UNIVERSITY OF NAIROBI


BY

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AUGUST, 2011.
Declaration

I (Eric Irungu Jane) hereby declare that this research project is my original work and has not been presented for a degree in any other University.

Signed.................................................Date..........................

Eric Irungu Jane

This Project has been submitted for examination with our approval as University Supervisors.

Signed.................................................Date..........................

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Signed.................................................Date..........................

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Co-supervisor
Acknowledgement

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Dedication

This work is dedicated to my late grandparents Mr. Irungu Kuguru and Mrs. Esther Wambui Irungu who unfortunately did not live long to see their grandson make history and my mother Jane Kabura, sister Joan Wambui, wife Elizabeth Wanjiku and daughter Jean Kabura.
Abstract

This study addresses the efficacy of the East African regional integration process with regard to the realization of the economic growth and development of East African member states under the auspices of the EAC. The major postulation is that regional integration leads to economic growth and development. It focuses on the main aspects of the integration that is the economic growth and development, trade and investment. The four stages of the EAC integration and in particular the customs union and common market which have since come into effect are discussed in detail. It addresses the key findings from the study and presents the key recommendations on how obstacles to the integration process can be overcome. This is generally applicable to other regional integration schemes particularly in Africa. The delicate question of the possibility of selected member states deriving more benefit from the integration is addressed. The study also addresses the theoretical aspects of regional integration and heavily borrows from the functionalism theory and the customs union theory. With regard to key recommendations, the issues of the need for civic education for citizens in the partner states, the need for effective monitoring and evaluation of the progress in the integration process are addressed. The findings also push for the need for greater stakeholder involvement to attain effective policy harmonization and coordination. The need for more focused studies on other aspects of the integration has also been pointed out.
Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CET</td>
<td>Common External Tariff</td>
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<tr>
<td>COMESA</td>
<td>Common Market for East &amp; Southern Africa</td>
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<td>EAC</td>
<td>East African Community</td>
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<td>EACC</td>
<td>East African Communities Cooperation</td>
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<td>EACSO</td>
<td>East African Common Services Organization</td>
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<td>EAHC</td>
<td>East African High Commission</td>
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<td>EC</td>
<td>European Community</td>
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<td>ECSC</td>
<td>European Coal and Steel Community</td>
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<td>ECOWAS</td>
<td>Economic Community for West African States</td>
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<td>EEC</td>
<td>Economic Community for West African States</td>
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<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GFS</td>
<td>General Fund Services</td>
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<td>GNP</td>
<td>Gross National Product</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<td>IGAD</td>
<td>Inter-governmental Authority on Drought &amp; Development</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IPAs</td>
<td>Investment Promotion Authorities</td>
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<tr>
<td>LRA</td>
<td>Lord's Resistance Army</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>NEPAD</td>
<td>New Partnership for Africa's Development</td>
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<td>NTBs</td>
<td>Non-Tariff Barriers</td>
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<tr>
<td>OAU</td>
<td>Organization of African Unity</td>
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<td>PEV</td>
<td>Post Election Violence</td>
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<td>PTA</td>
<td>Preferential Trade Area</td>
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<td>SADC</td>
<td>Southern Africa Development Cooperation</td>
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<td>SAPs</td>
<td>Structural Adjustment Programmes</td>
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<td>SLDF</td>
<td>Sabaot Land Defense Force</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
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<td>USA</td>
<td>United States of America</td>
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<td>USSR</td>
<td>Union of Soviet Socialist Republics</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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CHAPTER ONE

1.0. THE PROPOSAL

1.1. INTRODUCTION

Regional integration in Africa has had a long history having begun in earnest in the 1960s. However, this marks the period when real regional initiatives with an African perspective and shaped by African leaders took centre stage. This was purely a post-colonial initiative that was viewed as a Pan-African reality towards the achievement of the dream of African Unity. However, this is not to imply that regional integration in Africa only started after the attainment of independence. This is because integration efforts can be traced to the colonial period structures in many countries. This is the case with the East African Community (EAC) where regional integration efforts started in the 1880s.

1.2. BACKGROUND TO THE RESEARCH PROBLEM

The main concern of this study was on one regional integration initiative: the EAC. The focus here was to study whether this integration body has the potential to realize any significant economic impact to the member states and the East African people. This is against the realization that many attempts have been made to turn around the economic prospects of not only the East African region but Africa as a whole albeit without much success. This was therefore an attempt at finding out whether this is the big leap forward that Africa has yearned for and whether the experience of the EAC can be used as a pilot run for the greater economic integration formula for the rest of the continent.

When it comes to economic growth and development for the region, all new recommendations or prescriptions must be benchmarked and comparatively studied alongside the earlier attempts or frameworks that have been undertaken before. For the East African region, there was the East African Community which collapsed in 1977 and the Preferential Trade Area (PTA) which transformed to the Common Market for East and Southern Africa (COMESA). The EAC member countries have been or
are members of these regional initiatives. It is thus puzzling that all these initiatives have not been able to turn the fortunes of the respective countries and this most probably explains why these nations are looking at other avenues for turning around their economic destinies.

This study therefore looked at how regional economic integration relates with economic growth and development. It sought to investigate whether there is much potential in this newest integration arrangement. The main challenge to integration in Africa has been the high proliferation of regional bodies. Whereas the rest of the world and in particular Europe, Latin America and Asia have appeared to have gained a lot from their integration initiatives, the African experience has not been encouraging. This study therefore focused on the initiative taken in East Africa through the East African Community (EAC). Much effort has been put into negotiations and deliberations during the period under study (2001-2010) and this has resulted in a number of measures to make the integration process fruitful.

The study sought to explore to what extent the regional integration process can be the panacea for the political economic challenges of East Africa. In addition, it attempted to look into the aspects that have made regional integration initiatives elsewhere to flourish and whether the same can be replicated in the case of the EAC for the good of the member states. The other pertinent issue that determines the success or failure of regional integration is the perceived costs and benefits that member states incur respectively. The study therefore sought to investigate what ground has been covered from the time of the coming into effect of the customs union and the common market protocol. An analysis of what has been achieved definitely provides great insight into policy recommendations that can ensure that the EAC in later years grows into the other stages of the integration framework to the point of a political federation. This would point to the maturity of the
region and would provide a reference point for other integration initiatives in other parts of the continent.

1.3. STATEMENT OF THE RESEARCH PROBLEM.

The East African Community is currently one of the promising regional integration initiatives in Africa. In this context, regional integration refers to the effort by and among nations to come together and form themselves into regional groupings with the aim of promoting economic and political cooperation among them. East Africa’s regional integration initiative looks at those efforts towards regional integration in East Africa. The African continent has had a number of regional groupings and attempts at regional integration. The focus on the EAC is informed by five main reasons; first, because the EAC is currently at such a crucial stage in East Africa’s regional integration efforts and the researcher has a natural interest on this as an East African. Secondly, given that the EAC collapsed in 1977 and was revived in 2001, it would be vital to evaluate whether the circumstances leading to the initial collapse have been addressed and what measures are in place to mitigate a recurrence.

Thirdly, the EAC members also happen to be members of other sub-regional bodies like the Inter-governmental Authority on Development (IGAD), Common Market for East and Southern Africa (COMESA), the Southern Africa Development Co-operation (SADC). In this regard it was vital to know to what extent the EAC is bringing anything new or whether it is just another addition to the numerous regional initiatives. Fourthly, the African Union envisages six vital regional economic initiatives of which one of them is the East African region. The EAC however does not include a number of the greater Eastern African region member nations. Of importance here was the need to find out whether the EAC will have a long life or it might collapse to give way for a larger Eastern African Co-operation framework. Finally, it was necessary to try to analyze whether the EAC has any
meaningful chances of survival bearing in mind the great challenges that have always befallen regional
economic integration initiatives in Africa. These five points therefore went to a large extent in
justifying the EAC’s economic impact(s) as a viable framework of study. With rising populations and
poverty levels, it has been the desire of all five governments to seek the best way to cooperate and
collectively attain growth and development for their people. It was imperative that a thorough
understanding of whether their integration attempts have much hope to offer be undertaken to inform
the steps and approaches that partner states must be prepared to take to attain their objectives. It is vital
to consider three facets of regional integration; one being to find out the form of structure that the
EAC needs to adopt in order to meet the economic growth and aspirations of member states. Two, to
determine whether the EAC will be successful in the promotion of rapid economic growth and
development for the member states. Thirdly, the need to establish whether the EAC will be sustainable
long enough for members to reap maximum benefit in the form of economic growth and development.
The underlying question the study sought to answer was: Are there any economic benefits of a
substantial nature that will accrue to the EAC member states due to the integration effort?

The study acknowledged the political economic realities that are in play and that must
constantly be in place for the successful realization of EAC objectives. Economic benefits can only be
realized in a political context and hence the latter aspects of the integration play a commanding role in
the success or failure of the integration initiative. It was important to evaluate whether there is a
deficiency in studying the process and prospects of regional integration in Africa and the East African
region in particular. The need to isolate the prescriptive recommendations needed to shape the policy
frameworks for East Africa to attain harmony for efficient operation of the integration process cannot
be overemphasized. There was need to provide practical solutions as to how best Africa can reap more
benefits of an economic nature from regional integration. Consequently, this study aspired to offer
direction in identifying whether the EAC would have a positive impact to member states or it would soon be added onto the numerous statistics of failed attempts in Africa to capture the economic growth and development dream. On a more positive note, this study might be a pointer to ways and means that can be applied by decision makers to ensure that the realities visualized at the time of conception of the EAC are realized for the betterment of all East Africans.

1.4. OBJECTIVES OF THE STUDY

1. To examine the contribution of regional integration to East Africa's economic growth and development.

Other Objectives of the Study

1. To examine the relationship between regional integration and economic growth and development.

1. To evaluate how regional integration can be applied to broaden the economic expansion of the East Africa region.

2. To offer suggestions of how challenges to regional integration globally can be overcome to ensure economic growth and development for East Africa.

1.5. LITERATURE REVIEW

1.5.0. INTRODUCTION.

This review addresses the regional integration process in the EAC context first by tracing the origin of the EAC from the conception of cooperation in East Africa and the integration efforts that have been employed towards that goal. Secondly, it focuses on the economic integration arrangements pursued and how they are structured to ensure the attainment of the objectives of the body. It concludes by addressing the regional integration process as a precursor to economic growth and development. This helps in placing the EAC integration process at a point where one can comprehend the underlying issues that inform the conception of the body.
1.5.1. EAST AFRICAN COMMUNITY (EAC) AND THE EAST AFRICAN REGIONAL INTEGRATION EFFORTS.

The East African regional integration efforts began in the 1890s after the British conceived their colonial interests as a region and decided to pursue them as a region for administration efficiency. This went on to 1948 with the setting up of the East African High Commission (EAHC) which sought to foster common service initiatives for the East African region. In 1961, the EAHC was replaced by the East African Common Services Organization (EACSO) which was to manage many of the integration services of the region. In 1966 the treaty for East African Co-operation was signed and this gave the much needed life to the then East African Cooperation.\(^1\) It is vital to point out that the East African Cooperation collapsed in 1977 due to wide political differences among the then three member states Kenya, Uganda and Tanzania.

The East African Community has now succeeded the East African Cooperation. The EAC was created in 2001 after a number of dialogue and negotiation efforts from as early as 1984 with the signing of the Mediation Agreement on Division of Assets and Liabilities. Article 14 of this agreement committed to *explore and identify further areas for future cooperation*. This essentially meant that the East African member states were seeing room for future cooperation at agreeable terms.\(^2\) In 2007, Rwanda and Burundi were included as member states after two prior events, these are: the Treaty Establishing the East African Community in 1999 and the ratification of this treaty by the member states in 2000 and its consequent acquisition of the force of law. The EAC was therefore established with the main purpose being: “To strengthen regional cooperation, infrastructure and development via full political, economic and cultural integration of the member states.”\(^3\)

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2 Ibid.
3 Ibid.
Regional integration attempts in Africa have mainly been unable to realize the economic pillar of the region’s economic growth and development. They have mainly been caught up in the political pillar and this has always presented numerous problems particularly where there is lack of political will. Integrating nations in Africa have largely ignored the fact that today more than ever before, Africa must use regional integration to integrate into world markets if they are to realize any benefits from integration into the world economy.\(^4\) In a bid to realize this however, greater political will to abide by the regional integration objectives must be in place and these must be given priority over domestic considerations. In addition, members must make great efforts towards greater economic and institutional policy convergence while ensuring that the institutions set are strong and efficient. These are some key aspects that need to be carefully considered with regard to the EAC. It is to be noted that with regard to creating and sustaining regional frameworks, Africa scores very poorly.

The EAC today is pushing for far greater economic cooperation through intra-regional trade among member states.\(^5\) To what extent this will be attainable with the revival of the EAC is difficult to predict. It is argued that by pooling together fragmented domestic markets, regional cooperation may spur economic growth and development by promoting intra-regional trade and economies of scale.\(^6\) Whereas as pointed out earlier, political will remains a key challenge for many African regional arrangements, the EAC has an opportunity in this regard as it seeks to see the realization of a political federation by 2013. In July 1998 President Yoweri Museveni of Uganda argued that:

> "If countries of East and Central Africa are to play a meaningful role in this era of globalization, they must think of moving towards a political union. The countries of the EAC together with Rwanda and Burundi must

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federate politically in order to command respect from the other countries of the World. The federation will also enhance their bargaining strength in multi-lateral institutions as well as bilaterally.  

Most probably, this is one key role where the EAC would play in leading the pack of other African countries. Would the problem of political will be greatly neutralized if nations form into a political union or federation? The success of the European Union (EU) for instance is hinged not on their economic union but on their political union. It is worth noting that the EU has not yet attained the standard of an ideal political union, however, great steps have been taken towards this end. In the event that the EAC forms into a political federation as planned in 2013, the future history of regional integration in Africa will have begun. This is one sure way of eliminating the numerous political problems that always come up in Africa and in their wake compromise the vital economic aspects of the integration arrangement. A case in point is the Economic Community for West African States (ECOWAS) which in the last three decades has been faced by numerous political challenges in Togo, Ivory Coast, Sierra Leone, Guinea (Conakry), Niger, Nigeria, Liberia and even inter-state conflicts between Nigeria and Cameroon. There is however the pertinent question of what form of a political federation to adopt. The EAC envisages a political federation where member states will retain their sovereign autonomy and identity while having a federal identity with a revolving presidency among all the EAC country presidents.

