLENGES AND OPPORTUNITIES IN EAST AFRICA**  
**INTEGRATION**

**3.1 Introduction**

The MNCs play a very crucial role in provision of services to promote regional integration processes. Their existence can no longer be ignored because of the fact that they contribute heavily to economic growth, poverty reduction and export competitiveness in most countries through the services they offer. Countries sharing the same frontier influence each other's economic and social activities and regional reintegration is seen as a fashionable trend to enhance growth in all the spheres.

In broader terms the behavior of Multinational Corporations influences a greater deal in regional integration and development. The influence is even greater while examining the model of how multinationals based outside of a region respond to the formation of a free trade agreement in the region.

**3.2 The role of Multi-National Corporations (MNCS) in providing services in Regional Integration**

International trade has been viewed by critics as a more complex encounter. The era of information and communication technologies has given a facelift to internationalization of supply chains that has to a larger extent created a relationship between trade, investment, and services which dominates international commerce.<sup>43</sup> MNCs have been very strong in setting up

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<sup>43</sup> Vito Bobek, International Trade From Economic And Policy Perspective, Publishing Process Manager Martina Durovic, Croatia, August 2012 p.1

this pace especially in introducing and expanding services abroad. Rich examples exist how this has happened. For instance most companies are more inclined towards international outsourcing and transfer of technology on domestic economies. This in essence has an effect on how trade in services is perceived and dynamics involved. It has both pros and cons. In terms of advantages, businesses are expanded and more human resource is trained to attract knowledge creation, innovation and diversity and increasing return. On the other hand, foreign profits could be diverted to countries of origin and affecting domestic economies and affecting domestic export industries.<sup>44</sup>

### **3.3 The Powerful Role of MNCs**

MNC's have acquired too much power and importance in people's everyday life. From the food stuff served on the table, to telecommunication, to vehicles and banking services .All these are products of MNCs dotting everybody's life each day.

The emergence of MNC's has altered the international arena. Some scholars argue that the international system which was initially perceived to be the domain of states as the major actors has witnessed a change in power relations. International non-governmental organizations and the MNCs have acquired too much power and importance in everyday life that they are acting as part of the game in the international arena. However the realist schools of thought still maintain that states are still the sovereign powers and main actors in international relations. Susan strange contends that neither of the two contrasting approaches is adequate in their

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<sup>44</sup>Vito Bobek, International Trade From Economic and Policy Perspective, Publishing Process Manager Martina Durovic, Croatia, August 2012 p.12

assertions. There is no clear evidence to prove that nation states have lost power to the MNCs and NGOs.<sup>45</sup>

### **3.4 The trends of MNCs in Regional Integration**

#### **3.4.1 Private Sector and trade in services**

A vibrant private sector is critical to stimulate regional integration. Deepening regional integration in the Eastern Africa region means creating the conducive environment for guaranteeing factor mobility, the free movement of people, goods and services. There is a shift towards the development of the private sector as the ultimate vehicle for the optimal allocation of resources to bring about development and prosperity to the EAC. For the private sector, the implementation of services, macroeconomic convergence and other complementary policies on investment, legal and regulatory frameworks would be instrumental to spurring competitiveness.<sup>46</sup>

The availability of abundant natural resources offers opportunities for productive activities. Likewise, the Tripartite Arrangement, backed up by political commitment at the highest government level, also holds the prospect for heightened infrastructure development and trade expansion efforts in the region. Furthermore, enabling the flow of capital, management know-how and technologies within the sub-region, and between the sub-region and the rest of the continent is a priority outcome of the regional integration process. In this respect, the pattern of intra-regional investment has been seen vibrant in the region. For instance Kenyan private enterprises operating across the EAC market have been perceived to be the emerging footprint of

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<sup>45</sup> Susan Strange, “International Economics and International Relations – A case of mutual neglect”, in Ed. David Baldwin, *The Library of International Political Economy 5 –Key Concepts in IPE Vol. I*, 1993, US

<sup>46</sup> Eastern Africa Regional Integration Strategy Paper 2011 - 2015 Regional Departments – EAST I & EAST II (OREA/OREB) September 2011 p.11

pan-African financial institutions and increasing presence of multi-country private equity funds in the region are a positive development, which should be further encouraged<sup>47</sup>

### **3.5 Existing gaps that hinder regional integration**

A number of issues pose challenges for regional integration effort in the region, but there are also opportunities. The key challenges include: inadequate and poor regional infrastructure network, water scarcity and difficulty in managing shared resources, weak institutions and human capacity, and insecurity and political instability. Other challenges are diversity across the economies and divergent country attitudes towards regional integration.

Challenges in the efforts to provide trade in services include long approvals gotten by traders from other government departments and institutions or agencies. The practice of requiring that different institutions have to give approval to a single transaction before clearance leads to time loss and additional costs. In addition, payments for trade-related services are made at different offices resulting to time loss and frustration during a trade transaction process.<sup>48</sup>

#### **3.5.1 Significant gaps in the ICT networks.**

The cost of high-speed internet services essential for e-services, including e-application in government, business and domestic are very expensive or unavailable in some cases. Where available, the cost of broadband internet access is high compared to other regions. Eastern Africa lags behind other African regions on intra-regional roaming arrangements.<sup>49</sup> This has slowed

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<sup>47</sup> Eastern Africa Regional integration strategy paper 2011 - 2015 ,Regional departments – East i & East ii (OREA/OREB), September 2011 p.10

<sup>48</sup> The 2011 East African Community Business Climate Index Survey P.34

<sup>49</sup> Eastern Africa Regional Integration Strategy Paper 2011 - 2015 Regional Departments – EAST I & EAST II (OREA/OREB) September 2011 p.10



down significantly the speed of providing services in the EAC as well as expanding service businesses. The impact is significant lowering the GDP.

### **3.5.2 Challenges in financial sector**

Progress needs to be made with regard to ensuring the readiness among commercial banks operating in the region. Moreover, removing obstacles to private sector participation in financial services, particularly in pension funds, inter-bank markets, and the insurance sector is necessary to deepen domestic and regional markets integration and reduce dependency on ODA and FDI funding. While some of these reforms and institutional developments may well be supported at the national level, many countries face similar challenges. Region-wide interventions would therefore help achieve greater transactional efficiencies.<sup>50</sup>

Similarly, the rapid growth of population, requirement of banking services and economic markets increasing foreign investors have brought the banking industry in regional integration to the situation of a large industry having a significant place in regional development<sup>51</sup>

Trade in services has previously not featured in EAC's integration process, as the community's primary focus was on trade in goods. As a result, limited work has been done to pursue a regional trade in services agenda. However, priorities are changing given the urgency to operationalize the Common Market Protocol provisions on trade in services, in addition to the

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<sup>50</sup> Eastern Africa Regional Integration Strategy Paper 2011 - 2015 Regional Departments – EAST I & EAST II (OREA/OREB) September 2011 p.10

<sup>51</sup> Gitobu Rachel Makandi, Regional Integration And Banking Industry In East Africa Community A Research Proposal Submitted In Partial Fulfillment Of The Requirements Of The Degree Of Master Of Arts In International Studies To The Institute Of Diplomacy And International Studies (IDIS), University Of Nairobi, November, 2013

negotiations on services under the EPA. In this regard, the Secretariat needs to lead these efforts but is hamstrung by limited skills and expertise to develop an appropriate program.<sup>52</sup>

### **3.6 Major steps taken by East African Community (EAC) to improve trade in services in Eastern Africa**

#### **3.6.1 Introduction**

As EAC partner states deepen and widen the integration process towards the common market regime, it will be essential to consolidate, harmonize and eventually develop common policies, laws and regulations in the services sector. The removal of barriers to trade in services is likely to generate lower prices, improve quality and greater varieties and also influence long-run economic performance of the partner states. Besides, development of essential input services like transport, telecommunications and financial services is necessary to benefit other services sectors like tourism, distribution and business process outsourcing.

Liberalization of trade in services could also impact on international trade in goods. Cross border trade requires inputs from several services industries such as transportation, insurance, distribution and finance in order to facilitate transactions. Restrictions on the ability of national services providers to provide these services across borders and within foreign territories create additional costs that might limit the international of trade in goods. Finally, regulatory cooperation in services of EAC partner states will further deeper integration

Mutual recognition of professional qualifications, registration procedures of services suppliers and standards are essential to propel trade in services. It will also enhance cooperation in infrastructure sectors, including financial services and research and development and build

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<sup>52</sup> Eastern Africa Regional Integration Strategy Paper 2011 - 2015 Regional Departments – EAST I & EAST II (OREA/OREB) September 2011 p.ii

supply capacity for labour, business, distribution, finance, tourism, culture, construction and related engineering with a view to enhancing supplier competitiveness<sup>53</sup>

### **3.6.2 Major Steps in Trade in Services**

The EAC Partner States of Uganda, Kenya, Tanzania, Rwanda and Burundi have taken significant steps to ensure trade in services play the important role of production, investment, and employment. In most of the countries, services make up to half of the economy and countries are continuously investing to improve trade in services. Uganda currently spends approximately Shs. 16 trillion on trade in services.<sup>54</sup> Three service sectors make up over half the total in the EAC and these are wholesale, retail trade, real estate and education

In view of this, the EAC has taken grand steps to improve trade in services. Some of the efforts already felt include Managing the tax arrears process and reminding taxpayers about their obligations to pay tax and control and improve services to taxpayers to acceptable quality standards<sup>55</sup> Remind tax payers to constantly remit their taxes mean that there is already deliberate effort that recognizes the importance of collecting taxes and people are obliged to do so. Fair trade practices foster transparency in the business climate and this has been achieved through delivery of services without discrimination. This allows for free trade and increases motivation to continue trading.<sup>56</sup> As EAC partner states deepen and widen the integration process towards the common market regime, it will be essential to consolidate, harmonize and eventually develop common policies, laws and regulations in the services sector.

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<sup>53</sup> Alain Niyubahwe, Liberalisation of Trade in Services in EAC: A regional perspective

<sup>54</sup> Brief On Trade In Services Under The East African Community Common Market, Ministry Of East African Community Affairs (MEACA )

<sup>55</sup> The 2011 East African Community Business Climate Index Survey P.33

<sup>56</sup> The 2011 East African Community Business Climate Index Survey p.34

## CHAPTER FOUR

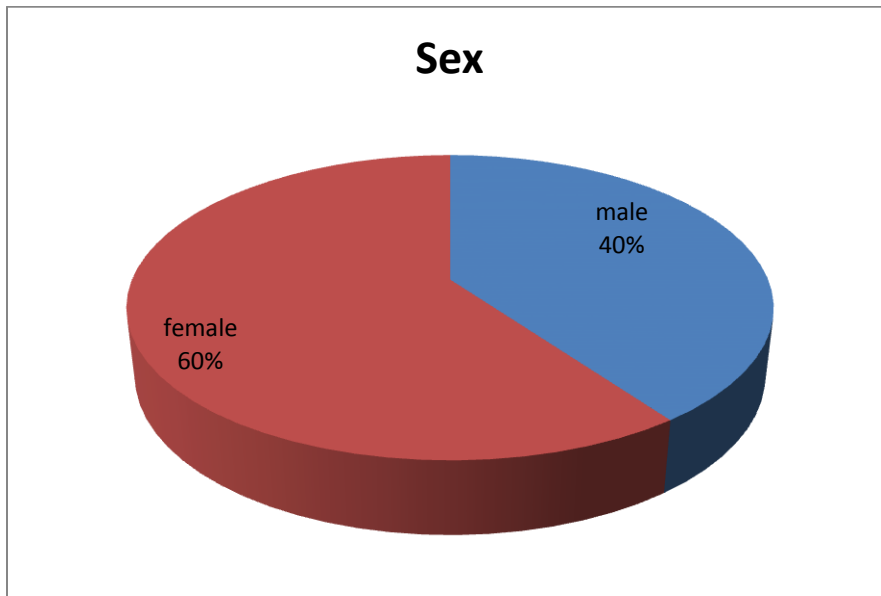
### DATA ANALYSIS AND PRESENTATION

#### 4.1 Introduction

This chapter presents analysis of data obtained from various respondents in the study carried out in business enterprises, civil society organizations and the key ministries of trade in Kenya, Uganda, Tanzania, Rwanda and Burundi to establish trade in services and the promotion of Regional Integration in Eastern Africa. A total of 50 respondents were reached with only 30 filling and returning back the questionnaire, representing 70% of the respondents. The results have been presented in pie charts, tables, figures and content delivery to highlight the major findings of the study.

#### 4.2 Demographic Factor

##### 4.2.1 Distribution of gender of respondents

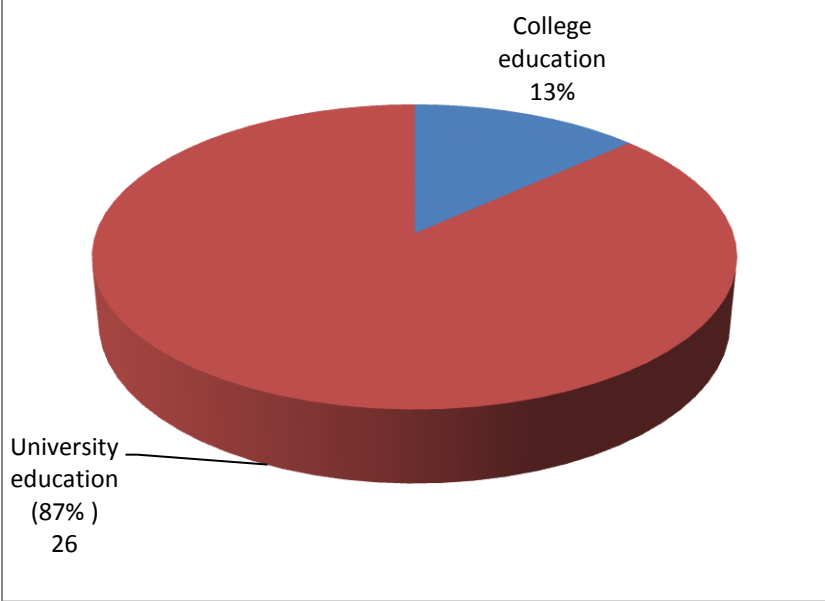


**Figure 1: Sex**

**Source, Author**

From the above analysis 60 % of respondents were females compared to 40 % who were males. There were more females than males who participated in this study implying that most stakeholders in the sector of trade and services were females.

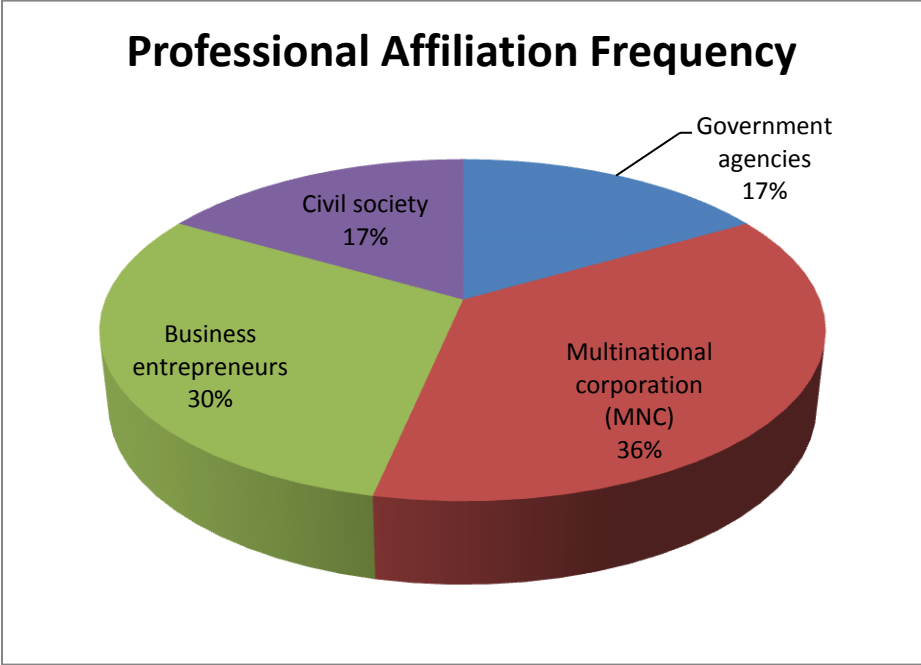
**4.2.2 Level of Education**



**Figure 2: Level of Education**

From the table above 87% of respondents indicated they had attained the university education and 13 % had attained college level. This means that the respondents had a deeper understanding of the dynamics of trade in services and regional integration and the trends given their level of education

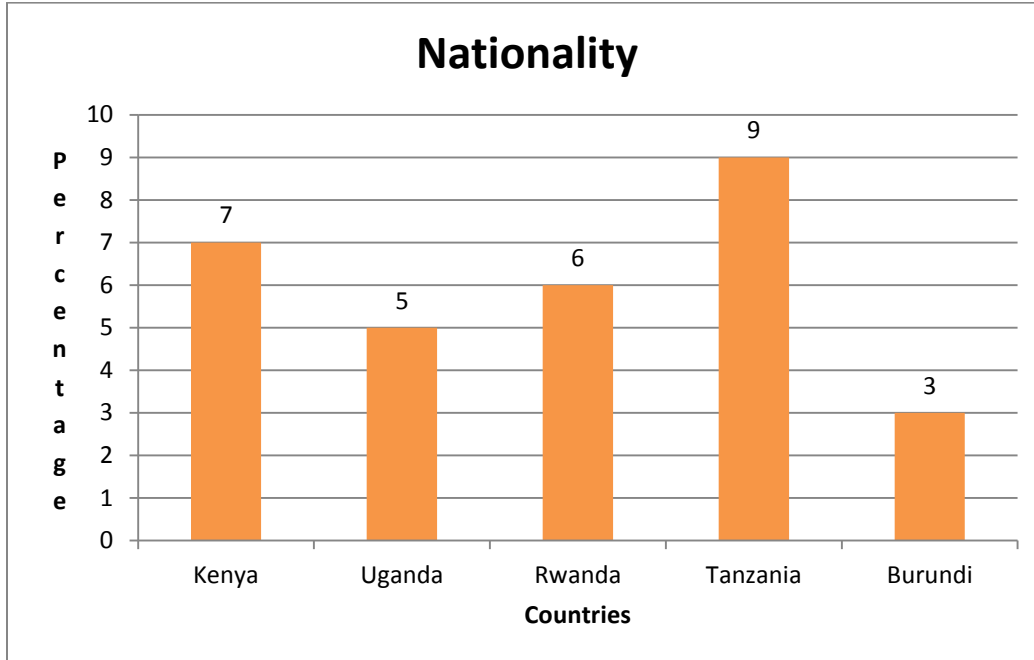
**4.2.3 Professional Affiliation**



**Figure 3: Professional Affiliation**

From the pie chart above, 36 % of respondents were from MNCs, 36 % from Business entrepreneurs, and 17 % from government and civil societies respectively. The information provided by professionals from the relevant sectors therefore represents the issues in trade in services.