Another aspect that has seen gross failure in Africa’s integration efforts has been the economic pillar. Here, great problems abound mainly due to the nature of the economic systems of most if not all integrating nations. The EAC for instance seeks to incorporate all major economic integration stages like the customs union, common market, monetary union and the political federation. To what extent these systems can be blend within the context of the EAC is a vital question of economic technicality.

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The broader economic argument of a Eurocentric view is that Africa by the structure of its economy does not support regional integration due to its high dependence on a small number of export commodities. This leads to competition for third markets by integrating nations rather than complementing each other. To further complicate this view, the United Nations Economic Commission for Africa (UNECA) argues that in order to support the process of industrialization, regional integration should comprise the largest possible number of countries. This strategy has however not worked in groupings where it has been adopted, for instance in the COMESA region where it has not produced much success.

The future of the EAC as a model for Africa’s future economic integration is further diminished by the numerous political challenges that face the East African region. Insecurity and political instabilities face a number of nations within the EAC framework. Rwanda and Burundi are for instance long away from recovering from the political-civil chaos they have gone through, Uganda on the other hand is still struggling with continued political-military insurgencies in the North from the Lord’s Resistance Army (LRA) shortly after going through years of political upheavals that badly damaged the economy. Kenya on the other hand has been going through a series of both politically and economically motivated crises the most recent ones being the Post Election Violence (PEV) and political upheavals that came up after the 2007 General Election. Prior to that there had been the Sabaot Land Defense Force (SLDF) in the Mount Elgon region and the Mungiki menace in Central Province. It is only Tanzania that can be said to be enjoying some relative calm. In line with the African Union vision for a viable economic region in Eastern Africa, this remains dim with the reality of the political tensions in the Eastern Africa region and the larger horn of Africa. The larger Sudan is currently under serious political tensions particularly after the national referendum on the self

determination of the people of Southern Sudan in 2011; Somalia remains a hot insecurity zone since the collapse of governance and the unceasing political problems in Ethiopia, Eritrea and Djibouti.

The great role that the EAC once fully realized will bestow to Africa’s integration process will be its resilient nature. As pointed out earlier, the provision for further future cooperation as provided by the earlier East African Cooperation states’ leaders is one to be emulated all across Africa. In the event where current regional integration efforts do not bear fruit, political leaders must be open to give future attempts a chance. It is worthwhile for African leaders to realize that in their current composition, regional arrangements may be ineffective due to a number of challenges. These regional blocs or economic groupings have the common goals of economic transformation and development, implicitly including eradication or reduction of poverty in the process. In other words, economic cooperation and integration are not an end in themselves, but rather a means towards sustainable economic development.\textsuperscript{10}

Time and again, different regional arrangements will have a number of challenges. These are some of the problems that even the EAC in its current young form has to find ways of grappling with. First, there is the problem of dependence on a few commodities and particularly of a primary nature. This has a historical and colonial connotation whereby the production of a few primary products was encouraged in a bid to service industries in Europe. With the advent of independence in Africa, nothing much changed and this consequently sees many integrating countries competing with one another in producing similar products. This makes it hard for the realization of intra-trade benefits with each other since despite the huge populations, there exists very limited internal demand (within the regional grouping). Secondly, there is the over reliance on labour as opposed to capital intensive production technologies. This has the consequent effect of making exports from the grouping largel

uncompetitive. Thirdly, there is the problem of underdeveloped human capabilities where the combined populations have little education, poor health attention and are generally very poor. These are the key highlights that the EAC must overcome if there are going to be any meaningful gains to be made not only for East Africa but for Africa in the longer term.

The greater lesson that Africa must learn at this crucial stage of a global economic world and greater economic crises is that economic fundamentals during the formative negotiations must be given key consideration. There are far more economic challenges facing Africa as a region currently than any other region. The region has debt crises, African economies are grossly underdeveloped and at best reliant on a few primary commodities, there is also the huge proliferation of regional groupings and trading blocs and these end up competing among themselves and facing instances of member nations owing divided loyalty to a number of groupings, there are wars and unending conflicts, diseases, droughts, poor governance mechanisms characterized by bribery and corruption and most importantly infrastructural challenges.

With all these challenges combined, member nations are always reluctant to adopt harmonized economic policies that would enhance a collective approach in tackling them. As pointed out earlier, if regional integration must succeed in Africa, the provisions with regard to regional policies must take eminence over narrower domestic policies. Africa has also been largely divided by other factors like language with a broad division between Francophone and Anglophone nations and this has over the years shaped their dependence biases towards former colonial powers. This comes also with different policy orientations and this further weakens integration initiatives. By and large this forms a collection of a myriad of further threats to Africa's collective approach.

An important question to ask is whether Africa has not learnt from these past mistakes to its integration process. It raises serious questions that anyone studying closely the integration process in

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11 Ibid.
Africa should not ignore. What with the increasingly interconnected global economy and the numerous challenges it presents? At this point, is Africa positioning itself strategically to remain a significant player in global trade and development? The global trends today towards regional integration are economic, political, social and technological. Africa can therefore not hide in narrow political considerations any more. Meaningful progress and effort must be made if the realities of integration as have been realized in other regions are to be seen in the African continent.

1.5.2. ECONOMIC INTEGRATION ARRANGEMENTS UNDER THE EAST AFRICAN COMMUNITY (EAC).

The EAC has made a number of significant strides towards the realization of full economic integration of all the East African nations’ economies. In fact, as pointed out earlier, the fact that the EAC member countries are also members of other regional economic blocs has seen them push for economic cooperation arrangements beyond the EAC economic integration framework.\(^{12}\) The significance of regional economic integration is currently being stressed by major development agencies like the World Bank. The African region of the World Bank for instance went a step further with the establishment of a Department of Regional Integration in August 2005. There is also the realization that Africa as a continent is greatly fragmented and that the root of Africa’s problems lies in chronic constraints to economic competitiveness, small and fragmented markets, undeveloped financial markets, weak systems to facilitate trade, weaknesses in key institutions and lack of adequate human resources.\(^{13}\) EAC’s economic integration is informed by such realities. Borrowing from the economic realities of other regions that have benefited from economic integration, the EAC can observe for instance, from the Asian region that:“One of the unique features of Asian economic

\(^{12}\) Final Communiqué of the COMESA-EAC-SADC Tripartite Summit of Heads of State and Government held on October 22, 2008 in Kampala, Uganda.

\(^{13}\) The Word Bank Africa Regional Integration Department.
growth is the transmission of the development process-through market forces as well as government policies-from more to less advanced countries.\textsuperscript{14} \textsuperscript{15}

It is vital to point out that such a transmission is best possible in an economic cooperation framework between such countries. The economic growth of the Asian Tigers can be used as a good model to spur the economic growth of the EAC economic region.\textsuperscript{15} When carefully thought out and planned, economic coordination can be achieved through a regional economic arrangement mainly at the front of intra-region trade development. However, the available literature on trade development under the auspices of a regional economic bloc cautions that trade development is not an automatic result. Regional integration arrangements are known world over to generate benefits through trade creation and growth, reallocation of resources in response to changing relative prices, specialization, economies of scale, efficiency changes owing to increased competition, increased levels of investment and growth and achievement of political objectives.

The EAC in its customs union seeks better ways of harnessing intra-EAC trade through tariffs removal and the establishment of a common external tariff for the Community. This is expected to be one of the drivers of economic growth in the long run as it is hoped that with removal of tariffs, the trade creation that will result will be of a mutual nature to all the EAC members. Individually, the member countries have been pursuing individual bilateral trade relations with other countries. This will boost their trade with one another and with a ready market from the combined population of the Community, this may even create a trade diversion from those prior trading partners to greater Community trade under the EAC.

\textsuperscript{14} Capannelli, G. et al (2009), Developing Indicators for Regional Economic Integration and Cooperation, United Nations University-Comparative Regional Integration Studies Working Paper W-2009/22.

1.5.3. REGIONAL INTEGRATION AND ECONOMIC GROWTH AND DEVELOPMENT.

The general notion seems to be that with an increasingly globalizing world and with the need for greater economic growth and development, regional economic integration initiatives are a noble consideration. This has been proven to be a major source of growth for the European, Asian and Latin American regions. However, this growth and development must be seen in the context of the contribution of the numerous business initiatives particularly if practiced within a policy environment of trade liberalization. This is because if the efficiencies arising from increasing competition and increased instances of specialization are to be realised, these must be supported by a business environment where business enterprises have free entry and exit. This leads to broader regional specialization where the entire economic region is pushed towards productive efficiencies that enable concentration on the type of production that it has the most comparative advantage over the other regions. This has been the main secret behind the European Union’s (EU) tremendous growth in the last couple of years.16

The truth about economic integration particularly in the context of the 21st Century global economy is that, economies that will resist the global drive towards international economic integration will find themselves out of pace with the rest of the world in terms of growth and development. This is from the realization that integration fundamentals elsewhere will influence growth and development patterns the world over. This therefore calls for the safe thing to do being to accept the hard realization that in an increasingly global economy, one cannot ignore the happenings elsewhere.

1.5.4. CONCLUSION

The global paradox in many regions remains as to whether economies should actively pursue regional economic integration. Where there is consensus that it be pursued, the form and framework of

this integration becomes the central issue of dialogue. It cannot be denied that the world now is at a time where it must as a matter of necessity consider urgently to pursue economic integration arrangements if any meaningful global economic growth and development is to be realized. In this light the EAC as a new entrant to the integration arena must be welcomed while evaluating whether indeed any meaningful and tangible results will be realized. As pointed out, Africa is notorious for the huge proliferation of regional integration arrangements which end up being too weak and too many to result in any meaningful economic impact. This is now the dilemma that faces the EAC. One would be right in viewing its economic impact skeptically at this time of the initial years of operation.

In light of the revelations in the literature review, a serious study on whether tangible economic impacts are likely to be realized from the integration of the EAC needed to be undertaken. This would help in finding out whether the frantic integration efforts are worth the while. This would help in pointing out whether the current economic form of the integration is desirable or whether this needs to be reviewed.

1.6. JUSTIFICATION OF THE STUDY

The findings generated from this study were expected to lead to a better understanding of not only the dynamics of how regional integration works; but specifically the experience of the East African integration process. This is of great significance to academicians and academic researchers in that it increases to the body of knowledge. This leads to a larger pool of academic material on regional integration which leads to a better understanding. This might lead to arrival at an African specific model of integration. The findings therefore do not only draw an insight into the working of the East African Community (EAC), but also help in projecting what tangible economic impacts the integrating states are to accrue.
This study shed some light on what other regional integration bodies have achieved and leads to identification of gaps that the EAC experience must fill if any tangible benefit is to be realized. It reveals some of the challenges and weaknesses the East African integration process faces. The findings lead to policy orientation towards aspects that ensure the smooth operations of the EAC. Policy makers in all the member states need to be aware of pertinent issues that determine to a large extent the success or failure of the EAC integration. They act as a stimulant for further research of a policy nature in this area that help to cover the gaps that may have been left by this study due to its constraints in terms of time and cost.

1.7. THEORETICAL FRAMEWORK.

In carrying out this study, the research relied mainly on two theoretical approaches; functionalism theory and the customs union theory. Functionalism theory was postulated by Mitrany whose thinking reflected the dominance of economics in international studies and studies on integration. This theory despite having not been initially meant to address regional integration has been refined further into variations like neo-functionalism. These however, are built on the original postulations. Mitrany saw national sovereignty as a key concern for integration attempts as regional organizations are seen as likely to result in inter-regional conflict and consequently goes against the vision of a non-territorial global organization.

The customs union theory was advanced by Jacob Viner. His main argument was that a customs union can result in either trade creation or trade diversion. The former involves a shift from high-cost domestic production to lower cost production in a partner country within an integration region. The latter aspect involves a shift from the lowest cost external producer to a higher cost integration partner. The choice of this theory over others is because trade creation raises a country's

welfare while trade diversion lowers it. This thus helps in understanding the central focus of this study which is about the welfare of the people.

The two theories bring a fusion of the political and economic aspects of integration which is vital in putting the findings of this study in the proper context of the EAC regional integration. It is the reality of an integration process like the one being carried out by the EAC that political and economic forces come to play and one theoretical approach cannot help to arrive at a comprehension of the dynamic nature of the conduct of member states. The two theories best inform above all others, the delicate balance that member states must at all times consider as they make decisions on all issues touching on the integration. There is need to face the reality that the integration process is being undertaken by sovereign states who must voluntarily cede some of their authority to a regional body that must operate in furtherance of the national interests of each member state. In the contrary event, this might herald the demise of the integration process. This understanding is best brought out by an understanding informed by these approaches.

1.8. RESEARCH HYPOTHESES.

1. There is a positive relationship between regional integration and economic growth and development.

2. Regional integration is a key contributor to East Africa’s economic growth and development.

3. Regional integration leads to economic expansion of the integrating region.

1.9. METHODOLOGY OF THE STUDY

1.9.0. INTRODUCTION

This study was quantitative in nature and mainly adopted a historical research design due to the time and budget constraint which impeded on the collection of primary data. It therefore sought to explore, explain and understand the core elements of the study from already available data which is
mainly of a secondary nature. This greatly borrowed from what has already been observed as prevailing trends in the past and upon this, the present is explained and the future predicted. A historical study best qualified to examine the objectives of the study. In finding out the economic impact of the EAC, data of a historical nature was able to provide such an understanding. The study attempted to trace regional integration initiatives within the East African region and correlate this with the economic impacts realized thereto. The two variables: economic impact and regional integration were hypothesized to be positively related. This made use of data generated from past years hence the need for a historical study.

1.9.1. DATA COLLECTION

1.9.1.1. Instrumentation.

The data collection instrument employed in this study was document analysis. Document analysis in this context means a critical examination of public or private recorded information related to the issue under study. Its purpose was to obtain information and data with ease for the researcher and without interruption of the working of the subject under study.

1.9.1.2. Research Procedure.

Quantitative data was collected on the EAC from existing data sources focusing on the economic aspects of the integration framework. The main data collection instrument was document analysis. The data was collected by the researcher himself without the involvement of field or research assistants.

1.9.2. DATA ANALYSIS

1.9.2.1 Inferential Analysis.

Data from public documents was analyzed to derive inferences from the findings. This analysis was chosen due to the relative ease that it offered in explaining the relationship between the variables.
This was done by analyzing the degree of correlation which is a measure of the degree of association between two or more variables that have been obtained from the same group of subject(s). This was useful because it helped to predict and describe the association in terms of magnitude and direction. This also helped in forecasting and providing guidance to facilitate further research studies once the relationship between tangible economic impacts and regional integration was established to be existent.