#### 4.2.4 Nationality



**Figure 4: Nationality**

From figure 4 above, 33 % of respondents were Kenyans, 23 % were Tanzania, followed by Rwanda and Uganda who shared 17 %, then Burundi representing 10 % of the respondents. Majority of respondents who gave information were from Kenya given that Kenya is a strategic hub to foster regional integration in the region

#### 4.3 The role of Multinational Corporation in trade in services in the Eastern Africa Region

All respondents under study (100%) agreed that (Multi-National Corporations) MNCs have a role in trade in services. Majority of the respondents mentioned different roles of multinational corporations. Respondents mentioned that MNCs have a role in bringing goods and services from one country to another closer to the doorstep of the consumers. Part of this also

includes manufacturing of goods and services to scale, increasing investment in various business ventures as well bringing income.

The respondents also mentioned that the MNCs help in the diffusion of technology that enhances trade, making trade in services more efficient. All these efforts strengthen relationships among countries thereby creating environment conducive for trade to thrive.

#### **4.3.1 MNCs in poverty reduction and employment**

The majority of respondents mentioned that the Multinational corporations have played a big role in addressing pressing social problems such as chronic poverty in East Africa region. A respondent gave an example of MNCs like telecom companies and commercial banks as part of their Corporate Social Responsibilities (CSRs) have played a big role in investing in communities, health, education, improved livelihood, and creating employment. The respondents also agreed that MNCs have contributed to community development projects and providing industrial training to youth and women. MNCs has also provided local markets, emergency assistance to disaster survivors, environmental protection, staff development, and contributing to the tax base.

#### **4.3.2 MNCS in policy influence and opportunity advancement**

A large section of respondents agreed that majority of MNCs influence business policy and legislation creating an environment conducive to their doing business. The social and cultural trends, which are influenced through consumption patterns, influence value systems that both contribute to transnational trends and identity. The Harmonization of given services and their cost is associated largely with MNCs. For example, the sectors of communication,



transport, and education are well known in bench marking thus sharing best practices that emerge.

Multinational corporations have the opportunity to incorporate innovations that have been started in the region to their services, thereby promoting entrepreneurs, creating jobs and also providing services which are directed by the needs in the region. They also increase economic interdependence of partner states through a rapid increase in cross border movement of goods, services, and technology and capital ventures. The respondents brought out the key role of MNCs in improving trade through technology and to help make better the economic, social and political sectors of the East African region. Multinational companies are direct providers of services in various sectors such as the Information, Communication and Technology (ICT).

One of the biggest roles is the issue of expansion of domestic investments in the host country and as well as capital formation by increasing the cost of production through new foreign exchange. The respondents also mentioned that MNCs explore untapped markets, widening various opportunities. Multinational Corporation as engines of universal trade and drivers of development industry enhances transfer of technology and deepening globalization. Their domains of corporate framework have grown exceptionally well to attract more investors and increased their capability in setting up new subsidiaries in host countries through a system of purchasing local goods and services leading to joint ventures ,usually mutually agreed between them and governments , partnerships and acquisitions that are long term..

#### **4.4 The influence of MNCs to improve trade in services in the region**

##### **4.4.1 Influence of MNCS on services**

Majority of the respondents agreed that MNC have influence to improve services in the region. Multinational corporations according to respondents are very influential to set market prices on different services they offer. They are known to open more branches in different countries to maximize profit. They are also believed to offer a wide range of expertise and specialists in different cadres of trade in services, making business operate in efficient manner.

The MNCs have succeeded in trade in promoting trade in services; Examples abound including media in the region which tends to operate across borders and extensively reaching out the core of businesses. These often highlight issues pertinent to regional integration. They also create opportunities within the region both for employment and for shared value in an integrated bloc.

They play a big role improving trade in services in the region according to respondents. Their influence is in policy which regulates trade and ensures that all parties are involved and benefit from their services. At the same time, they influence the economies in the region. In the region, the service industry is dominated by multinationals meaning that there is more exporting as opposed to importing. Which overall increases the cost of the services being provided. This on other hand means that any promotion of trade is in favour of the multinationals than it is for the region signifying greater influence.

#### **4.4.2 MNCS and Technological influence**

MNCs have gained recognition to introduce new products and process technologies. They usually have greater technological capacity to introduce unique products and convince the consumers. Participants also felt that MNCs have an influence in determining Infrastructures and areas of improvement to foster trade.

#### **4.4.3 MNCs and governments**

Respondents also mentioned that the policies of MNCs, create a conducive environment for government to borrow best practices and thrive in different specialization areas increasing their capacity to trade in a trans-national markets. This has seen growth and contributing to the country's GDP of a country. They determine the lucrative services that can be traded on in the region. Respondents also felt that MNCs move huge capital investments that contributes towards the GDP of countries in the EAC and increase investments. Similarly, MNCS especially those that have monopoly have significant impact on government policies in the region as they influence policies that enhance rapid cross border movement of goods, services, technology and capital.

On other side, respondents agreed that MNCs advertise their goods and services to neighboring countries. MNCs also eases taxation hence making trade possible, Presence of natural persons is highly encouraged because of their extended branches. MNCs like telecom companies and commercial banks, as part of their corporate Social Responsibilities (CSRs), have played a big role in investing in communities, health education, improved livelihood, and creating employment. MNCs have played the role of providing employment, contributing to community development projects, and providing industrial training to youth and women. MNCs

has also provided local markets, emergency assistance to disaster survivors, environmental protection, staff development, and contributing to the tax base.

They have also played a great role in delivery and financing of services such as education, health and finance sector. Introduction of the One Stop Border Posts (OSBP) system across the EAC has increased physical access to markets for both formal and informal traders. The region majority being agricultural based products; this will boost the economies of member states. This also enhance the international competitiveness of the region through increased production, trade and investments

Respondents also said that MNCs are influential in informing regional policy development given the competition that the EAC region faces in comparison with others. This contributes to creating a conducive environment for trade. Part of the reforms by different Eastern African Countries in relation to trade has been to create a conducive environment to attract multinationals offering various services.

Similarly, in the spheres of Capital formation, they influence the total stock of capital available for production by bringing in new foreign exchange especially FDI to governments

Respondents also felt that factors of production highly influenced by the decisions of investment by MNCs and the ability to transfer competence internationally has impact on many countries.

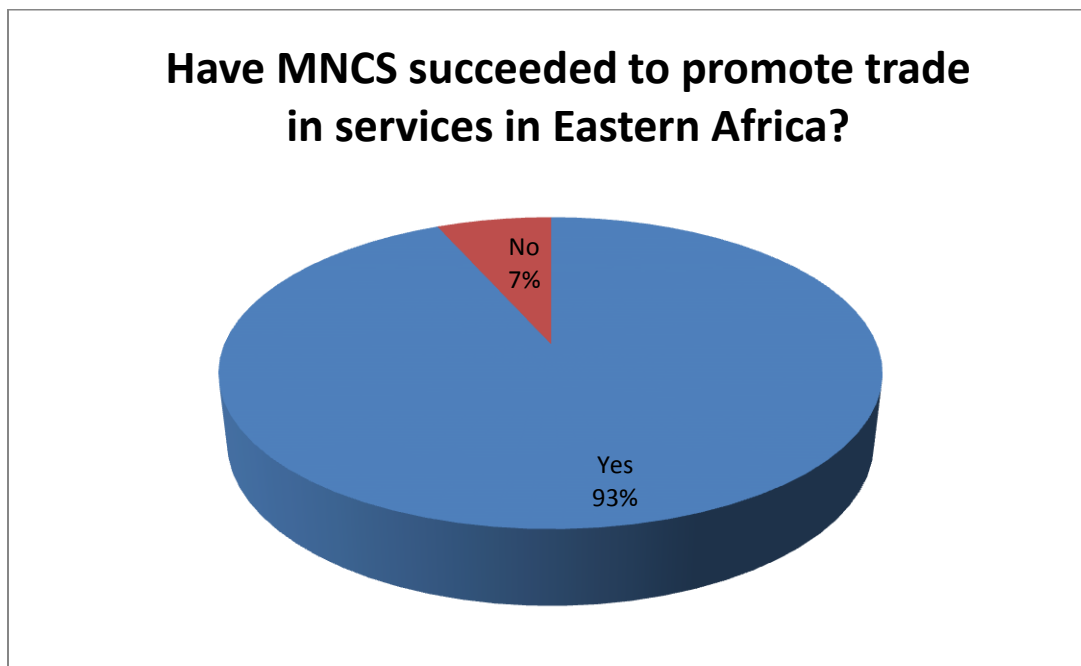
The presence of Multinational Corporation have pushed governments to invest and put in place strategies that demonstrate cohesion that leads to peace and security and strengthening democratic process in the region

#### 4.4.4 MNCs and employment

Respondents mentioned that MNCs create market and job opportunities for citizens in the region. They create employment in various sectors that they operate in and they take a commanding lead thereof. The opportunities are vast attracting majority of youth in the various sectors and bringing governments together to identify training needs and address joint issues affecting trade in the region.

MNCS also offer management/labour training in employing and training local managers for their subsidiaries, they share their worldwide experiences and enhance local management capacities.

#### 4.5 The success of MNCS to promote trade in services in Eastern Africa



**Figure 5: Succession of MNCS**

From figure 5 above, 93 % of respondents said that MNCs have succeeded to promote trade in services in Eastern Africa , while 7 % said MNCs did not succeed

Majority of the participants agreed that MNCs have established structures that records progress and profits. Staff who work for MNCs are highly qualified to manage the complex trade ventures. MNCs are at the frontline in trade in services through goods and professional expertise working in various sectors of economies of a number of countries in the EA region. Entry of MNCs in the host countries makes its markets more competitive and breaks the domestic monopolies. A respondent gave an example of how MNC lobbied President Yoweri Museveni of Uganda to initiate talks with President Uhuru Kenyatta of Kenya in order for Kenya to import sugar from Uganda and the companies in Kenya to export milk and meat to Uganda. This has the potential of opening up the new market frontiers for more services since this is already an avenue for further introduction of relevant services and opening new market horizons for such MNCs.

The MNCs also create avenues for government to enter new treaties and partnerships that act as an entry point to introduce lucrative services. Majority of respondents also felt that MNCs have to some extent promoted trade services in the region through creation of linkages with local firms hence completion and improvement of services.

However, on the other side with promotion of EAC integration, there is a feeling that some aggressive member countries will swallow others by taking up most businesses and jobs. Others think that other country will create limitations to other countries to compete in the region. They have also promoted fair competition and widen the tax base for member countries. Some participants felt that provision of services in the telecommunications sector is an example of the contribution of multinationals in improving trade in services. Competition resulting from various multi-nationals providing mobile telephony services has particularly led to increased efficiency,

greater access and the adoption of more companies of the use of voice over internet protocols technology for their own services.

MNCs have introduced new practices that are dynamic and practical. They are well coordinated and operations dictate leaner structures that cut on costs and standardized procedures or products/services making service delivery more efficient. MNCs are also known for setting up regional branches and employing the locals who benefit a great deal from myriad opportunities.

#### 4.6 Common services in East Africa Community

**Table 1: Common Services in EA**

	N	Minimum	Maximum	Mean	Std. Deviation
Business services	30	1	3	2.2333	0.67891
Construction and engineering services	30	1	3	2.1667	0.83391
Communication services	30	1	3	2.4667	0.57135
Distribution services	30	1	3	2.2333	0.62606
Educational services	30	1	3	2.0333	0.66868
Environmental services	30	1	3	1.5333	0.68145
Financial services	30	1	3	2.6667	0.60648
Health related and social services	30	1	3	2.1667	0.69893
Tourism and travel-related services	30	1	3	2.1	0.71197
Recreational, cultural and sporting services	30	1	3	1.6333	0.61495
Transport services	30	1	3	2.4333	0.67891
Valid N (listwise)	30				



From the above standard deviation, where  $n=30$ , communication and business services are the most common trade in services traded within the EAC region. Construction and engineering services are rank least followed by tourism and travel related services.

#### **4.7 Influence MNCS exert in regional integration process in the provision of services**

##### **4.7.1 MNCs as pace setters in regional Integration**

Majority of respondents felt that MNCs have set the pace of trade in services in the region where they outsmart government ventures, influencing policy as they wield power over governments and taking a driver role. They influence trade related laws and policies in favor of their trade through the use of media image and coverage. They also influence government policies in the region making provision of services easy.

For instance opening new markets and lobbying for favorable tariffs. Respondents also felt that MNCs influence elections by funding parties with favorable trade policies commanding a huge constituent of business ventures. MNCs due to their wide network of productive activity equalize the cost of production in the global market.

MNCs have capitalized trade in services to reduce the cost of doing business. They help in enhancing good relationship among countries and foster trade in East Africa.

##### **4.7.2 MNCS as drivers of Regional Integration**

Respondents also mentioned that MNCS have influence in regional integration process because they are stakeholders in all spheres of development. For instance, the views of African Development Fund and Africa Development Bank, command attention and are considered especially where the economic policies must be determined and considered.

The influence exerted is multifaceted as the conduct of business requires industry engagement and legislative processes. They therefore influence both the policy and legislative framework and the industry in which they conduct business, through setting of standards, practices and value systems. Participants were of the view that MNC raise the total stock of capital available for production by bringing in new foreign exchange especially FDI. Also, in employing and training local managers for their subsidiaries they share their worldwide experiences and enhance local management capacities.

They influence East African Region policy development either directly or indirectly. Directly is through organized entities such as the Association of Professional Societies of East Africa (APSEA) and indirectly through the ministry of foreign affairs of respective countries in seeking to create a more enabling environment for their trade.

Majority of respondents strongly pointed out that MNC reduce barriers to intra-EA countries trade that has made it possible to create larger regional markets, the realization of economies of scale, sustained production system, broadening markets and enhancing competitiveness in the Eastern Africa.

This in essence increases commitment to regionalism by EA member states as it were, and therefore realizing the broader aspiration of Eastern Africa integration, which traces its roots from the Pan-African movement of shared values and collective self-reliance. MNCs from the respondent's perspective have greater influence in the technological, social and economic factors

## **4.8 Gaps that hinder provision of services in Eastern Africa**

### **4.8.1 Unfavorable laws and policies**

Most respondents pointed the incoherent laws and policies that are not favourable to trade investment especially services. There exist strict policies by governments in East African region to thrive in trade in services affecting the quality of trade in services and the cost of doing business escalating. Majority of respondents pointed out tough restrictions imposed to MNCs are meant to protect local companies from suffocation. This has huge ramifications in foreign direct investments. Respondents also pointed out the delays of clearing goods in the border region, the business licenses take ages to be approved, making it tiresome to withstand the requirements. The work permits are not approved on time and in most cases are discriminatory based on who you know. The respondents largely agreed there are insufficient policies and weak enforcement mechanisms

### **4.8.2 Corruption and rigidity in structures and systems**

Corruption, lack of transparency and rigid systems like acquiring passports and work permits was one of the issues pointed out by majority of the respondents as a challenge. The Geopolitics for instance leads to lack of implementation of agreed policies at the regional level by partner states in pursuit of national interests that hinder trade and access of goods and services to some EAC members. e.g when Tanzania fears that capitalist countries such as Kenya will flood their market with cheap products translates to killing their local industries.

Some participants felt that the gaps in EAC members' economies are at different level of development. Some members don't want to open up thinking that aggressive members like Kenya and Uganda will grab potential markets, jobs and land at their expense. Another gap is

that services are not evenly distributed and the cost of transport is still very high. Other gaps pointed out included bureaucracy in provision of trade and services making it difficult for trade transaction

#### **4.8.3 Poor infrastructure development**

Other areas pointed out by respondents include lack of proper infrastructure and policies that guide them as the main hindrance. There is massive infrastructural imbalances and development in terms of communication, roads, railway line and little use of technology. Poor technology in the region and lack of networks perpetuates inability to spread wings leading to stifled growth strategies. The coverage of infrastructure required to provide the various services is not adequate coupled with unavailability of adequate human resource, skilled manpower required for the provision of specific services such as social services and health-care. Other areas pointed out included outdated managerial skills that usually stagnates industries making innovation out of question.

The political competition of state parties to the EAC fail to recognize the opportunities that an integrated EAC could bring, instead most governments still have protectionist policies, different government regulations and fear of the unknown, which undermine business and integration efforts. This brings undue competition among member states where complementarity is compromised.

#### **4.8.4 Political unrest and insecurity**

The situation is dire in countries under study according to the respondents. This has grave implications especially in doing business and more particularly in the areas of giving opportunities. This has led to Poor purchasing power from the customers.