1.9.2.2. Measurement of Economic Growth and Development

The following measures were employed:

1. Capital Accumulation.
2. Technological progress.
4. Gross National Product (GNP) and Gross Domestic Product (GDP).
5. Social and welfare indicators.

1.9.3. ETHICAL CONSIDERATIONS.

In carrying this study, the researcher made application of the following ethical considerations which are vital for the information and data sources.

I. Informed Consent.

No data was used without the consent of the provider. However, this did not apply to data that is publicly available. Any use was however, for purposes of illustration or support of arguments.

II. Privacy and Confidentiality.

Data providers (if any separate from publicly available information) were assured of handling of their information with utmost confidentiality. Their privacy was also guaranteed and it was not required to indicate their names for the purpose of avoiding disclosure of their identities.
These ethical considerations stemmed from the fact that the study mainly focused on country information that may be of a strategic importance. That is why the researcher mainly relied on document analysis other than interviewing or directly sourcing for information from individuals who may have a reservation about providing information that they may deem to be sensitive.

1.10. SCOPE AND LIMITATIONS OF THE STUDY.

In light of the time constraint, this study was not conducted on a very large scale. Its preliminary findings shed a light for more intensive studies in future. The study was conducted between May-July 2011 by using an analysis of regional integration initiatives in East Africa with a much closer focus on the 5 East African nations; Kenya, Uganda, Tanzania, Rwanda and Burundi. Data was collected by use of document analysis techniques. It would have presented more findings had it been carried out on a larger scale to cover all economic aspects of the EAC. However, time and financial constraints dictated that only a small element of the study be conducted upon which greater generalization was made. This was primarily because the study right from developing the research proposal, collecting data, compiling and submitting the report was supposed to be done in less than six months.
CHAPTER TWO

2.0. REGIONAL INTEGRATION THEORY AND THE EAC

2.1. INTRODUCTION

Regional integration as a process towards economic and political integration can best be understood by placing it in the right theoretical context. An understanding of the theories forming the thought process that eventually leads to the conception of a regional integration initiative leads to a better analysis of any matter in the integration framework adopted. The EAC is no exception. This study, by confining itself to the inter-linkage of both the political and economic aspects borrows heavily from dominant theories on regional integration from both disciplines. Functionalism and the custom union theories are the two main theoretical references used in this study. The functionalist approach to regional integration has great eminence in the context of the EAC which grapples with whether member states should cede their sovereignty to a supranational organization.

The challenge for East Africa’s regional integration is the need to arrive at a common agreement on the best form the regional body should adopt to yield maximum benefit to member states. Much needs to be harmonized in the area of policy if rapid results are to be realized. In a region that is still economically underdeveloped by global standards, much effort is needed to identify the most ideal principles and theories to guide the region’s growth and development. In addition to this, these principles must be moulded into a form that provides for their practical application in the real economic experience of the five member states.

2.2. BACKGROUND OF THE REGIONAL INTEGRATION CONCEPT

The theory and concept of integration has gone through tremendous development starting in earnest in the 20th Century. The focus at that time was Europe and much of the integration discourse centered on explaining European integration. The beginning of organized regional integration is traced
back to 1952 with the formation of the European Coal and Steel Community (ECSC). That was a reaction to the need to preserve the economies of Europe.\textsuperscript{18} This was a move that was seen as a force aimed at uniting Europe. It is this initial process that grew into the European Economic Community (EEC) which came into existence in 1958. European integration has the longest history and as such it demonstrates its advancement. From the EEC, it transformed itself into the European Community (EC) in 1992 and consequently into the European Union (EU) in 1997. Europe's greatest interests with regard to integration were security and economic advancement particularly after the economically devastating Second World War. The Preamble to the 1951 treaty establishing the European Coal and Steel Community stated its aim as: "to create, by a establishing an economic community, the basis for broader and deeper community among peoples long divided by bloody conflicts."\textsuperscript{19} This captures the ultimate ideal of attaining economic development by realizing that the security and political infrastructure of the time was not conducive for economic growth.

After the war, most of the European economic structure had been premised on the provisions of the Bretton Woods Agreement of 1944 alongside the Marshal Plan which was an American aided program to help European states to reconstruct their economies destroyed by the war. Later programs for development were anchored on the OECD countries action plan and the Maastricht and Benelux Treaties.\textsuperscript{20} This was coming at a time when the region was still wary of deeper forms of integration bearing in mind that the disastrous political differences among European nations had not been done away with. There were still suspicions among the leaderships of the various nations. Through these treaties, Europe was reaffirming the great need to attain some form of political-economic view point


that would provide for sound policy harmonization to get the benefits from a monetary induced form of cooperation.

In the formative years, the process of integration was seen as a political process and much of the economic aspects were at least relegated to the background. The beginning of the integration process came at a time when the world was still recovering from the economic depression of 1933 which shook all the major economies of the world. At this time and particularly in Britain, Keynesian type of economic remedies had been prescribed to recover from the depression. This particularly called for greater government involvement in the economy to regulate aspects that would induce aggregate demand and consumption. Secondly, the world had seen the devastating effects of warfare occasioned by the 1st and 2nd world wars. Coming from a period of political hostilities and economic hardships, it was unfathomable that the European nations would pursue a form of integration particularly one that would have them cede some elements of their sovereignty to a supranational entity. There still were tensions and suspicions between the states. They were however moving rapidly into a future that required the development of new policies on technology, the environment and monetary policies all of which were to be a departure from the past.21

Another aspect that characterizes the European integration attempt is that Europe had successfully created nation states.22 To see it experiment with formation of supranational organizations points to a new direction that the world was taking. European influence had by this time already been passed to other parts of the world through the process of colonization and the spheres of influence this created. The newly emerging independent states of Africa, Asia and Latin America were adopting structures and policies that were heavily patterned on the ones from their affiliated European nations. In Africa for instance, calls for regional integration started coming in the early 1960s as many

21 Ibid.
nations gained their independence. This came at a time when national leaders were engaged in frantic attempts to better their nations. Many nationalist leaders spearheading the national struggles for independence had assumed that merely sending the colonialists away would solve all the problems of their citizens. Needless to say, the first attempt at regional integration came with the goal of attaining African Unity through the formation of the Organization of African Unity (OAU).

There had been prior attempts in various regions of the continent to push for African Unity like the Union of Independent African States, the Ghana-Guinea-Mali Union, the French West African Federation (this was bringing together the Francophone bloc of nations) and the Union of African and Malagasy States. Delinking their unity aspirations from their colonial orientation had proven difficult for African countries which aligned themselves to partnerships on the basis of being either Anglophone or Francophone. This can be understood from the background of language and the development paradigms that had been left by the colonial powers at independence. As Africa came under the wave of Pan-African ideologies as espoused by leaders like Dr. Kwame Nkrumah (Ghana), Leopold Sendor Senghor (Senegal), Houphouet Boigny (Ivory Coast), Haile Selassie (Ethiopia), Jomo Kenyatta (Kenya) and Julius Nyerere (Tanzania) among others, the need for arriving at the framework for African Unity was extensively discussed.

There emerged two leading schools of thought on African unity; the Monrovia and Casablanca Groups which saw the great need for a Union of African States. The former group was led by Leopold Sendor Senghor of Senegal and it argued that African unity should be achieved gradually through economic cooperation. It did not favour the notion of a political federation for Africa. The Casablanca group founded in 1961 on the other hand was led by Kwame Nkrumah of Ghana and it favoured the idea of African unity under the auspices of a political federation for all African countries. This was a very radical view for countries which had just attained their independence not many years ago. The
difference between the two groups was resolved when the Ethiopian emperor Haile Sellasie invited the two groups to Addis Ababa where the OAU and its headquarters were subsequently established on May 25, 1963. African unity at this time was predominantly of a political nature addressing pan-African issues. It was not until the realities of the economic conditions of Africa came to light that leaders started considering some form of economic integration. At that point, many countries had attempted to pursue import-substitution policies in a bid to stabilize their balances of trade and payments. These however failed terribly and left the leadership with no option but to re-look at the best ways of attaining economic progress.

The late 20th century force of globalization took the concept of regional integration (and particularly economic integration) to a different level all together. The global trading and economic system had been changed with the formation of the World Trade Organization (WTO) to replace the General Agreement on Tariffs and Trade (GATT) in 1994 and its coming into effect in 1995. The reality of a globalized world simply made the need for rapid economic growth and development an urgent concern. It is at this time that negotiations for the EAC were at a frantic pace as informed by the economic and political realities prevailing at that time. The need to attain economic development had led to a widespread move towards regional economic integration for developing countries although with less successful results. Regional integration processes to be effective must consider three vital aspects; the number of countries involved or to be involved in the integration arrangement, the coverage of the integration (for instance trade, labour mobility, macroeconomic policies etc) and the depth of the integration with regard to the measure of sovereignty that a country is ready and willing to surrender to the regional body.

25 Ibid.
Particular importance needs to be placed on the form of integration that the East African region needs to adopt and by extension the African continent. This is because regional integration attempts in Africa have not realized much success for the region. There have been numerous attempts at integration which do not seek to enter the realm of deeper integration of economies to create sustained markets. The need for national sovereignty has made many nations to guard the key aspects of their economies which ensure control of all aspects of the integration particularly fiscal and monetary policy issues. This has long been seen in ECOWAS which is one of the oldest integration arrangement in the continent. SADC is another potent integration arrangement for Southern Africa which has made sufficient progress despite seemingly appearing to be dominated by South Africa.26

2.3. FUNCTIONALISM

Regional integration efforts in Africa have faced the challenge of refusal by member states to always stand by their obligations as stipulated in the objectives and regulations governing regional arrangements. This is both politically and economically driven.27 The first aspect can only be addressed through a political process. Member states must realize the benefits accruing to their citizens from the process of regional integration. Upon weighing the welfare benefits to citizens vis-à-vis the costs of ceding some level of control to a regional body, a country is at a better position to determine whether they should pursue an integration process further. Muuka et al argue that sustained political and ideological will on the part of individual member governments is critical to the success of any regional economic grouping.28

Functionalism as a theory was postulated for explaining or advocating the need for creation of regional organizations. This was advanced by Mitrany who argued that the link between authority and

28 Ibid
a definite territory can be broken. It seeks the attainment of a regional organization that would not be rooted on the territorial confines of the states forming it. In a world characterized by economic interdependence, functionalism assumes that social, technical and humanitarian problems can be prioritized and solved. This is because in a world of economic interdependence common economic interests create the need for international institutions and rules. Functionalism has been criticized for its assumption that states can be able to cooperate even in areas where their vital interests are at risk of being ceded to a supranational organization. This would result in a state-like supranational organization that could easily be dominated by the powerful states in the regional arrangement.

Regional integration from a functionalist approach can best be seen from a weakening of the state apparatus through the transfer of loyalties to a supranational organization. This is hard to attain and can only be arrived at through realization of results from cooperation in one area. Once that is realized, the integrating units can then move onto a different aspect. This is to be repeated in all the elements of the integration up to a point where it is realized that these are best handled not by the state but by the supranational entity. This can be seen to commence from economic, then social and ultimately technical cooperation. This ultimately can lead to the attainment of political harmony leading to resolution of political conflicts and elimination of war. Cooperation among nations pursuing different political-economic structures and at different levels of economic development would seem unworkable in the current global political system. The functioning of international institutions like the International Labour Organization (ILO), International Monetary Fund (IMF), World Bank and the UN agencies do not support the idea that functional cooperation can be realized separate from a political environment present in the member states.

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30 Ibid.
The application of functionalism to the EAC recognizes that the regional integration takes place at an intersection of diverse interests of the multiple states which differ in political culture, ideology, economic, political and legal systems. These differences have to be managed in the right manner if any sustained relationship among the integrating states is to be realized. From a functionalist angle, it is not enough that the individual citizens of the countries have some welfare gains to be realized from the integration. There must be the will by the authorities at the leadership of these countries to work together towards a mutual good for all states. Should there be a feeling that one state or some states are deriving more benefit than the others, then the cooperation is in jeopardy.32

Mitrany in postulating the approach of functionalism saw regional organizations as likely to result in inter-regional conflict. This was due to the reluctance by states to cede their authority to a regional/supra-national body. In the case of the EAC, there is need for sovereignty by the five states to be transferred to the regional body. With properly crafted expectations and obligations, greater cooperation can be enhanced. It is this notion that leads to the functionalist principle that people can consequently be weaned away from loyalty to the nation-state by the experience of fruitful international cooperation.33 For this to be realized, great and deliberate organization must be in place as a result of a common understanding of the end result desired. This in the case of the EAC led to a move towards negotiation for harmonized policies towards a market driven integration initiative. There were however some concerns that at the time of undertaking the integration exercise, some members were at an advantaged position over others. A case in point was the case of taxation and in particular Value Added Tax (VAT) and excise duty. This was to lead to the arrival at a Common External Tariff (CET) for the region.

32 Oppong, R.F. (2007), A Relational Theory of Economic Integration and its Implications for Africa’s Economic Integration Initiatives. Research Group, Lancaster University, Faculty of Arts and Social Sciences.
With the general aim of attaining greater general welfare for the citizenry, functionalism tends to paint a picture of an EAC that will attain an equalization of social conditions that would result in economic development. Should this fail, then a conflict is to be expected. Individual citizens will evaluate the gains realized or lost during the integration vis-à-vis those prior to the integration process. It is vital to note that whereas the populace would anticipate rapid changes in their economic standing, results of tangible economic growth leading to economic development would most likely not be witnessed in the short run. This is the period in which enabling structures and mechanisms for meaningful integration are to be effected and policies found not to be working as initially conceptualized monitored and reviewed. The most immediate reaction would be a shift towards mistrust of the integration. If no tangible benefits are realized in the short run, citizens might pressure their governments to reconsider the relevance of the integration body or to demand a pull out altogether. It remains the functionalist assertion that the individual is free to enter into a variety of relationships.34

As the EAC moves towards the latter stages of the integration process and in particular the political federation, more observation of the political happenings will best be understood from a functionalist approach. The aspiration of this highest and most refined facet of integration points to the resilience and determination of the architects and vision bearers of the integration. A political federation can only be formed out of a common belief in the fact that the political and economic welfare of the populations in the member states lies in a common perception of what contributes to the common good for all. This comes against the realization that over the many years that different economic and development paradigms have been tried out in the member countries, failure to attain the desired progress is as a result of wrong strategic positioning. This is of particular importance bearing in mind the diverse challenges faced in today’s increasingly globalized society. At no other

34 Ibid
time is a rethinking of the most ideal path for growth and development of the region needed than now. With diverse lessons from the first EAC integration attempt, the political leadership has the onus of driving the process to the greatest heights for success.

The functionalist strength of separation of the economic and social aspects from the political is convenient when separation of the three aspects is required for a detailed understanding of the integration. In as much as the three aspects are greatly interconnected, some element of isolation is necessary to allow for a focused scrutiny of the integration. Its logic of attaining functional cooperation finds great applicability in the EAC where member states have provided for the formation of a political federation. This would greatly neutralize the problem of ceding national sovereignty to a supranational organization.

Functionalism has been reviewed over time in explaining the role of supranational entities. For instance, it fails in analyzing the total environment within which functional arrangements would diminish the need for state-centered political structures. This is supported by the fact that up to date no supranational organization has come up in the ideal form. The UN is yet to attain such a status. Secondly, the issue of human welfare is an idealistic utilitarian social undertaking that pre-supposes that human conduct can be guided. This however finds support in that all pursuits of man are geared towards attainment of a better life at least for himself if not for others. Perhaps the biggest weakness than can be pointed out about this theory is its positioning in time. It was developed at a time when Mitrany saw international economic and social cooperation as pre-requisites for solution of political conflicts and elimination of war. One may argue that in the 21st century interactions, the interconnectedness of the global age has made the occurrence of war a less frequent affair. True as this may be, one cannot however ignore the fact that in every state there is the natural urge to assert itself in
terms of the pursuit of its national interests. These unfortunately may not always be for the good of the population since bad aspirations by a few individuals can be branded national interests.

The potency of functionalism particularly in informing an understanding of the case of the EAC lies in the fact that it sets out with the objective of translating itself into a political federation. This aspect alone sets it apart from other approaches in that by seeking to create a supranational set up, it provides an ideal opportunity for its assumptions to be tested. The cases where functionalism has been used to analyze regional happenings and in particular Europe have led to a negative verdict being passed on the functionalist approach. The numerous modifications that succeeded it prove that their proponents saw great weaknesses in this approach. Different happenings like the EAC and the different model for its integration begs for a chance to relook at the efficacy of functionalism in its original form.

2.4. NEO-FUNCTIONALISM

Neo-functionalism arose out of the need to come up with an explanation of regional integration in Europe. This theory argues on the importance of states as the primary actors in an integration process. It is within a state that there are interest groups and political parties which all contribute to the process of decision making on how the conduct of the state is to be undertaken. Policy directions by the head of state or government are informed by these groups collectively and individually. Political parties normally have the most organized forums particularly the ones that are represented in the National Assemblies. States are the core units that participate in decisions to enter into regional integration arrangements and once treaties are signed, they spearhead the ratification process by their law making organs of government. This theory postulates that even before a regional integration arrangement is arrived at, the economies of member states are interdependent. Integration is therefore

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a consequence of joint action by the states to upgrade their common interests under the guidance of a supranational organization.

Progression of the integration leads to a shifting of loyalties from the state to the supranational organization. This is called the spillover effect. Integration under neo-functionalism is deemed to only occur where economic, social, technical and to a small extent political activities exist in common. These form the key aspects where cooperation can commence and one activity area leads to cooperation in another activity area. Aspects of goodwill, pursuit of common interests or the common good are assumed to lead to greater integration. Neo-functionalism came under great criticism when its predictions of a spillover effect did not materialize for European integration. This was at the centre of discussions in 1992 as the EC came into existence. Its weakness can also be seen in its potential failure if a supranational arrangement with strong central coordination and effectively harmonized policies is missing. This should be in a position to give direction on all matters that the integration is based on. This is what gives it state-like powers. Applicability of this to the EAC is unlikely since the body has its own unique structure of its integration model which provides for a political federation ultimately.

Neo-functionalist logic adopts an indirect penetration of the political by the way of the economic. This might be a difficult end to accomplish where there exist different levels of economic development among the integrating states. Since the fusion of the integration process is politically driven, a much longer time might be required before the economic aspect of the integration attains substantial growth to impact on the political aspect. For the EAC, the region faces this challenge as the general rise in the economic development of the region can only be deemed to be a long term measure as opposed to a short term one. This may pose a setback in an understanding of the EAC integration.

2.5. CUSTOMS UNION THEORY

The customs union theory in addressing the welfare dimension of regional integration is closely similar to functionalism. Advanced by Jacob Viner, the theory postulates that a customs union can result in either trade creation or trade diversion. Viner defines a custom union as the process of “elimination of intra-trade barriers and the equalization of tariffs on imports from non-member countries.” In ideal economic integration, a customs union is the third stage of integration after a preferential trade area and a free trade area. The EAC integration process however deviates from this structure in that the customs union is the first stage in the economic integration process. A custom union aims at the formation of a single customs territory. With regard to the economic activity of integration partners, trade becomes a fundamental focus with the main aim being the realization of economies of scale in a bid to realize economic development. The EAC bloc for instance is able to eliminate diseconomies of scale occasioned by the fragmented nature of their markets and economies while operating in separation. The customs union came into effect on 1st January 2005 after ratification of the Customs Union Protocol. This marked a crucial turning point for the EAC integration process. It clearly signaled that at last, the dream of integration was becoming a reality.

The customs union seeks to attain harmony between the five member states through the realization of a common external tariff to be applied in trade dealings among all the member states with non-member states, elimination of internal tariffs, common rules of origin for application by all states, common standards for all products produced and imported, harmonized trade policies and a

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39 Mushiga, N.A; Secretary General, EAC, in the foreword to the Treaty for the establishment of the EAC, Publication of the EAC Secretariat, Arusha 2002. pp. v.
40 Bagamuhunda, K. (2005), The EAC Customs Union. Presentation by the EAC Director of Customs at a Sensitization Workshop on the EAC at the Grand Regency Hotel, Nairobi, June 29, 2005.
common export promotion mechanism.\textsuperscript{41} Customs Unions become effective when the output of inefficient producers are replaced after the elimination of tariffs in the region with cheaper imports of more efficient producers within the region to the benefit of both producers and consumers. Trade diversion effects on the other hand occur when imposition of a CET puts suppliers from countries outside the integrating area in a competitive disadvantage by encouraging imports from less efficient producers within the integrating area.\textsuperscript{42} The good of this for the EAC is that imports that have traditionally been obtained from countries outside the EAC can now be replaced with intra-EAC imports. This leads to the overall increase in trade for the region.

Trade expansion from economies of scale for the EAC region is geared to lead to economic growth as this will result in an increase in the GDP of the region collectively and for member states individually. In 2000, prior to the admission of Rwanda and Burundi, total GDP was distributed as follows:

| Table 1: GDP Distribution for Kenya, Tanzania and Uganda in 2000. |
| --- | --- |
| Country | GDP in USD(billion) |
| Kenya | 10.357 |
| Tanzania | 9.027 |
| Uganda | 6.17 |

Source: EAC Secretariat, 2004

Average population in 2001 was 30 million people. Creation of the customs union therefore implied an economic region with a single market of over 90 million people with a GDP of approximately USD 30 billion. With Rwanda and Burundi included at populations of 10,117,029 and 41 EAC Secretariat, Arusha, Tanzania. \textit{East African Community Customs Union: Implications and Benefits of the EAC Customs Union}, accessed from \url{http://www.cac.int}.

10,216,190 respectively, according to 2009 estimates, this pushes the total population to approximately 120 million people for the entire region. Upon harmonization of all the trade aspects it leads to creation of a formidable market that would be highly attractive to investors.

The customs union is the regional tool to boost the visibility of the region in its dealings with other regions. There are quite a number of challenges that have to be overcome before tangible results are realized. The customs union faced and still faces today challenges touching on national sovereignty, non-tariff barriers to trade, language barriers, inaccurate trade data due to unrecorded cross-border trade, a weak dispute settlement mechanism and the overlapping membership of the EAC members to other regional bodies

In comparison to the European Union (EU) customs union, there are many lessons that the EAC can learn from the former. It is vital to point out that the EAC envisages its integration to move through five stages; Preferential Trade Area/Free Trade Area (2000), Customs Union (2005), Common Market (2010), Single Currency (2012) and finally a Political Federation (2013). The progress made in this regard will depend to a large extent on the responsiveness of decision makers to address any problems that arise over the course of the integration process to ensure that the right management framework is in place for sufficient policy and operational changes to facilitate a smooth flow of the process.

The greatest challenge will remain the transformation of the growth realized from trade expansion to tangible and sustainable development of the people. This poses a great economic challenge where there are inequities in factors of production with ownership skewed negatively to the very wealthy. The growth in trade is intended to be for the good of the local person in every country.

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43 EAC Website. accessed from http://www.een-sad.org
The biggest test will be for the EAC to come up with policy prescriptions that will enhance the ability of all countries to reap substantial benefits from the growth and opportunities that will arise as a result of the integration.

This theory bears the largest impact in rendering an informed understanding of the EAC integration. Rapid growth and development of the economies will be realized after sustained expansion of the trade that the region engages in both within and also with other regions and non-member countries. It also has better implementation in the region without numerous modifications as it is propounded on a tariff regime which remains at best in the control of member states.

2.6. INSTITUTIONALISM

Institutionalism as a theoretical framework for explaining regional integration stems from the contributions of March and Olsen who argued that institutions are important because of the impact they yield on political outcomes. Institutions intervene between the preferences of actors and the policy outcomes that are desired. Institutions do not therefore carry political actors along a defined path nor do they follow their preferences, they are able to channel the access of the actors to attain the resultant changes which are the intents that the institution seeks to follow. Institutionalism has had variants in the form of historical institutionalism and rational choice institutionalism. The former regards the period of an institution's origins as crucial to understanding later developments. For instance, to comprehend and project on the future of the EAC, one needs to place its origin and the beginning of East African cooperation to that time in history. Understanding the context in time when this was conceived aids in a proper contextualization of its aims and objectives. Historical

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institutionalism must develop a means of analyzing phases of institutional development beyond the path and time of an institution’s formation.\textsuperscript{47}

Rational choice institutionalism on the other hand assumes that actors will only engage in rational pursuits of their self-interest. Institutions therefore act as a moderating force with regard to the strategies that political actors adopt in the pursuit of these self-interests.\textsuperscript{48} Rational institutionalism therefore is premised on a set of detailed formal rules and regulations. This may however be compromised in cases where these rules are misinterpreted or where actors recourse to informal rules. These defeat the rational approach. It is assumed that any decision options have to be subjected to an elaborate process of identifying the costs and benefits of each option and then based on a ranking, all options subjected to a detailed scrutiny prior to the most optimal option being selected. This however may not find practical application in many issues that normally arise in an integration area. For instance, security imperatives in one country in the integration area that affect to a large extent the trade aspects of another member may be compromised since security decisions though calculated are often spontaneous reactions. For instance some demonstrations in Nairobi, Kenya may affect passage of goods to land locked Rwanda, Uganda and Burundi. Security agents in Kenya would therefore take the most appropriate measures at the time and these would not be rationally deliberated.

2.7. INTERGOVERNMENTALISM

Intergovernmentalism conceptualizes integration as a series of bargains between the heads of government of the leading states in a region. Its basic assumption is that integration takes place within domestic politics. Converging interests that form the basis for deliberations are based on the interests of large states where harmony is attained by big states buying off the smaller ones. The theory contends that despite this, the smaller states would still need an international organization to help them

\textsuperscript{47} Ibid.

deal with complex issues that they are not equipped to handle on their own.\textsuperscript{49} Intergovernmentalism however places a lot of focus on heads of government as the vital forces behind integration schemes. This ignores the many other players that make integration in the first place possible like the civil society and the private sector. Application of this theory may be limited in the case of the EAC since all the integrating states are undergoing similar circumstances and consequently from a power perspective no single country can be said to wield the capacity to dominate the rest.

Successful application of this theory can best be applicable in a region without frequent changes of government and where the domestic political and policy environment remains unchanged for a relatively longer period of time. This cannot be said to be the existing environment for the EAC region. The political systems and cultures are prone to change with adoption of new political dispensations. The competitive nature of the economic production of the five states due to similar economic products and activities makes the reality of an intergovernmental approach to be limited in application. Similarly, application of this theory is dependent largely on the bargaining power of the head of the government of the individual state. This may not lead to the realization of equitable benefits for all the member states in proportion to their population and economic size.

\textbf{2.8. REALISM}

Realism was propounded by Hans Morgenthau as part of American political thought. The theory views the state as the single most important actor in the international system. The state has its set of predetermined national interests which have different costs and benefits attached to them and which inform the foreign policy direction that will lead to attainment of national objectives. Realism sees the international system as lacking a centralized authority to make and enforce laws to govern inter-state relationships. This is a system of anarchy that leaves every state with the option of determining the means to its end. In a competitive world, this calls for cooperation and conflict at the

\textsuperscript{49} Ibid.
same time as national interests and foreign policies of different nations become incompatible.\textsuperscript{50} States often resort to force for their self-preservation out of this conflict of interests scenario.

Realism however does not clearly offer an explanation as to why in the recent years, despite conflicting interests, nation-states have continued to find the need to cooperate with each other within regional organizations. This weakness in the realist approach has seen the springing up of a thought founded in realism that views state action as best determined by rational cost-benefit analysis and sees general welfare as rising as the frequency of inter-state interactions increase. This informs the increase in the need for state cooperation particularly on matters that transcend national boundaries. Non-political matters like the economy have also emerged as key concerns in the pursuit of national interests. The globalised structure of the late 20\textsuperscript{th} and 21\textsuperscript{st} centuries have also made the pursuit of national interests by all necessary means highly inappropriate as the economic effects of such an action would have global repercussions.

This theoretical approach finds relevance in explaining the conduct of regional integration in that all state action is geared towards achievement of national interests. For the EAC, the national objectives of attainment of economic growth and development by all the five members inform their decision to integrate. If this interest is not realized, then the regional integration would come under the threat of collapse. States desire to pursue policies that will result in maximum benefit to the state while at the same time they present it with the least cost combination.

2.9. REGIME THEORY

Regime theory aims at explaining an emerging world system in which constraints by the existence of sovereign states are overcome by the rise of an international authority. It presupposes that order in international politics can be achieved if there exists a single power that dominates others in the system. The single power becomes the hegemon. Regimes can be maintained long after the decline

\textsuperscript{50} Ibid.
of the hegemon. This is essentially because they aid in the promotion of international cooperation by raising the stakes associated with violation of the principles of cooperation. This way, the general norms that inform cooperation in a particular area constitute to a regime. Keohane points out that regimes are not necessarily created out of a voluntary need by actors in the international system. They however need to be consented to although they are to a great extent determined by the relationships of power and dependence among states.