### **4.9 Factors that hinder Eastern Africa countries to engage in trade in services**

#### **4.9.1 Technological and communication gaps**

Respondents pointed out huge technological gaps that exist among EAC countries as well as lengthy and cumbersome company registration process that frustrates investors who opt for other regions outside EAC like SADAC and ECOWAS . Inadequate technology was seen as a major issue where back ward technological practices have been applied over time. Respondents also mentioned lack of well-established communication channels & networks in the region. Communication has been seen as the most important aspect of the Service delivery within the region. There is compelling evidence that communication challenges have an adverse effect on initial access to services goods and markets in the region.

#### **4.9.2 Corruption**

Corruption was well articulated as a major hindrance factor. Political and bureaucratic leakage, fraud, abuse of office and corrupt practices marred by nepotism are evident in almost all stages of the processes of trade in services and caused by poorly managed expenditure systems, lack of effective auditing and supervision, organizational deficiencies and careless fiscal controls over the flow of public funds.

Respondents also pointed out language barrier where some countries prefer French to Swahili or English to Swahili, making it hard to penetrate the markets fully. Respondents also pointed out that lack of common language make it hard to engage and transact freely.

Cost of transport and unnecessary suspicions among members states were views given by respondents. Though EAC has made significant strides in strengthening political stability, civil liberty and openness, on the other hand, democratic structure remains delicate. While electoral processes have been reinforced, credibility of political institutions and election outcomes are still being doubted creating gaps for instability thus affecting to a greater extent the cost of engaging in trade in services

#### **4.9.3 Policy Gaps**

Respondents mentioned lack of proper coordination of service provision due to incompatible policies, different currencies in some countries, where some are stronger than others as some of the policy gaps. For instance Kenya's currency is stronger than the rest of the countries in the region, was pointed out as a challenge. This was coupled by the slowing down of integration processes as a result of disagreement among the member countries especially by Tanzania that at times appear as non-committal to the EAC processes. The policy and legislative frameworks which are either non-compatible or are not translated in day to day practice was pointed out as well as divergent orientations and cultural differences among the populous EAC. The capacity to implement and absorb services varies among the countries and therefore may pose a challenge especially where organizations assume that there is homogeneity of the population composition within the region. High cost of doing business, lack of adequate policies

and the tendency to focus on the traditional services without venturing to new opportunities was also identified by respondents

Respondents pointed out tough policy restrictions, lack of a common currency and custom issues, as some of the factors that hinder East African countries to engage in trade in services. Other challenges include cumbersome Visa requirements to travel to neighboring countries and negative Geo politics in the region.

#### **4.9.4 Political differences**

Political factors such as unfavorable political environment, different levels of economies and development among the Eastern African region countries were cited as major hindrance in provision of services. This has led to negative ethnicity where xenophobia appears to be very strong in some countries. This affects a great deal the presence of natural persons and investment abroad where fear is created and opportunities lost. Countries who engage in politics year in year out, have less time to engage in meaningful development as cited by one of the respondents. There also exist ideological differences on how policies and programmes governing trade should be managed where the views are divergent yet no consensus, making it very difficult to reach tangible decisions. Financial management for instance poses further risks especially in service organizations that exist in foreign countries. This is a constraint and an obstacle to other functions that contribute to service delivery. In member state countries, governments do not have the financial and technical capacity to effectively exercise such oversight and control functions, track and report on allocation, disbursement and use of financial resources.

Different ideologies among member states, for example in Tanzania where the so called socialism and self-reliance, that has transitioned to semi capitalism while countries like Kenya

are capitalist in ideology since independence has had huge ramification of perceptions towards trade

#### **4.9.5 Perennial conflicts and Insecurity**

The conflicts experienced especially in other bordering countries in the EAC region were cited as stumbling block to provision of services. For instance, terrorism especially in neighboring countries like Somalia and Kenya, has been the biggest threat to engaging in meaningful, development.

#### **4.10 Existing challenges to implement legal and regulatory framework to enhance cross border trade**

##### **4.10.1 Trust versus Mistrust**

Respondents pointed out mistrust among nations and between leaders, pose challenges in the implementation of legal and regulatory framework. Countries have different policy and legislative provisions which are not harmonized making competing interests between nations a mirage. The legal frameworks are not harmonized making it difficult to effectively engage in trade. The export import policies are not fairly applied, laxity within the top political leadership to promote political good will

##### **4.10.2 Lack of harmonization of laws and policies**

There were also disparities in the levels of development in the countries constituting the East African Community. This makes it difficult to harmonize policy and work towards freer trade and elimination of barriers. Secondly is the overlapping membership of the countries to



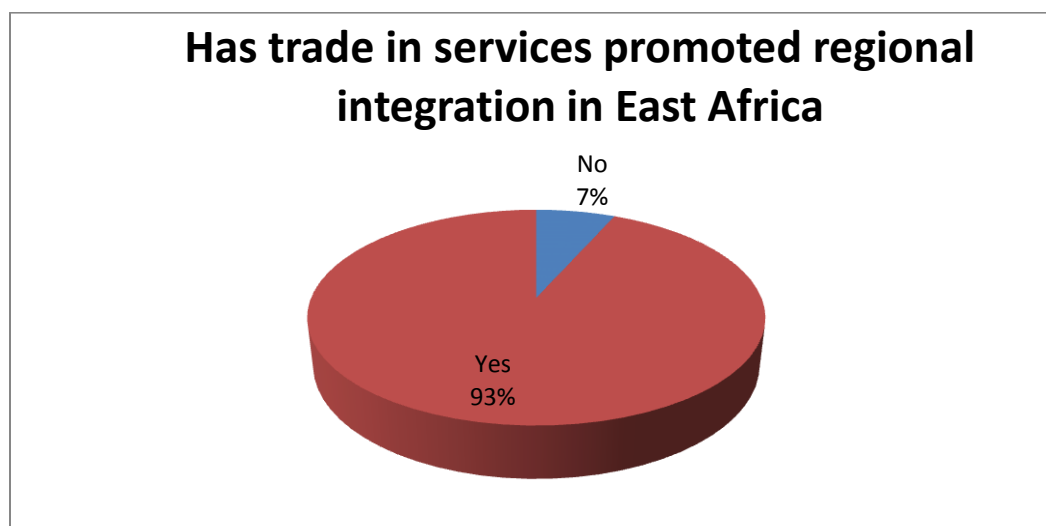
other regional blocs where commitments have been made and therefore hindering interaction among the countries in the EAC that would conflict with already made commitments.

Respondents also pointed out politicization of fundamental issues of development and widening the gap of mistrust amongst EAC countries e.g Tanzania, Kenya. Examples were cited where Presidents of EAC countries forming informal associations e.g the coalition of the willing that sidelines Burundi, Tanzania i.e geo politics playing a key role again.

The EAC legal instruments are not widely disseminated. Different stakeholders like the private sector are not aware of these laws. The implementation of these laws is also very slow especially some member states like Tanzania are skeptical and need to take their time.

Corruption, lack of trained personnel working in organizations that facilitate border trade posed as threat to implement legal instruments. The challenges that exist are a mix of balancing between domestic political priorities and regional priorities which in some cases are not viewed as being synonymous. From a technocratic stand point there is general consensus on creating an enabling environment but political grand standing and rivalries have undermined development and implementation processes.

#### 4.11 Trade in services and promotion of regional integration in East Africa



**Figure 6: Trade in Services and Regional Integration**

Figure 6 presents the findings on whether trade in services have promoted regional integration in East Africa whereby 93 % of the respondents agreed that trade in services has promoted regional integration in East Africa while 7 % viewed otherwise.

Majority of the respondents felt that the idea of same language means nationals can freely move and work in another country. Respondents felt that trade in services means relaxing of border controls to hasten the flow of goods and services that comes with the advantage of Proximity where there is accessibility of services at reduced costs. Countries that have intensified their links with the global economy through trade and investment have usually grown more rapidly over a sustained period and have consequently experienced larger reductions in poverty. The cost of doing business has been reduced to a certain margin and services have made it easy for countries to trade with one another. It brings different people together hence enhancing networking and learning lessons e.g Global entrepreneurship summit event that was held in Kenya in 2015. Cross border movement of goods and services have forced EAC members to do

away with visa for EAC citizens as a way of continuing to encourage the movement of people as they exchange goods and services. The East African countries are considering how to ensure that the transport system is efficient by investing in railway infrastructure and also expanding the current ports. This is already opening-up the region and it is expected to continue positively. By investing in joint service projects, regional integration is becoming stronger.

#### **4.12 Selected sector services and their impact in regional integration**

A section of respondents strongly articulated the importance of some service sectors that promote regional integration like the tourism sector for instance only requires a single visa for access of member states. This boosts hospitality and transport sectors as a result. However, the practice of this policy prescription and adoption of the same is quite disappointing. Majority of respondents felt that a notable area of improvement has been in the provision of telecommunication services. This includes the harmonization of tariffs and communication across networks in order to better facilitate communication. Agreements towards improving transport services and making it easy to transport good across countries has enabled the movement of the member countries to adopt the electronic open window facility that will greatly enhance integration in terms of trade. The process towards political integration especially observed in the creation of an East African Legislative Assembly (EALA) has been with the goal of making it easy for the countries to deliberate on certain policies and laws and to bring about greater harmony.

#### **4.13 Economic Integration and market opportunities**

The EAC communities are able to interact and do businesses across regions where jobs have been created. On the other hand, efforts have been shown to realize economic integration where work is still in progress and the East African Community is working on achieving economic integration through the East African Community Market Protocol. The protocol guarantees that partner states will remove all barriers to trade in services and not introduce any new restrictions as well as treat service providers from partner states the same way they would treat service providers from their own countries. This in essence has improved banking systems and communication and market networks

Respondents felt that the re-establishment of the EA community provides a platform for cooperation among the 5 EA countries. This therefore leads to establishment of strong Regional integration board and improve infrastructure that comes with it such as the EA parliament.

Trade in services has also increased Political will from all the member countries where mutual benefit is inevitable. This creates Conducive legal and policy frameworks among member countries to enhance regional integration. A huge population of the different countries in the region has an opportunity to expand their domestic investments that enables increase in tax revenue.

On the other hand, a small portion of respondents felt that there is limited customs working hours, varying systems for imports declaration and payment of applicable duty rates, different interpretation of rules of origin, application of discriminatory taxes, cumbersome procedures for verifying containerized imports, diversion of transit goods, problems in blocking marketing of counterfeit products, the financial markets integration in the region is uneven and this makes it difficult operate smoothly.

## **4.13 Measures by states to reduce the cost doing of business in East Africa**

### **4.13.1 Tax Reduction and elimination of tariff and Non-tariff Barriers**

Respondents felt that tax reductions and other related charges and policy harmonization by the governments were critical to reduce the cost of doing business. Provision of licenses on time for both local and international investors was cited as critical. Provision of long term licenses and less requirements to invest, reduce cumbersome processes of getting work permit, encouraging investors to increase capital intensiveness and adjust stringent policies, work permits be given to non-residents to encourage movement of persons, encourage export of goods and services. Harmonize the customs, tariffs, rules and financial market. Also make it easy for free movement of services among all member states not only among 2 or 3 members. Reduce the time frame required to obtain construction permits, transferring property, securing loans.

### **4.13.2 Infrastructure development and improvement of services**

Respondents felt that governments need to improve infrastructure and transportation networks in the region and develop good infrastructure and improve on the existing ones especially rail and road e.g LAPSET within the region, find innovative ways to tackle freight costs and reduce the time for clearing goods at the port. Respondents had a strong view that by reducing the cost of doing business in the region requires improvement of critical infrastructure such as availing electricity, power and ensuring better distribution. Increasing ease to information access on the different opportunities available and facilitating networking and synergy for the provision of services that are related.

#### **4.13.3 Improving human capital and investing in training opportunities**

Respondents felt that availing trained man power and relevant human resource locally was a greater step to improve trade in services. This can be achieved through matching skills and training and projecting areas of future manpower and human resource need and preparing adequately through designing trainings and relevant professional development programs

#### **4.13.4 Pursue policies that are holistic and trade friendly**

Respondents also felt that states need to accelerate the implementation of the East African Charter. This document provides a clear road map for integration and political will is crucial to the process. This will lead to the creation of structures and institutions with clear mandates. This should be underpinned by capital investment which will bring on board both financial resources requisite to run the institutions but also human resources which are desperately needed to push the EAC agenda. .

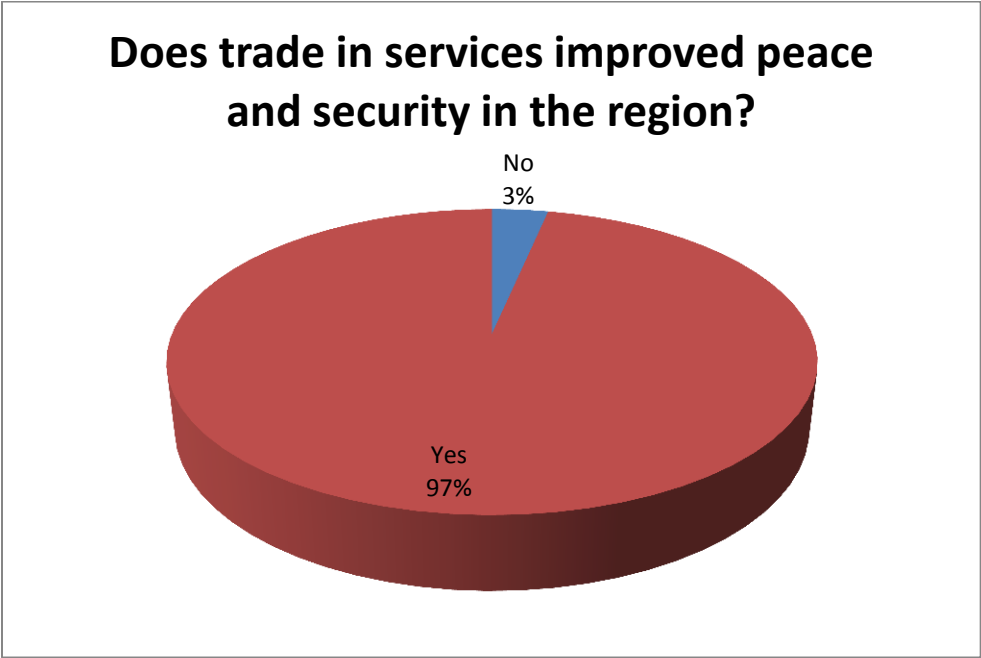
States therefore need to develop more friendly legal and policy framework especially on tariffs, momentary where efforts for one currency must be brought to fruition and review investment policies that govern inter- country trade as in the example of eliminating customs issues between countries. Other examples cited by respondents include reducing import of low quality goods from countries like China and promote/ increase export of finished good rather than row material and support the growth of market size .

The need to establish investor protection policies and instill good conduct in doing business and enforce regulations to facilitate the ease of paying fees and taxes, removal and reduction of trade barriers like tariffs and non-tariff barriers, enable cross-border trade including free crossing across the borders for both goods and human, have a good judicial system that can

ensure fulfillment of contractual obligations and resolve insolvency cases and finally automatize most procedures so as to cut the loopholes that could encourage corruption were strongly articulated by respondents.

Above all, the states must invest in technological advancement and communication that favour trade in services. The respondents were also for the view of abolishment of stringent procedures in terms of acquisition of Visa within the partner states and eliminating restrictions on patenting and factory closures and foster Tax policies that favour local businesses amongst other measures.

**4.14 Trade in services and improvement of peace and security within the Eastern Africa region**



**Figure 7: Trade in Services Peace and Security**

97 % of respondents agreed that trade in services improve peace and security in the Eastern Africa region compared to 3 % who disagreed with the statement

Majority of respondents agreed that trade in services improve peace and security in the region and supported their reasons.

#### **4.14.1 Interdependence and cooperation**

Respondents observed that the shadow of the future with regard to repeat interaction beyond the one off business deal, allows for shared value. This value may be derived from mutual assurances of both profit and destruction. This fosters closer ties and allows parties to safeguard trade and investment opportunities.

Interdependence among countries reduces the extent of violence and disharmony. Trade in services leads to greater integration, improved security and peace. Independence means strengthening ties and relations where equality is fostered thus realizing peace. When countries trade with each other, there is tendency of maximizing on profit and less concentration on conflict. It is of great importance that every actor to be concerned with security because they have invested heavily and extensively hence they would want to increase security in countries they are doing business.

One participant gave an example of how conflict and election related violence affected trade in one of the EAC countries. During post-election violence in Kenya in 2007/8, Uganda, being a landlocked country was affected a great deal as they depend so much on Kenya to transport goods from the port of Indian ocean and as result, such a country will always ensure there is peace in the region in order to ensure that the flow of their goods and services is not interrupted.



Respondents also felt that Integration also means watch your brother's. So joint security monitoring will improve as well as economic security – free trade across the border. People are able to work as one and cohesion exists and guaranteed in the region.

#### **4.14.2 Employment as a pre-condition to peace**

Trade in services have provided employment opportunities and encouraged intercultural interactions and relations according to respondents. Trade in services prevents illegal entries into the partner states. Peace and security has been the core and in line with the vision and objectives of the region, the agenda for Eastern Africa is to create a well-connected economically prosperous and peaceful region in order to support growth and smooth operation of both public and private sector actors engaged in the regional integration process.

Trade in services improves peace and security in the East African region and bridge relationships among different cultures and traditions as well as the way of life. This paves way to promote international order that gives birth to cultural hybridization according to the respondents. This interaction leads to the formation of identities and inclinations that shapes the status quo and national cultures. This is evident in the social media, like facebook, which have challenged and championed autocratic regimes like Syria among others, bringing about peace and security in the EA region.

However, 3 % of the respondents were of contrary opinion that security will depend on what type of services countries would be interested. For example, a discussion was advanced where, allowing a service company to manage security software for Kenya where a contract was awarded to a service provider currently commanding the market in telecommunication services. Peace and security would improve but the impact will not necessarily be direct. On the other

hand, having an independent company run a software meant to facilitate national security, is also a gamble and could instead be disastrous. This is because more people are involved than if the government was working on such a project independently. Others were of the opinion that with the raise of xenophobia, it is hard to determine and be sure if you are safe in a country that is not your home country.