Regime theory sees international institutions as the force behind regimes in that they aid in the socialization and moderation of states by promoting understanding between them and providing an arena in which monitoring of state action can be attained. One key area in international cooperation that has witnessed the arrival at an internationally agreed regime is the environment. From the Stockholm Convention in 1972 countries appeared to conceive the issues affecting the global environment from the same dimension and this led to global efforts to ensure that the environment became a crucial international issue for which international attention must be granted. This theory has great limitation in explaining regional integration since there lacks an internationally agreed framework for which all regional integration bodies must subscribe to. Integration efforts are always informed by the need to attain common objectives for all the integrating nations.

Globalization is leading the world to a convergence on issues affecting the world and this leads to arrival at a common approach of addressing them. This aids the formulation of a regime to regulate that aspect of global affairs. This may however take quite a long time as has been witnessed in many multilateral deliberations like the WTO where arrival at a trade regime seems to drag on for long

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52 Ibid.
periods as deliberations continue and countries fail to arrive at a common agreement. This has also been seen regarding the negotiations on climate change.

2.10. CONCLUSION

Regional integration is a complicated process whose understanding cannot be quickly derived from mere theoretical postulations. Arrival at the most appropriate theoretical approach to explain regional integration needs to take into consideration the unique patterns followed by the particular region under study. For the EAC, functionalism is best placed in that it does not only constrain itself to regional integration exclusively but rather to the broader concept of international cooperation. This is where it differs from neo-functionalism which addresses particularly regional integration. Institutionalism and intergovernmentalism are greatly limited in leading to an understanding of the EAC integration due to the great emphasis they place on the institutional formation process and the main political actors respectively. This greatly undermines their applicability. The customs union theory on the other hand best captures the particular stage that the EAC is going through with the coming into effect of the customs union and the common market. This is because the trade dynamics under this theoretical approach best fits into the integration process. Neo-functionalism on the other hand does not provide for an analysis of forms of cooperation outside the regional integration. This is a limitation since relations of EAC member states with other countries outside the integration area are vital due to their membership to other regional organizations. This can be best understood from a functionalist approach.
CHAPTER THREE

3.0. EAC INTEGRATION PROCESS

3.1. INTRODUCTION

In chapter 2 the dominant theories informing regional integration were discussed and an in-depth look at the two theories informing this study; functionalism and the customs union theory was provided. This chapter will trace the EAC integration process from the initial beginnings to its current state and form. It will look at the forms of interaction among member states that existed prior to their integration into the EAC and how these may have shaped and informed the process and the model that the EAC took as it came into effect in 2001 and also as Rwanda and Burundi formally joined it in 2007. It will also address the key challenges to the process of integration for the region from the initial EAC.

3.2. PRE-INDEPENDENCE ERA EAST AFRICA (1800-1960)

The interactions among the peoples of what is today geographically described as East Africa can be traced back to the years before actual recorded history was started as it is today. The interactions can be linked to the time when the various language groups, the Bantus, Nilotes and Cushites moved from their earlier regions of settlement to the areas that they initially occupied in pre-independence East Africa. This was at a time when political boundaries as they exist today had not been drawn. Today, there exist language groups that are to be found in more than one country in the region. For instance, the Maasai are to be found in Kenya and Tanzania while the Luo are found in Kenya and Uganda. East Africa also came into contact with Arabic traders who were the force behind the growth of inland trade particularly slave trade.

The coastal areas of Kenya and Tanganyika came into contact with the Arab world as can be manifested by the deep Arabic-Swahili culture in the coastal areas. Zanzibar was also another vital
force in East African contact particularly under the leadership of the Sultanate. This was later followed by the Portuguese who mainly had deep contact with the coastal areas which were close to their main transportation avenue; the ocean. By the 1880s when the British started arriving in East Africa, the region had already come into close contact with the outside world. It could not have been imagined that the British would be the ones to start the rewriting of East African history. Colonial interests started around 1885 when the British started conceiving the region as a protectorate of the British Empire. They were drawn to the region because of three main objectives: the need to secure control of the Nile headwaters in order to protect the British position in control of Egypt and the Suez Canal, to monitor German imperial interests in the region and opening the Kenyan hinterland via rail transport to introduce large scale farming. This time the region comprised of Tanganyika (the mainland), Uganda, Kenya and Zanzibar.  

British interests in the region came at a time when the Germans were also interested in the region and this led to Tanganyika coming into the hands of the Germans while Kenya and Uganda came under the control of Britain. Rwanda and Burundi on the other hand were initially under the influence of Germany until after the First World War which saw them under Belgium as part of the Ruanda-Urundi territory administered under the League of Nations Trust. Likewise, Tanganyika eventually came under the control of Britain as a mandated territory under the League of Nations. Kenya and Uganda have had the most extensive interactions particularly considering that the two started off as British Protectorates. Economic policies and activities were coordinated for administrative ease and this led to harmonization of the provision of key services like the Kenya-Uganda railway (1897-1901), Customs Collection Centre (1900), East African Currency Board (1905),

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the Postal Union (1905), Court of Appeal for Eastern Africa (1909), Customs Union (1919) and the East African Governors Conference (1926).\textsuperscript{53} Tanganyika was to join some of these at a later time.

The period between 1924 and 1931 was characterized by powerful lobbying aimed at attaining unity in East Africa. Several commissions were set up towards this noble goal. One of these was the Ormsby-Gore Commission that was set following a motion in the House of Commons in London by Sir Sydney Henn. The following is an excerpt of one of his addresses to the House of Commons:

"Coming now to East Africa, you have here a group of five separate units, separate in the sense that each carries the burden of supporting a separate budget with a very full degree of success in the case of Kenya, of Uganda and of Zanzibar, but at a considerable annual cost to the British taxpayer in the case of Nyasaland and Tanganyika, especially Tanganyika. ......It is quite possible that confederation, in the strict sense in which it exists in the United States of America, in Australia or in Canada, may never be possible in East Africa, but at any rate, as a beginning, unification of services is not only possible but desirable and most urgent...." \textsuperscript{56}

The substantive result that was envisaged from this aspect of cooperation was not only the focus on greater understanding and cooperation between the five administrations but also between unofficial residents in the territories that were under British control. Upon formation, the Ormsby-Gore Commission delved into the pertinent issue of studying the viability of an East African Federation at the period of formation. The result was the Commission’s rejection of the idea of a federation. The Commission’s report states:

"...while there is greater need for mutual understanding, we are of the opinion that the day is still far off when such cooperation could be brought about by the imposition of federation government over the whole territories. We found little if any support in East Africa for the idea of immediate federation, and in some quarters, we found definite hostility....But, apart altogether from these expressions of opinion, we came definitely to the conclusion

\textsuperscript{53} Preamble to the Treaty establishing the East African Commuity.

that any attempt at federation would be premature. Geographical conditions and the lack of communication would be serious obstacles......For all these reasons we feel bound to reject the idea of federation at present." 57

The recommendations of this Commission led to a prolonged debate in the House of Commons. There were individuals who argued that despite the findings by the Commission, the Federation Could still be fast tracked. However, another group felt that the best way to go was to follow the prescriptions of the Commission’s Report and in particular, the recommendation on the creation of the Governor’s Conference. This was also accepted by the Colonial Office and was implemented immediately, at first institutionalized through the informal body of East African Cooperation. The first Governor’s Conference was convened in Nairobi in 1926. It is at this point that the idea of the incorporation of Nyasaland and North Eastern Rhodesia was abandoned. The Governor’s Conference usually sat in secret and had the main functions of coordinating and providing inter-territorial common services such as customs, common market, meteorological services, common currency, Court of Appeal, Inter-territorial Languages Committee, Posts and Telegraphs, Income Tax and Statistics.58

The idea of closer cooperation or federation continued to be greatly pursued and later years saw other Commissions or Committees set up to further examine this possibility. These included the Hilton Young Commission of 1927, the Sir Samuel Wilson Commission of 1929, the 1929 proposals by the Labour Government and the Joint Select Committee of both Houses of Parliament in 1931. The Hilton Young Commission had as one of its terms of reference: to make recommendations as to what improvements would be required in internal communications between the various territories so as to facilitate the working of a federation or closer union. The Commission however found that the delicate issue of relations between Africans, Europeans and Asians would remain an obstacle in any discussion of the future of an East African Federation. British policy needed to be reoriented to prepare Africans

57 Ibid.
58 Ibid.
as the majority for future responsibilities of governing their countries once independence was granted to them. The Commission therefore came up with a recommendation that: “The field of native interests should now be clearly defined and safeguarded, that there should be a clear idea now (then) and at each stage of development what British Policy both as regards natives (Africans) and immigrants is to be and that this policy should be affirmed not merely as that of one political party but with the concurrence of all.” \[59\] The Samuel Wilson Commission on its part proposed the creation of a High Commission to administer the common services. The feeling was that these services would lead to the East African people conceiving themselves as one people and this would lead to prospects for an East African Union or Federation.

Further integration of the region came up in 1940 with the establishment of a Joint East Africa Income Tax Board and a Joint Economic Council for the three colonies. At the same time, the East African shilling was set at par with the British pound but later was pegged on the currency board. \[60\] Concerted efforts were also taken in 1948 with the setting up of the East African High Commission (EAHC) to oversee common services for the region. These included a regional university (the University of East Africa), railways, harbours, airways, unions (customs and postal) and telegraph and meteorology departments. \[61\] The East African region was drawn into the Second World War as some of the citizens of the three countries were conscripted into the army to fight alongside the British in far away countries like Burma. This led to their exposure to other world views and upon return they became a force behind the nationalist movements that sprung up in all the countries in demand for African political independence and the right to self determination.


The idea of a Federation for East Africa was still seen as a possibility by the colonial administrators and in 1953, the Secretary of State for the Colonies Oliver Littleton made a speech at a meeting of the East African Diner Club in Nairobi in which he spoke of the strong possibility of a Federation for the East African territories. The East African nationalists at this time rejected any calls of an East African Federation as an attempt by the Europeans to deny Africans genuine independence by placing it under settler domination. This therefore resulted in a desire to unite the continent as opposed to the colonial balkanization of Africa. This had also been echoed by the Pan-African Manifesto of 1957 which warned against any Eur-African union in the context of the European Common Market that was being formed by Europeans after the Second World War. It saw this as: “a last chance for the survival of Europeans and the cause for the African race to disappear.” 62

3.3. EAST AFRICAN COOPERATION: POST-INDEPENDENCE ERA (1961-1978)

The history of the East African Cooperation centers on the aspirations of Uganda, Kenya and Tanzania (after the union between Tanganyika and Zanzibar in 1964). Tanganyika was the first to attain independence in 1961, followed by Uganda in 1962 and finally Kenya and Zanzibar in 1963. Rwanda and Burundi although initially not part of the first East African Cooperation arrangement gained independence in 1962. The EAHC was scrapped in 1961 and replaced by the East African Common Services Organization (EACSO). This was to manage many of the integrated services in the mode that had been undertaken by EAHC. The political leadership of the three countries after independence and the union of Tanzania saw the need for continued integration of the three countries for purposes of continuance of services under African direction and customization.63 The economic realities that faced many newly independent countries awoke them to the reality that the economies

inherited from their colonial powers were ill-equipped to create the kind of societies their citizens expected. This also came at a time when East-West hostilities between USA and USSR were beginning to take root. This is what saw the extensive discussions and negotiations towards setting up of a framework for East African Cooperation. The initial thought had been to move towards a political federation which proved to be a challenge as Kenya was perceived to be gaining more from it due to its economic advancement above its much smaller neighbours. The deadlock was broken as the three states agreed to a regional trade agreement as opposed to the political federation.64

The East African States saw need for a detailed study of their cooperation and in 1966, they formed the Kjeld Philip Commission to review the operations of the EASCO to identify some of the best ways of continuing with economic cooperation with or without a political federation. This Commission recommended the creation of a Common Market but with a warning that this could not function unless there was a "political binding force". The Commission’s report states:

"We cannot expect the Common Market to function so long as there is no common political power to make decisions. Not to have a political power in this field would only be possible provided all three countries were following the principles of 19th Century liberalism. As all these countries are practicing economic planning and all three wish to interfere in the economic development, it is necessary that there exist a responsible political body to govern the Common Market. As modifications would have to be introduced in the Common Market and as a machinery will have to be established, it is necessary to make a treaty concerning the Common Market between the three countries....this machinery should have three levels, namely, political, official and a tribunal to solve disputes." 65

This Commission recognized the fact that any form of economic cooperation in East Africa had to be founded on the basic acceptance of the arrangements entered into by the partner states. A receptive

65 Nabudere, D.W. (2009), Pan-Africanism and the Challenge of East African Integration, Discussion of Professor Issa Shivji’s Presentation at the 10th EAC Anniversary Symposium held in Arusha, 13-14th November, 2009.
environment where consensus would reign was pointed out as a paramount condition for the success of the East African Cooperation. The Commission pointed out that in as much as they argued for the need for all agreements and arrangements to be codified in a treaty, the provisions of the treaty could not stipulate more extensive integration than the partner states were willing to accept.66 This pointed to the fact that in the pursuit of all forms of cooperation, the East African member states could not ignore the political pillar. This would eventually determine the extent to which the desired results for the region would be attained.

The Philip Commission therefore laid the framework upon which the future EAC treaty was to be founded on. It was at the time the largest study on possibilities of new frontiers of cooperation for the East African region in their post-independence experience. Much of the groundwork done on the viability of a political federation was not to inform the era of 1960s cooperation but also foresaw the reality of a federation for the region in later years. The three states could be said to have had fragile political systems after having been only a few years into their African-led political administrations which had to contend with the needs of their people.

Negotiations towards the East African Cooperation were concluded in 1967 with the signing of the treaty for East African Cooperation. The first EAC comprised of six administrative organs; the East African Authority, Committee of East African Ministers, the Secretariat, East African Legislative Assembly, Ministerial Councils and the East African Development Bank. The EAC service categories were categorized into East African Communities Cooperation (EACC) and the General Fund Services (GFS). The EAC had its headquarters in Arusha, Tanzania.