#### **4.15 Capacity-building measures recommended for immigration/customs officers and other key Stakeholders to improve regional integration**

##### **4.15.1 Professional training in regional integration affairs**

Respondents recommended professional training in regional integration, trade and foreign protocols. They also recommended staff exchange visits to learn more on good replicable practices. Respondents also felt that Immigration officers especially at border points should be trained to appreciate the bigger picture of regional integration. Unfortunately, immigration officers are process pushers who compartmentalize the work they do. They may not appreciate the greater good of their work beyond the facilitative role they do on a day-to-day basis.

Respondents recommended intensive training on how to slow down corruption, advocacy and lobbying to check the vice, internet based service rather than paper work. Capacity building and harmonization of trade documentation, custom regulations and procedures, commodity description and coding system that hinders wrong cartels from taking advantage by dumping poor quality and repackaged goods in EAC. Capacity enhancement in diplomacy and international trade

#### **4.15.2 Capacity building on laws, policies and regulations**

Respondents were of the opinion that awareness creation of the existing regulatory laws would bring an understanding on how and when to share the information on necessary regulations/requirements, Awareness creation among the private sector so that they can operate with ease. Others were training on policies and laws of other nations and their implications on trade. Respondents also agreed that there is need to undergo intensive training on how to forge partnerships and familiarize with procedures of issuing business permits to investors and traders. Tightening of border controls to keep out criminals and terrorists was also pointed out by respondents. Coordination within and between a country's border management agencies was key. The establishment of Joint Border Posts to increase cross-border communication and sharing of crucial intelligence information was also proposed. Migration police and working permit need to be eased and customs regulation and timely clearing and forwarding at the borders.

#### **4.15.3 Capacity building on the role of trade in services in the region**

Respondents were of the view that a thorough understanding on the role of trade from payment of taxes and how corruption undermines any gains that would come with regional trade would be necessary. The custom officials also need to be trained to understand how having substandard imports impacts local producers and how all these aspects directly affect the economy. Free movement of goods and human

Services go hand in hand with issues to do with good public relations and accurate understanding of all processes in order to make it easier for investors to invest. Custom officers need to have very good diplomatic and public relation skills. Stakeholders need to have a clear

understanding of the various processes and to harmoniously provide the necessary information to the investors as mentioned by respondents.

#### **4.16 Measures that World Trade Organization need to take for EAC to observe non-discrimination, fairness in trade and cooperation to ensure regional Integration**

##### **4.16.1 Ensure compliance with its rules on non-discrimination**

Respondents agreed that the WTO need to take its mandate to ensure there is fair market for market produce and that rules are non-discriminatory to ensure fairness of LDCS. Respondents also felt that WTO should form a body to establish an institutional framework governing all EAC trade giving equal share to all the countries. The WTO need to support EAC block to develop policies that promote trade amongst its member states, ensure fair policies both at country, regional and global level.

##### **4.16.2 Gender equality and interest of special groups**

Respondents agreed that WTO should ensure that gender equality and interests of women are included in this process. Also put in place measures that empowers youth and address unemployment. Encouraging countries to abolish/reduce import tariffs and other trade restrictions

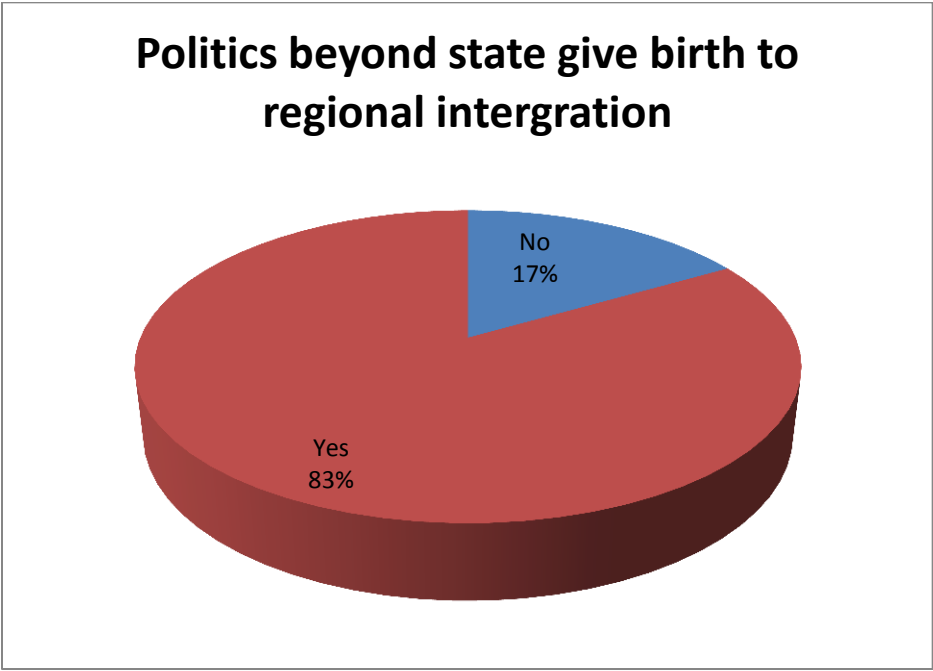
##### **4.16.3 Technical Expertise and negotiation**

The WTO being a global organization can provide technical expertise on how to deal with cases on unfair practices. Some of the practices may originate from jurisdictions that are beyond the EAC region and therefore the WTO can take measures to guard against such. The

WTO also needs to moderate in case there are punishable measures in case discrimination is reported. Cost of operations to be made affordable not exorbitant.

Improved monetary and banking systems and strengthen regional integration, institutions and human capacity. To ensure the policies established are implemented and play the role of policing, free trade agreements and exercising multilateral surveillance of trade policies. Hosting multilateral trade negotiations, providing forums for negotiations and, operating as a mediator in trade disputes-administering the dispute settlement mechanism

**4.17 The state centric and politics beyond states gives birth to Regional integration**



**Figure 8: Politics Beyond States**

On the question of state centric and politics beyond states that give birth to regional integration, 83 % of respondents agreed that politics beyond the state gives birth to regional integration and a number of reasons were cited as follows:

Globalization facilitated by communication and transport means that we live in a global village, and therefore we have no control on movement of good and services across the region and the world. Countries cannot afford to procrastinate on globalization. Countries are able to allow their citizens from other countries to do business from public private partnerships hence improving living standards of citizens

Regional integration has been largely informed by the quest to expand markets in the interest of the participating states. However the pressure to increase muscle and influence across borders has also pushed countries to join in integration. Therefore both state centric and politics that goes beyond states has contributed to Regional integration according to respondents.

Some respondents were of the view that politics with agenda, focus and determination, focus on mutual gain thereby bringing about peace and security. Countries form blocs to support each other and as a result the benefit is greater.

Situations that pull from different sides like the question of International Criminal Court and Kenyan case meant that the region had to stand in solidarity with Kenya after the 2012/13 post-election violence and the ramifications at the ICC court.

Some respondents (17 %) however mentioned that state centric politics promote self-centeredness by the state. So they think of only that benefits them e. g Tanzania only thinks about themselves and develop mistrust and suspicion in engagement with others. It does not allow for free trade. Same applies to Kenya, Uganda and Rwanda, due to state centrism politics, think that they are more special than Burundi and Tanzania. This has formed the “coalition of the willing” This does not promote the spirit of EAC.

Regional integration is mainly driven by trade than it is by politics. States recognize the need to work together in ensuring they increase their stakes in the international trade.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATION

#### 5.1 Introduction

This chapter presents a summary of findings as discussed in chapter four and interpretations of the data analysis, conclusions and recommendations

#### 5.2 Summary

This study critically analyzed the bigger question of measures that should be taken to address the challenges that exist in the provision of services to enhance regional integration in East Africa? Specific objectives of this study included : to interrogate the key players in trade in services to strengthen regional integration processes in EAC: Examine the existing gaps that contribute to poor performance in the provision of services in EAC and Examine the major steps taken by the East Africa Community to improve trade in services in Eastern Africa

Trade in services has greatly promoted regional integration in Eastern Africa Community. This has been made possible by the key players who have high influence and high interest in the field of trade in services. They range from Governments to MNCs who have set up their branches to maximize profit and ensure that the field stays afloat with much interest and dynamics therein. The role of MNCs cannot be ignored anymore and collaboration with the state is the only viable option to improve trade.

The theory of functionalism has been proved in this study where mutual cooperation has made it possible for countries to venture into trade in services

The study brought our gaps that hinder provision of services in Eastern Africa where respondents mentioned an array of factors including incoherent laws and policies that are unfavourable to invest in trade in services. Tough restrictions imposed on MNCS make it hard to thrive in a conducive environment affecting foreign investment

Other challenges pointed out include the delays of clearing goods in the border region, business licenses take ages to be approved, making it tiresome to withstand the requirements. The work permits are not approved on time and in most cases are discriminatory based on who you know.