The EAC started its operations in earnest until potential problems began to emerge in the 1970s and these eventually led to its crumbling in 1977. These included; lack of political will from the

leadership for the continuation of the EAC, inequitable fiscal redistribution of gains, inter-territorial imbalances in trade, currency system disharmony and the general perception that Kenya was deriving more benefits from the integration than the other members.67 The political developments in the region also affected the direction of the EAC. First, there was the overthrow of Milton Obote by Idi Amin Dada in 1971 whose assertion that power in East Africa revolved around him led to heightening of political tensions and this affected the meetings of the East African Authority until it ultimately ceased operations. In addition, Amin adopted the Common Man’s Charter which sought to Africanize the Ugandan economy and this led to the expulsion of Asians. He also challenged the basis of the harmonized policies. Tanzania on the other hand refused to recognize the new Ugandan government and considered their activities in the EAC illegal.68

The weaknesses of the EAC emerged almost immediately after its formation. In 1967 for instance, the East African Currency Board collapsed and it was replaced by the setting up of three separate central banks. This essentially meant that it would be impossible for the EAC to attain a monetary union. Economic nationalism was the second facet that led to the weakening of the EAC. The three states decided to withdraw from the common currency union and develop separate state currencies. This resulted in decline in intra-EAC trade levels, loss of foreign private investment over fears of the region’s economic stability and imbalances in inter-state remittances. Disharmony in economic management saw the three countries adopt different measures to deal with issues like the Kenyan balance of payment crisis in the 1971-72 financial year and the international oil price shocks of 1973.69

The end of the EAC came after 10 years of existence in June 1977 when member states withheld approval for the GFS budget for the year commencing from July 1977. In September 1977,

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67 Ibid.
68 Ibid.
69 Ibid.
the Ministers of Finance signed a Memorandum of Understanding in Washington, DC pledging to seek a solution with the assistance of a mutually accepted mediator for the division of the EAC assets and liabilities. This was a crucial moment for the region and final blow to the East African Cooperation came as its headquarters in Arusha formally ceased operations in December 1978. This also saw the acceptance of Dr. Victor H. Umbricht, a Swiss diplomat as a mediator on the process of division of the EAC assets and liabilities.

3.4. EAST AFRICAN COMMUNITY INTEGRATION EFFORTS (1979-2000)

The EAC integration process is a key attempt by the five member states to attain economic growth and development for their people. Initially, the integration efforts were undertaken by the three members of the initial EAC that collapsed in 1977: Kenya, Uganda and Tanzania. The birth of the EAC as it is today can be traced back to May 14, 1984 when the East Africa Community Mediation Agreement was signed to allow for the division of the assets and liabilities of the defunct EAC that collapsed in 1977. The Agreement provided that the three countries agreed to explore and identify areas for future cooperation and to make arrangements for such cooperation. This was taking into consideration that the EAC’s collapse in 1977 had been occasioned by lack of strong political will, lack of strong participation of the private sector and the civil society in the cooperation activities and the continued disproportionate sharing of the benefits of the cooperation among partner states. This was due to their different development levels and lack of adequate policies to address this situation.

The Heads of State of Kenya, Uganda and Tanzania continued to meet with the culmination of the signing of the Agreement for the Establishment of the Permanent Tripartite Commission for East African Cooperation on November 30, 1993. Efforts towards formal East African Cooperation began with the setting up of the Secretariat of the Permanent Tripartite Commission on March 14, 1996 with

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71 Treaty establishing the East African Community.
its headquarters in Arusha, Tanzania. The three Heads of State directed the Commission to commence
the process of upgrading the Agreement establishing the Permanent Tripartite Commission for East
African Cooperation into a treaty in their second Summit meeting on April 29, 1997. This was later
reiterated by the Heads of State in another summit on January 22, 1999 when they resolved to sign the
treaty establishing the EAC by end of July 1999. In the same summit, other crucial issues to the
formation of the EAC undertaken were the signing of a Memorandum of Understanding on Foreign
Policy Coordination, zero tariff rates that were to be adopted by July 1, 1999, implementation of
COMESA’s 80% tariff reduction, setting up of a mechanism to deal with terrorism in the region (this
was after the Nairobi and Dar-es-Salaam twin terror attacks on the US Embassies in August 7, 1998)
and the postponement in the admission of Rwanda and Burundi to the EAC.72 Rwanda and Burundi
had been involved in deliberations and negotiations of the EAC treaty prior to their admission as
members albeit as interested parties who were awaiting direction on their request for admission.

The question of the admission of the new members had been extensively discussed during a
preparatory meeting by the three Foreign Affairs Ministers on January 21, 1999. Uganda had been in
support of the admissions but Kenya and Tanzania voted against it on the ground that modalities on
the admission of new members were still being debated. The greatest result of the January Summit was
the signing of the Memorandum on Foreign Policy Coordination. This was to provide a cooperation
framework where the three member states were to take a common stand at international fora and also
the provision for assistance in countries where one of the partner states did not have a diplomatic
mission. This way, visa applications for nationals of one state could be processed in one of the
missions representing the region. It is at this time that the idea of a political federation of the three
states was raised and to this end, a suggestion was given on the creation of a regional assembly with
limited powers.

A cooperation framework was progressing rapidly at this time and on April 1, 1999; the East African passport was officially launched. With this came the confirmation that the EAC planned to establish a free trade area in July 1999 and a CET by the year 2000. A delay in the elimination of tariffs was advised by a high level task force to July 1, 2000 as well as the pegging of a maximum CET to 25%. This was followed by a meeting of experts at the EAC Secretariat from June 28 to July 7, 1999 which resulted in the revision and redrafting of trade provisions of the draft EAC treaty. This task force agreed on the creation of a customs union, removal of internal tariffs and the removal of non-tariff barriers to importation of goods origination from the partner states within twelve months of the EAC treaty coming into force.\(^73\) The EAC treaty was signed in Arusha on November 30, 1999 and entered into force on July 7, 2000 after ratification by member states and the deposit of the Instruments of Ratification with the Secretary General. Consequently, the EAC was officially inaugurated on January 1, 2001.\(^74\) The treaty provided for four stages of the integration process: a customs union, a common market, a monetary union (with a single currency) and finally a political federation. Of particular significance is the fact that EAC strategy lays special attention to economic cooperation and development with a very strong focus on the social dimension.

The move by the leadership of Kenya, Uganda and Tanzania to seize another opportunity for cooperation was a courageous one. It was an affirmation that there indeed existed areas for cooperation and also that the global economic environment had changed tremendously. The economic realities of the late 20\(^{th}\) Century were pointing to the need for larger and better organized economies to effectively compete with other more developed economies. At this point, a vibrant private sector and civil society had started to spring up. This was also a time when political pluralism had gained a footing in East Africa. Kenya for instance had reverted to a multi-party political dispensation with the

\(^73\) Ibid.

repealing of Section 2A of the constitution. Tanzania was already taking such steps to widen its
democratic space. Uganda was also under immense pressure to conform after the movement led
revolution led by Yoweri Kaguta Museveni in 1986. This was also a time when the Bretton Woods
institutions and other international lending institutions and donors were using conditional aid and
lending. The condition was the need to undertake multiparty democracy. The three partner states saw a
great opportunity for cooperation in the following areas; trade and liberalization, investment and
industrial development, monetary and financial policy, infrastructure and services and standardization
and quality.75

3.5. EAST AFRICAN COMMUNITY (2001-2010)

The push towards new efforts at regional integration for the East African region can be credited
to the political leadership of the region right after the collapse of the EAC in 1977 all through to the
current leadership at the helm of the five nations of the region. The desire by Rwanda and Burundi to
be admitted as members showed the reality of the need for rapid progress towards integrating the
region. They both acceded to the EAC Treaty on June 18, 2007 and became full members on July 1,
2007.

The region had seen a slump in economic development, infrastructure and a drop in the
effectiveness of their domestic policies. Economic hardships for the region had made it extremely
difficult for individual governments to invest appropriately in development of their countries. Rwanda
and Burundi had just come from devastating civil strife that had severe economic repercussions.
Kenya’s economy had stagnated and the governance structure was inadequately dealing with the
menace of corruption. Tanzania was still trying to recover from the economic effects of its
experimentation with socialist policies while Uganda which had emerged as a leading reformer in the

75 Treaty establishing the East African Community.
region suffered from internal political tensions from the LRA insurgencies in the north coupled with cross-border tension in the Great Lakes region.⁷⁶

Member countries had attempted to grow their economies by joining existing regional bodies such as COMESA and SADC. The rampant problems of poverty and unemployment have robbed the region of its most productive capacity. This has greatly undermined the region’s competitiveness. There was therefore need to undertake measures to address these challenges. This was emanating from the realization that regional integration presented a feasible option towards economic advancement of the region.

In attaining all its objectives, the EAC is guided by the principles of mutual trust, political goodwill and sovereign equality, peaceful co-existence and good neighbourliness, peaceful settlement of disputes, good governance (including adherence to the principles of democracy, rule of law, accountability, transparency, social justice, equal opportunities, gender equality as well as the recognition, promotion and protection of human and peoples’ rights (in accordance with the provisions of the African Charter on Human and Peoples’ Rights), equal distribution of benefits and cooperation for mutual benefit.⁷⁷

3.5.1. THE EAC IN PERSPECTIVE

3.5.2. Objectives of the EAC

The EAC was formed with the broad aim of capturing the common aspirations of the East African people. It stemmed from the realization that the peoples of all the countries faced a common destiny and continued to experience similar challenges in the daily undertakings. It was therefore vital


⁷⁷ Article 6 of the Treaty establishing the East African Community.
to arrive at a common view of these aspirations. This is how the objectives of the community were arrived at. These are discussed as follows:78

First, there was the great need to develop policies and programmes aimed at widening and deepening cooperation among the partner states in political, economic, social and cultural fields, research and technology, defense, security and legal and judicial affairs for their mutual benefit. Secondly, the EAC sought to establish among themselves and in accordance with the treaty, a Customs Union, a Common Market, subsequently a Monetary Union and ultimately a Political Federation in order to strengthen and regulate the industrial, commercial, infrastructural, cultural, social, political and other relations of the partner states to the end that there shall be accelerated, harmonious and balanced development and sustained expansion of economic activities, the benefit of which shall be equitably shared.

The EAC was also guided by a desire to ensure the attainment of sustainable growth and development of the partner states by the promotion of a more balanced and harmonious development of the partner states. Strengthening and consolidation of cooperation in agreed fields that would lead to equitable economic development within the partner states and which would in turn, raise the standard of living and improve the quality of life of their populations was also paramount. The promotion of sustainable utilization of the natural resources of the partner states and the taking of measures that would effectively protect the natural environment of the partner states is also a leading objective of the community. In addition, it seeks the strengthening and consolidation of the long standing political, economic, social, cultural and traditional ties and associations between the peoples of the partner states so as to promote a people-centred mutual development of these ties and associations. The other critical aspects for the EAC are the mainstreaming of gender in all its endeavours and the enhancement of the role of women in cultural, social, political, economic and technological development coupled with the

78 Article 5 of the Treaty establishing the East African Community.
promotion of peace, security and stability within, and good neighbourliness among the partner states. Finally, the Community also seeks the enhancement and strengthening of partnerships with the private sector and civil society in order to achieve socio-economic and political development as well as undertaking of such other activities calculated to further the objectives of the community as the partner states may from time to time decide to undertake in common.

3.5.3 Organization Structure of the EAC

The EAC has an elaborate structure that helps in a proper understanding of how the various levels operate and interact with each other. This can be summarized using the following organograph:

**Figure 1: The EAC Organizational Structure.**

The Summit of Heads of State & Government

---

The Council of Ministers

---

The Coordination Committee

---

Sectoral Committees

---

East African Court of Justice

---

Secretariat

---

East African Legislative Assembly

**Source (Author's diagrammatic representation).**

The Summit is the highest level in the EAC organization structure comprising of the Heads of State and Government. It gives general direction and impetus to the development and achievement of the objectives of the community. It meets at least once every year and may hold extraordinary meetings at the request of any member of the Summit. The Council on the other hand consists of
Ministers responsible for regional cooperation of each partner state and such other ministers of the partner states as each partner state may determine. It is the main policy organ of the Community with the main responsibility to promote, monitor and keep under constant review the implementation of the programmes of the Community in accordance with the EAC treaty. It meets twice a year, one meeting of which should be held immediately preceding a meeting of the summit.

The Coordination Committee consists of the Permanent Secretaries responsible for regional cooperation in each partner state and such other Permanent Secretaries of the partner states as each state may determine. It submits from time to time, reports and recommendations to the Council either on its own initiative or upon the request of the Council on implementation of the EAC treaty. It also implements the decisions of the Council as the Council may direct. It also receives and considers the reports of the Sectoral Committees and coordinates their activities. It meets at least twice a year preceding the meetings of the Council. It may also hold extraordinary meetings at the request of the chairperson of the Coordination Committee. The Sectoral Committees are responsible for the preparation of a comprehensive implementation programme and the setting out of priorities with respect to their sector. The East Africa Court of Justice has jurisdiction over the interpretation and application of the EAC treaty. Upon conclusion of the requisite protocol, the Court was to have other original, appellate, human rights and other jurisdiction as would be determined by the Council to operationalize the extended jurisdiction. The East African Legislative Assembly is the legislative organ while the Secretariat on the other hand is the executive organ of the Community.

3.5.4. Stages in the EAC Integration Process

The EAC integration process envisaged going through four stages namely a customs union, a common market, then subsequently a monetary union and ultimately a political federation in order to
strengthen and regulate industrial, commercial, infrastructural, cultural, social, political and other relations of the partner states.\textsuperscript{70}

3.5.4.1. Customs Union

The setting up of a customs union is provided for under Article 75 of the Treaty establishing the EAC. This is under the chapter on Trade Liberalization and Development. The EAC Customs Union Protocol was signed on March 2, 2004 and was ratified by end of December 2004 and eventually came into force on January 1, 2005. This translates to exactly five years from the inauguration of the EAC. The Protocol's most crucial provisions are on intra-EAC tariff liberalization and the pre-Customs Union intra-EAC tariff preferences. The Protocol provided that Kenya was to eliminate tariffs on imports originating from Tanzania and Uganda with effect from the date of entry into force of the Customs Union. Trade by Tanzania and Uganda on category A products were also liberalized from the date of the implementation of the union. Tariffs on Category B imports by Tanzania and Uganda from Kenya were also to be phased out gradually in a duration of 5 years. A CET was also provided for in a three band formula on imports from countries who are non-members of the EAC with 0% on raw materials, 10% on intermediate products and 25% on finished imports.\textsuperscript{80}

3.5.4.2. Common Market

The Common Market refers to an integrated market of the five partner states into a single regional market where there is free movement of persons, labour, goods, services and capital alongside the right of establishment and residence. The Protocol on the establishment of the EAC Common Market was signed on November 20, 2009. The Common Market came into force on July 1, 2010 after ratification by the partner states. The Common Market Protocol provides that EAC partner states shall undertake to avoid non-discrimination of nationals of other partner states on the basis of nationality.