Corruption and rigid systems was adversely mentioned in areas of acquiring passports and work permits. Geo politics within the EAC hinder access of goods and services to some EAC members. Coalition of the willing also meant that some countries are pushed to the periphery hindering provision of goods and services and regional integration .The variances in terms of economies also was a hindrance factor as seen in the findings . Other challenges included lack of proper infrastructure and unavailability of adequate man power and human resource required for the provision of specific services such as social services and health-care. Most governments still have protectionist policies which undermine business and integration efforts. There were also specific gaps like technological gaps in EAC, lengthy and cumbersome company registration process that frustrates investors who opt for other regions outside EAC like SADAC and ECOWAS. Corruption was well articulated as a major hindrance factor. Respondents also pointed out language barrier where some countries prefer French to Swahili or English to Swahili, making it hard to penetrate the markets fully. Respondents also pointed out that lack of common language make it hard to engage and transact freely.



Cost of transport and unnecessary suspicions among members states were views given by respondents. Though EAC has made significant strides in strengthening political stability, civil liberty and openness, however, democratic structure remains delicate. While electoral processes have been reinforced, credibility of political institutions and election outcomes are still being doubted creating gaps for instability thus affecting to a greater extent the cost of engaging in trade in services

Coordination of service provision due to incompatible policies in the three Countries was pointed out as a challenge. This coupled by the slowing down of integration processes as a result of disagreement among the member Countries especially by Tanzania that at times appears as non-committal to the EAC processes . The policy and legislative frameworks which are either non-compatible or are not translated in day to day practice was pointed out as well as divergent orientations among the populous EAC. The capacity to implement and absorb services varies among the countries and therefore may pose a challenge especially where organizations assume that there is homogeneity of the population composition within the region. High cost of doing business, lack of adequate policies and the tendency to focus on the traditional services without venturing to new opportunities was also identified by respondents

Respondents pointed out Tough policy restrictions, unfavorable political environment and lack of a common currency as some of the factors that hinder East African countries to engage in trade in services. Other challenges include cumbersome Visa requirements to travel to neighboring countries and negative Geo politics in the region.

The capacity-building measures recommended for immigration/customs officers and other key Stakeholders to improve regional integration include Professional training in regional

integration and foreign protocols, staff exchange visits to learn more on good replicable practices, training on policies and laws of other nations to ensure harmony in application.

Internet based service rather than paper work was recommended to fasten processes harmonization of trade documentation, custom regulations and procedures, commodity description and coding system that hinders wrong cartels from taking advantage by dumping poor quality and repackaged goods in EAC. Awareness creation on the existing regulatory laws as well as to the private sector so that they can operate with ease.

Foster good public relations and accurate understanding of due processes in order to make it easier for investors to invest. Custom officers need to have very good diplomatic and public relation skills. Stakeholders need to have a clear understanding of the various processes and to harmoniously provide the necessary information to the investors.

The study also established measures World Trade Organization take for EAC to observe non-discrimination, fairness in trade and cooperation to ensure Regional Integration including establishment and enforce trade protocols ensure that there is fair market for market produce, to ensure that rules are nondiscriminatory to ensure fairness of LDCS, formation of a body governing all EAC Trade in services giving equal share to all the countries, support EAC to develop policies that promote trade amongst its member states. Ensure that gender equality and interests of women are included in this process. Also put in place measures that empower youth and address unemployment.

### **5.3 Conclusion**

Trade in services remains unexplored and the most lucrative sector as stated by WTO that need to be thoroughly explored.

The major MNCs have strong influence in regional integration where they extend their branches across board making regional integration palatable. The MNCs strong influence means that the governments must work with MNCs to foster regional integration

In terms of common services in the EAC, Business and Communication services are ranking high in the services within the EAC and other services have been seen to lag behind. Focus therefore needs to move and capture adequately other services that are lagging behind. There were major gaps that were identified especially on the commitment of EAC member states where they have failed to address factors that affect regional integration. Measures were highlighted more specifically on capacity of officials who are directly handling trade in services to improve regional integration since this sounds a more sustainable strategy.

### **5.4 Recommendations**

Trade in services has been dominated by the countries that have strategic positioning like Kenya and Tanzania. There is therefore the need for inclusivity and engage other countries who have only joined the regional integration agenda like South Sudan to engaged more deeply for regional integration to work

The services sector needed to be embraced to also exploit other sectors that are lagging behind like health and environment in order to implement integrated policies and programmes to ensure that the demand for services are not taken for granted

Infrastructure is a driver to successful regional integration and provision of services. Countries must take full commitment to ensure that 1/3 of their budget is allocated to the development and improvement of infrastructure annually to incrementally and purposefully bridge the gap of poor infrastructure and improve trade in services.

Whereas, there is a correlation between service sector and security, the EAC states must fully embrace the benefits of engagement to enhance regional integration. One of the recommendations includes prioritizing agenda that will foster Interdependence and cooperation for countries to appreciate a common issue that will show increased regionalism vis a vis trade in services. This has already been articulated in the findings where countries while engaging in trade in services, opt for repeat interaction beyond the one off business deal. This is essence shows satisfaction and interest in the area and sector and allows for shared value that almost certainly increases transactions to maximize profit, minimizing wars and conflict in the regional hence promoting peace and security. Lastly, common markets protocol must be fast tracked and member states give it a top priority

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## APPENDICES

### Appendix 1: Questionnaire

My name is Cornel Ogutu, an M.A student at the Institute of Diplomacy and International Studies, University of Nairobi where I am pursuing an M.A in International Studies. I am conducting a research on Trade in Services and the Promotion of Regional Integration in Eastern Africa.

I kindly request you to participate in my research study. The information you will provide to me will be treated with extreme confidentiality and it will be strictly utilized only for academic purposes. Your participation is highly valued.

#### PART 1: BIO DATA

Please tick the most suitable response

1. Sex  Male  Female
2. Highest level of education attained:  
 Primary education  Secondary education  College education  
 University education  Other \_\_\_\_\_
3. Please indicate your professional affiliation  
 Government agencies  Multinational corporation (MNC)  
 Business entrepreneurs  Civil society
4. Nationality  
 Kenyan  Ugandan  Rwandan  Tanzanian  Burundi

**PART 2: Key players in trade in services to strengthen regional integration processes in EAC**

5. Do Multinational Corporations (MNCs) have a role in trade in services in Eastern Africa?  
a) Yes ( )      b) No ( )

6. What is the role of multinational corporations(MNCs) in trade in services in the Eastern Africa Region

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7. How influential are MNCs in improving trade in services in the region?

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8. Have MNCS succeeded in promoting trade in services in Eastern Africa ?

Yes ( )      b) No ( )

9. If yes , explain

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If no, explain

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10. In the following classification of trade in services, how common are the services in East Africa Community on a scale of 1 to 3, where 1 is least common and 3 is most common

(Least Common=1, Common = 2=Most common)

<b>Service</b>	<b>1</b>	<b>2</b>	<b>3</b>
Business services			
Construction and engineering services			
Communication services			
Distribution services			
Educational services			
Environmental services			
Financial services			
Health related and social services			
Tourism and travel-related services			
Recreational, cultural and sporting services			
Transport services			

11. What influence do MNCS exert in regional integration process in the provision of services

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**The next section examines your opinions about the existing gaps that contribute to poor performance in the provision of services in EAC**

12. What are the gaps that hinder provision of services in Eastern Africa?

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13. What factors hinder Eastern Africa countries to engage in trade in services?\_\_\_\_\_

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14. What challenges exist to implement legal and regulatory framework to enhance cross border trade?

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**Section 3: The next section examines the major steps taken by the EAC states to improve trade in services in Eastern Africa**

15. Has trade in services promoted regional integration in East Africa?

Yes ( )                      b) No ( )

16. If yes , describe

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17. If no, describe

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18. In your view what measures need to be undertaken by states to reduce the cost doing of business in East Africa?

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19. In your view, what are the most critical steps that the EAC Partner States should take to improve trade in services in the EAC in order of priority where low priority =1, medium priority=2, High priority =3

20.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>
Harmonization of rules and regulations			
Elimination of Tariff and Non-Tariff Barriers			
Free movement of goods and people			
Register business in another Partner State firms and obtain the relevant travel documents			
Negotiating and fast tracking Visa procedures to facilitate Cross border Movement			
Encouraging commercial presence and the movement of persons			

21. Does trade in services improve peace and security within the Eastern Africa region?

Yes ( )

b) No ( )

22. If yes , explain

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If no, explain

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23. What capacity-building measures do you recommend for immigration/customs officers and other key Stakeholders to improve regional integration\_\_\_\_\_

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24. What measures should World Trade Organization (WTO) take for EAC to observe non-discrimination, fairness in trade and cooperation to ensure regional Integration?\_\_\_\_\_

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25. Do you agree that politics that goes beyond the state has given birth to Regional integration where countries shed off their borders to allow for free trade?

Yes ( )                      b) No ( )

26. If yes , explain

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If no, explain

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