\textsuperscript{70} Article 5(2) of the Treaty establishing the East African Community.

Partner states are also expected to accord treatment to nationals of other partner states not less favourable than the treatment accorded to third parties. The provisions of the Common Market are expected to accelerate economic growth and development. It therefore forms a crucial platform for the regions drive towards full economic integration and consequently the development of the region. It is still at the implementation stage and its effect is yet to be fully monitored and analyzed. It is however one of the key avenues for even greater expansion of the regional integration. This will also be discussed in depth in chapter 4.

3.5.4.3. Monetary Union

The EAC treaty provides for cooperation by partner states in monetary and fiscal matters in accordance with the approved macro-economic policies of harmonization programmes of the community. In addition, partner states are to maintain convertibility of their currencies as the basis for the formation of a monetary union. According to the EAC integration schedule, deliberations leading to the monetary union are to be concluded and the union expected to come into force in 2012. Governors of the Central Banks of the partner states have taken a lead role in these negotiations.

3.5.4.4. Political Federation

The East African Political Federation is expected to be the last stage in the integration process. The plan is to have a rotating presidency among all the five partner states. It was tentatively scheduled that this would be attained by 2013. However, the slow pace that has occasioned the integration process has affected this objective to a large extent. This stage should not be hurried as it would best fit in once the EAC comes of age with strong structures and well grounded policy and legal fundamentals. Attainment of this stage will set the stage for higher aspirations for African integration schemes.

81 Article 82 of the Treaty establishing the East African Community.
3.6. CONCLUSION.

The EAC integration process depicts the efforts that have been put towards the realization of cooperation aiming to attain the common good of the East African people. From pre-independence time, cooperation for the region has been at the forefront. The progress made so far points to the firm belief of the people and the leaders of region of taking charge of their own development.
CHAPTER FOUR

4.0. PRESENTATION AND ANALYSIS OF FINDINGS

4.1. INTRODUCTION

In Chapter 3, the EAC regional integration process was discussed. The integration is one of the vital East African solutions to the common problems of economic growth and development that the partner states continue to face. Significant strides have been made towards uplifting the region economically, socially and politically. This chapter will analyze the main aspects of the integration which are; economic growth and development, trade, investment and demographic aspects which determine how the growth realized by partner states is to be distributed to the citizens. The inferences drawn from this chapter will lead to the conclusions of this study which will impact on both academic and policy circles. The critical issues identified above are the key rudiments to the success or failure of the economic bloc. A critical evaluation of these will lead to a better comprehension of the regional integration. The extent to which the EAC has attained significant success in the last one decade can best be understood by looking at the happenings of the last ten years critically with in-depth probing of key figures.

4.2. PROSPECTS OF ECONOMIC GROWTH AND DEVELOPMENT

Economic growth and development of the EAC region is the overriding factor that has necessitated the commitment to the regional integration process. On a global scale, all nations have to contend with the aspiration to arrive at the most feasible framework for their development. The proliferation of regional integration arrangements in the African continent shows the desire that states have attached to their development. The challenge remains modeling their integration schemes to a set up that will lead to economic growth and development. The survival of states economically will
remain for a long time a key consideration in decisions on what economic cooperation arrangements to get into.

The success of the EAC will be determined to a great extent by the economic growth and development aspirations of the member states. These are strategized to be realized in all the four stages of the EAC integration process. Regional integration is seen as presenting a possibility for the opening up of new business activities, markets, access to finance and technology. This possibility emanates from the opportunities that will accrue to the region in terms of promotion of economic growth and development through poverty reduction measures. This includes increased investment, production and trade. This is vital for the region bearing in mind the economic realities that have been experienced in the recent years of the 21st Century. For instance, looking at the share of world trade and world exports, Africa’s share of world trade declined from 7.6% in 1948 to 2.2% in 2005. Over the same time period, Africa’s share of exports declined from 7.3% to 2.4%. This does not portray a very positive outlook for Africa and by extension East Africa. The reality is that the latter’s share is a very insignificant value. Economic growth and development for the region therefore calls for a collective internal solution.

Expansion of trade for the region is a key concern for the EAC. Prior arrangements for the development of African economies like the Lome Conventions I-IV did not yield the desired results. The Cotonou Agreement as revised in 2005 has provided a framework for the economic partnership for Africa and the EU. Currently, negotiations are still ongoing for the EU-EAC Economic Partnership Agreement (EPA). This provides for harmonized cooperation with the EU which is one of the leading economic zones. Apart from gaining economically, the region will gain from the experiences of the...
EU integration. There is great need to seek cooperation agreements in the particular aspects of EAC economic life that will lead to accelerated growth for the region.

Compared to other nations of Africa, East Africa cannot be said to be worse off although higher growth is to be desired. The following table shows East Africa’s (EAC partner states) share of real and nominal Gross Domestic Product in Africa in terms of total value and ranking for each nation.

Table 2: East Africa’s Share of Real and Nominal Gross Domestic Product in Africa in 2005.

<table>
<thead>
<tr>
<th>Share (Africa=100)</th>
<th>Rank</th>
<th>Share (Africa=100)</th>
<th>Rank</th>
<th>Real GDP Billion US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>2.7</td>
<td>8</td>
<td>2.23</td>
<td>8</td>
</tr>
<tr>
<td>Tanzania</td>
<td>2.02</td>
<td>10</td>
<td>1.51</td>
<td>11</td>
</tr>
<tr>
<td>Uganda</td>
<td>1.48</td>
<td>13</td>
<td>1.09</td>
<td>15</td>
</tr>
<tr>
<td>Rwanda</td>
<td>0.4</td>
<td>33</td>
<td>0.28</td>
<td>34</td>
</tr>
<tr>
<td>Burundi</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Haji, S.H.; (2009)

Note: Data for Burundi was not included in the computation. N/A indicates Not Available.

The table above clearly puts things in perspective. In term of economic size and might, Kenya is the largest economy in the EAC, followed by Tanzania, Uganda and Rwanda in that order. In terms of real GDP, Kenya nearly doubles Uganda. This therefore becomes a good pointer to evaluate how the distribution of the economic benefits would go. The figures above also show that the size of the EAC economies is quite small. In light of this, it is vital that the five countries focus and allow for the intensification of regional economic integration as a first step towards political federation and
African economic regional integration. The figures above might not by themselves portray whether the five member countries are offering better living standards to their citizens. A measure showing the relative distribution to the population would provide a better insight. The following table shows the share of real and nominal GDP per capita during the same time period.

**Table 3: East Africa’s share of Nominal and Real GDP per capita at 2005.**

<table>
<thead>
<tr>
<th></th>
<th>Real GDP/Capita</th>
<th>Rank</th>
<th>Nominal GDP/Capita</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>1.359</td>
<td>25</td>
<td>531</td>
<td>27</td>
</tr>
<tr>
<td>Tanzania</td>
<td>1.018</td>
<td>31</td>
<td>360</td>
<td>32</td>
</tr>
<tr>
<td>Uganda</td>
<td>0.991</td>
<td>32</td>
<td>345</td>
<td>34</td>
</tr>
<tr>
<td>Rwanda</td>
<td>0.813</td>
<td>36</td>
<td>271</td>
<td>39</td>
</tr>
<tr>
<td>Burundi</td>
<td>0.3</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Haji, S.H.; (2009)

Note: Data for Burundi was not included in the computation. N/A indicates Not Available.

This table paints a totally different picture from table 2. This computation takes into account the assumption of the total GDP divided by the total population. In terms of the final value and the rankings in Africa, the five countries are quite close. Their figures are however quite low leading to the conclusion that all five are poor and with quite a low development index. This asserts that economic growth in terms of high GDP does not necessarily translate to development of the population in terms of per capita income. This is due to difficulties that may be occasioned by inequity in terms of wealth distribution.

This is at a time when the member states are striving to attain the Millennium Development Goals (MDGs) with a global economy that has been on a slowdown from the year 2007 and that has

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seen the emergence of a global economic recession. This has dire repercussions for developing countries where households are more prone to the acute negative effects of the recession both in the short and long term. This reality was revealed following the publication of the 2009 Economic Report on the Social and Economic Conditions of the Eastern Africa sub-region. Economic growth rates that are not large enough to counteract the negative effects of global economic meltdowns leave many developing countries greatly exposed and this can result to great suffering for a majority of the people. The potential of the EAC countries to attain a significant progress on MDGs by 2015 will be greatly hindered. This will consequently affect other developmental aspects for their citizenry. For instance, in Africa as a whole, economic growth rate shrunk from 5.1% in 2008 to 4.1% in 2009. For economies that are heavily reliant on a few commodity exports of a homogenous nature, the need to come up with long term macroeconomic policies aimed at diversification of their exports through development frameworks that pay close attention to increased investment and new technologies cannot be overemphasized. The Eastern Africa region in which the EAC falls has recorded a gradual economic growth rate but which has remained below the 7% range required for the attainment of MDGs. This can be summarized as: 6.1% in 2005, 6.2% in 2006, 6.3% in 2007 and 5.7% in 2008.

For a region that has been striving to attain high economic growth rates in order to uplift the living standards of the people, the progress realized in the last couple of years shows that a lot of effort has gone into ensuring that the EAC attains a significant growth. Despite the global economic recession, the East African region has continued to experience relatively high growth rates in the recent years compared to other regions in Africa. This growth has mainly resulted in expansion in agriculture, horticulture and service (particularly finance, telecommunication and construction) sectors

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86 Ibid.
87 Ibid.
of the economies. The dynamics of how this growth is distributed is a vital concern to ensure that the objective of economic development is achieved without having much of the wealth being unfavourably skewed to the rich. This has the undesirable consequence of making the wealthy wealthier while the poor get poorer. The following two tables provide a breakdown of real economic growth rates as a percentage and growth in terms of millions of dollars worth for the five countries between 2003 and 2009.

Table 4: Real GDP (Million US $), 2003-2009

<table>
<thead>
<tr>
<th>State</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>-</td>
<td>-</td>
<td>13,918</td>
<td>13,948</td>
<td>15,514</td>
<td>17,260</td>
<td>19,842</td>
<td>19,676</td>
<td>17,970</td>
</tr>
<tr>
<td>Tanzania</td>
<td>-</td>
<td>-</td>
<td>9,358</td>
<td>9,625</td>
<td>9,968</td>
<td>9,581</td>
<td>10,154</td>
<td>12,395</td>
<td>11,907</td>
</tr>
<tr>
<td>Uganda</td>
<td>-</td>
<td>-</td>
<td>7,127</td>
<td>7,446</td>
<td>8,320</td>
<td>8,659</td>
<td>9,944</td>
<td>11,000</td>
<td>9,809</td>
</tr>
<tr>
<td>Rwanda</td>
<td>-</td>
<td>-</td>
<td>1,534</td>
<td>1,504</td>
<td>1,669</td>
<td>1,790</td>
<td>1,973</td>
<td>3,682</td>
<td>3,852</td>
</tr>
<tr>
<td>Burundi</td>
<td>-</td>
<td>-</td>
<td>538</td>
<td>628</td>
<td>703</td>
<td>884</td>
<td>858</td>
<td>837</td>
<td>866</td>
</tr>
</tbody>
</table>

Source: EAC Facts & Figures, 2010

Table 5: Real GDP Growth Rates (%), 2003-2009

<table>
<thead>
<tr>
<th>State</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>-</td>
<td>-</td>
<td>2.8</td>
<td>4.9</td>
<td>5.7</td>
<td>6.1</td>
<td>7.0</td>
<td>1.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Tanzania</td>
<td>-</td>
<td>-</td>
<td>6.9</td>
<td>7.8</td>
<td>7.4</td>
<td>6.7</td>
<td>7.1</td>
<td>7.4</td>
<td>6.0</td>
</tr>
<tr>
<td>Uganda</td>
<td>-</td>
<td>-</td>
<td>6.2</td>
<td>5.8</td>
<td>10.0</td>
<td>7.0</td>
<td>8.1</td>
<td>10.4</td>
<td>5.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>5.3</td>
<td>7.2</td>
<td>6.5</td>
<td>7.9</td>
<td>11.2</td>
<td>6.1</td>
</tr>
<tr>
<td>Burundi</td>
<td>-</td>
<td>-</td>
<td>(1.2)</td>
<td>4.8</td>
<td>0.9</td>
<td>5.5</td>
<td>3.6</td>
<td>4.5</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: EAC Facts & Figures, 2010
With regard to GDP growth, there have been mixed results for all five countries. Kenya had a gradual growth in its GDP from 2.8% in 2003 to 7.0% in 2007 and it experienced a fall in its growth in 2008 and 2009 at 1.7% and 2.6% respectively. This was the same period when the country was going through a recovery phase from the 2007 post election violence and the political crisis that followed. Tanzania on its part experienced a slight drop from 6.7% in 2006 to 6.0% in 2009 respectively. Uganda had a sustained increase from 6.2% in 2003 to 10.4% in 2008 but experienced a fall in growth to 5.2% in 2009. Rwanda experienced a fall from 7.2% in 2005 to 6.5% in 2006 and from 11.2% in 2008 to 6.1% in 2009 but the rest of the period was marked by progressive growth. Finally, Burundi experienced drops in 2005 at 0.9% from 4.8% in 2004, in 2007 at 3.6% from 5.5% in 2006 and in 2009 at 3.4% from 4.5% in 2008 respectively.

Another vital indicator of development is the inflation rate and this helps in ascertaining the cost of basic commodities and consequently the cost of living. The following table shows the annual inflation rates for the five countries between 2002 and 2009.

**Table 6: Inflation Rate, 2002-2009 (annual change in %).**

<table>
<thead>
<tr>
<th>Country</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>2.7</td>
<td>3.5</td>
<td>3.5</td>
<td>4.0</td>
<td>13.0</td>
<td>1.6</td>
<td>25.5</td>
<td>7.6</td>
</tr>
<tr>
<td>Tanzania</td>
<td>4.6</td>
<td>4.5</td>
<td>5.9</td>
<td>4.4</td>
<td>7.5</td>
<td>6.5</td>
<td>9.5</td>
<td>7.7</td>
</tr>
<tr>
<td>Uganda</td>
<td>5.7</td>
<td>5.1</td>
<td>3.5</td>
<td>8.0</td>
<td>6.7</td>
<td>7.0</td>
<td>11.6</td>
<td>7.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>2.0</td>
<td>7.4</td>
<td>6.9</td>
<td>9.2</td>
<td>5.5</td>
<td>5.0</td>
<td>16.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Burundi</td>
<td>3.5</td>
<td>10.7</td>
<td>8.4</td>
<td>13.4</td>
<td>2.5</td>
<td>3.3</td>
<td>19.0</td>
<td>10.0</td>
</tr>
</tbody>
</table>


The table shows inflation rates that were within normal ranges between 2002 and 2007 apart from Uganda, Rwanda and Burundi which experienced high rates of 5.1%, 7.4% and 10.7% respectively.
respectively in 2003 and 8.0%, 9.2% and 13.4% respectively in 2005. All countries however experienced rapid increases in inflation rate in 2008 at 25.5%, 9.5%, 11.6%, 16% and 19% respectively a factor that can be attributed to the effects of the global economic recession that saw prices of commodities rise. From a development perspective, such high inflation rates imply that most of the resources that would have been channeled to savings for capital accumulation end up being spent on consumption and this essentially means fewer domestic resources would be available for investment. The monetary policy measures applied in all countries have however seen a general drop in inflation and this consequently is good news for development.

The need for rapid expansion of the EAC economically remains a vital concern if the region is to attain meaningful progress in terms of growth and development. Since the 1960s, the region has undergone diverse economic and political scenarios which have collectively altered the economic landscape of the region. First, there were the austerity measures of the import-substitution policies that were greatly pursued in the 1980s coupled with the Structural Adjustment Programmes (SAPs) of the 1990s. There were also the political challenges in Uganda under Idi Amin, the Rwanda genocide of 1994 and the civil war in Burundi in the 1990s. Only Tanzania can be said to have enjoyed a period of less turmoil. All these are factors that have unfavourably affected the economic performance of the region. These happenings depicted a picture of a region that could not attract the foreign investment needed for the growth of the region.

In evaluating the efficacy of the EAC, much focus should be placed on economic growth while realizing that economic growth does not necessarily lead to economic development. The kind of development needed for the betterment of the region is one that caters for the social, cultural and political advancement of the people. The region continues to face a myriad of challenges touching on unemployment, poverty, education, health, agricultural transformation and urbanization. These are
fundamental forces that are pushing the region from the kind of existence that was common place a few decades ago. The dominant perception of development in modern times is through the use of the Human Development Index (HDI) which measures life expectancy, literacy, education and the standard of living for all countries worldwide. It provides a measure of the impact of economic policies on the quality of life. It is this holistic conception of development that the regional integration effort is hoped to result in for the good of the EAC region. This presents a daunting challenge since the social indicators of development outlined above require huge capital investments for their attainment. The paradox is that development can only thrive where they exist.

The experiences of past years have shown that these elements have been poorly addressed. This shifts the focus of governments from the secondary needs of development to the primary. It would for instance be highly unlikely that a country whose citizens are perennially faced with food insecurity due to unfavourable climate conditions like drought can concentrate on setting up of sophisticated transport and communication infrastructure to create favourable conditions for enterprise. These are the challenges that all five countries continue to face. This is aggravated by a rapid rural-urban migration trend as people move from the rural areas to the cities in search of employment opportunities. Due to inadequate social amenities and facilities, most of these people find themselves unemployed in the urban areas and this has led to the mushrooming of informal settlements. This migration has also posed food security challenges since normally it is the young and able bodied persons who migrate leaving the old in the rural areas. This affects agricultural productivity leading to food insecurity. In addition, with a large portion of the educated leaving the rural areas, uneven development between rural and urban areas has been the end result. While unemployed in the urban areas, most have resulted to vices like crime, prostitution and drug abuse among other vices.
4.3. **EAC POPULATION PROFILE**

One main aim of the EAC integration has been to bring together the people of the five member states into one collective region where their enlarged populations would provide a base for markets that would lead to the attraction of businesses and investment to the region. The pool of a large market of approximately one hundred and thirty million people is so large for investors to ignore. The following two tables give a breakdown of the population changes and movements for the 5 member states from 2001-2009 coupled with their annual population growth rates over the same period.

**Table 7: EAC Population (Millions Persons)**

<table>
<thead>
<tr>
<th>State</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>31.3</td>
<td>32.2</td>
<td>33.2</td>
<td>34.2</td>
<td>35.1</td>
<td>36.1</td>
<td>37.2</td>
<td>38.3</td>
<td>38.6</td>
</tr>
<tr>
<td>Tanzania</td>
<td>33.9</td>
<td>34.4</td>
<td>35.3</td>
<td>36.3</td>
<td>37.3</td>
<td>38.0</td>
<td>39.4</td>
<td>40.7</td>
<td>41.9</td>
</tr>
<tr>
<td>Uganda</td>
<td>23.3</td>
<td>24.1</td>
<td>24.9</td>
<td>25.7</td>
<td>26.5</td>
<td>27.4</td>
<td>28.2</td>
<td>29.6</td>
<td>30.7</td>
</tr>
<tr>
<td>Rwanda</td>
<td>-</td>
<td>8.1</td>
<td>8.3</td>
<td>8.6</td>
<td>8.8</td>
<td>9.1</td>
<td>9.3</td>
<td>9.8</td>
<td>10.1</td>
</tr>
<tr>
<td>Burundi</td>
<td>6.8</td>
<td>7.0</td>
<td>7.2</td>
<td>7.4</td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
<td>8.1</td>
<td>8.2</td>
</tr>
<tr>
<td>E. Africa</td>
<td>-</td>
<td>105.8</td>
<td>108.9</td>
<td>112.1</td>
<td>115.7</td>
<td>118.6</td>
<td>122.1</td>
<td>126.6</td>
<td>129.5</td>
</tr>
</tbody>
</table>


**Table 8: EAC Annual Population Growth Rate (%)**

<table>
<thead>
<tr>
<th>State</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>3.0</td>
<td>2.9</td>
<td>3.0</td>
<td>2.9</td>
<td>2.8</td>
<td>2.8</td>
<td>2.7</td>
<td>3.0</td>
<td>2.7*</td>
</tr>
<tr>
<td>Tanzania</td>
<td>2.8</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Uganda</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>2.6</td>
<td>2.6</td>
<td>3.1</td>
<td>2.7</td>
<td>2.6</td>
<td>3.2</td>
<td>2.7</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Burundi</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>2.4</td>
</tr>
</tbody>
</table>
The population for all the five countries has been on an increasing trend from 2001 to 2009. Annual population growth rate has also been on an upward trend except for Kenya which experienced a slight drop from 2.8% in 2006 to 2.7% in 2007 and from 3.0% in 2008 to 2.7% in 2009, Rwanda experienced a fall from 3.1% in 2003 to 2.7% in 2004 and 2.6% in 2005. A similar decline was witnessed from 3.2% in 2006 to 2.7% in 2007. Uganda sustained a constant population growth rate at 3.2%. Burundi on the other hand sustained a growth rate of 2.7% between 2001 and 2008 only dropping to 2.4% in 2009. The EAC as a region saw population grow from 105.8 million in 2002 to 129.5 million in 2009.

Population dynamics for the region are important pointers to the direction that development aspirations should take. The challenges of unemployment call for urgent measures to tap into the highly productive age bracket. These are the people who pose a serious risk to development if they are not involved in gainful undertakings. With rising unemployment, they easily fall prey to the ravages of drug addiction and alcoholism and in extreme cases, they can be lured into negative political groupings that engage in lawlessness and political instability. This has been experienced through the involvement of young people in outlawed gangs like the mungiki, sungu sungu, chinkororo, Baghdad boys, taliban, SLDF and kamjesh among others in Kenya, Lord’s Resistance Army (LRA) in Uganda and the rebel movements in Rwanda and Burundi. These can lead to dire effects where a significant section of the population is forced to abandon their homes and livelihoods and flee to other areas for safety. This makes certain regions to remain underdeveloped while others become densely populated. Over-exploitation of resources in these regions occurs and this presents serious challenges for

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sustainable development where future generations may be left with nothing for their existence. This has been witnessed in northern Uganda where the LRA has operated from for a long time.

The other aspect of concern is the move towards attainment of gender balance and the promotion of the role of women in development. Affirmative action provisions have actually been codified in law in Kenya, Rwanda and Uganda in a bid to enhance the position of women. These demographic aspects need to be considered while arriving at policy measures to raise the development of the region. To attain high levels of economic growth and development, the countries must attain consistently high growth rates. This needs to be reviewed vis-à-vis the population growth rate. This is because the growth realized has to be reallocated over the entire population (per capita). Population growth is a key fundamental for consideration in the analysis of how an economy benefits. High populations are good in terms of markets. An investor seeking an opportunity would mostly be inclined towards a large market in order to tap into it for sales. This must however be considered with regard to the incomes of the people as consumption of goods and services is a function of the disposable income that the citizens have.

It is therefore not just enough to have a high population and a high growth rate. In the case of the EAC, the five member countries’ population stood at 129.5 million persons as per 2009 estimates. This market presents a lucrative incentive for investors to the region. The efficacy of this huge market is unfortunately limited since there exists huge income disparities and much of the money is in the hands of few rich people while a larger bulk of the population is poor with very little surviving on less than a dollar a day or have no incomes. For consumption to occur, the disposable income must be high. This therefore calls for a number of policy measures to ensure that the cost of living is reduced so that people have good disposable incomes. Where all the income earned is utilized in the recurrent household expenditures like rent/housing, education and healthcare, it leaves very little or no money
for savings and consumption. This leads to a vicious cycle of poverty where low income leads to low savings and consequently low capital formation and then low investment and back to the beginning of the cycle with low income.89

A number of well calculated reforms are vital in the creation of a robust economic environment where the people stand to benefit. These include, policies aimed at privatization of non-performing government parastatals to boost the private sectors participation in the economy. This coupled with foreign exchange liberalization policies will lead to greater flexibility in the operation of money markets. Uganda and Kenya have taken a lead in this aspect. Rwanda is another country that has taken note of the need for freeing this aspect of the economy.90 On the same breadth as the EAC prepares itself for a monetary union as envisaged in 2012, fiscal and monetary policy reforms need to be adopted to ensure that the economy has in place a set of flexible regulation instruments to fall back to in periods of inflation and economic recession. There is a lot of learning to get from the European Union experience with their monetary union. The right interest rate and exchange rate regimes have to be in place for all member countries. This will help to erode the negative aspects that lack of policy harmony can subject the region to.91

The greatest challenge over the decade of the study has been aligning the economic realities of the time with the economic development for the people. As pointed out earlier, this is what the search for the best model for East African integration is premised on. Political leaders who constantly live with the eventuality of facing electorates in national elections have to contend with the dilemma of having to convince their people on the good that the EAC presents for them. The citizen does not comprehend rosy figures depicting growth that they cannot identify with. This presents the double

challenge that policy makers and formulators will continue to contend with. All groups within the region understand development differently. When this is coined into economic development, the process becomes more complicated. The people seek higher living standards, the ability to afford better healthcare, education, security and other wants to fulfill their lives.

The consumerism of the modern capitalist world has made the priorities for development hard to arrive at. The paradox in other parts of the world is balancing between an economic system that continues to churn high economic growth while leaving behind it a sense of loss and impoverishment. In the case of the EAC, great caution needs to be exercised since there is sufficient evidence that has shown that development has not always been a consequence of economic growth. New measures of development like the HDI focus on other aspects that are not necessarily economic in nature. These include life expectancy and educational attainment. This permits an in-depth look at how the fruits of growth are distributed within a country.

With the assertion that economic growth is not equal to economic development, the reality in the case of EAC is that whereas some significant growth has been realized, this has been so little as to lead to any meaningful economic development of the people in the region. The results of the integration have not trickled down to the people in an equitable manner. Prudent economic direction is that not much ripple effect has occurred during the period under study. This however sets the base for prospects for future growth. The most daunting task in the EAC integration process will be the need to reflect on how much good has trickled down to the people as a result of the integration arrangement.

Political differences aside, this single aspect is the force behind the life or demise of any regional integration. Nations can of course determine the demise of a regional integration framework but only upon the feeling that their people are worse off under the integration. Growth is quantity


Ibid.
based and development is quality based. Whereas countries’ economies may grow at certain rates, in as much as the quality of life does not improve in a manner that can be seen and felt by all, then the economic arrangement is not as good. It is important to note that governments have a great responsibility to play in development through the creation of stable governance structures that do permit the proceeds from the growth realized to be channeled for the good of all people or as many as possible.

East African integration may survive these aspects in the short run as has been proven by the patience of the citizens during the period under study, at a time when there has not been much to show. The realities informing this are global. The leaders are aware of the changing dynamics and structure of the international economic system. Economic globalization has proven to be the new catchword and regional groupings are the new avenues for countries and regions of the world to remain relevant. Deepening regional linkages and interdependencies also have a great role that they have played in rendering regional bodies viable. It has been argued that these same noble reasons can be usurped by political leaders for political mileage. Leaders in regional integration arrangements can gain more credibility for being members of regional bodies whereas no credible benefits are realized.

4.4. TRADE DYNAMICS IN THE EAC

According to the customs union theory, one expectation for the EAC region is the creation of intra-regional trade among the five member states. It would also be expected that sufficient trade would be transferred from third party nations to the EAC partner states with the result that member states would trade more with each other. This complements current trade with other trading partners.

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Currently, trade with the EU region is the highest for all the five countries. The following tables illustrate the statistics on trade transactions for the five states.

Table 9: Total Intra-EAC Trade, 2005-2008 (US $ Million).

<table>
<thead>
<tr>
<th>Country</th>
<th>Imports 2005</th>
<th>Imports 2006</th>
<th>Imports 2007</th>
<th>Imports 2008</th>
<th>% Change from previous year 2006</th>
<th>% Change from previous year 2007</th>
<th>% Change from previous year 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>550.8</td>
<td>429.7</td>
<td>526.5</td>
<td>566.8</td>
<td>-22.0</td>
<td>22.5</td>
<td>7.7</td>
</tr>
<tr>
<td>Tanzania</td>
<td>175.9</td>
<td>220.6</td>
<td>110.1</td>
<td>425.3</td>
<td>25.4</td>
<td>-50.1</td>
<td>286.3</td>
</tr>
<tr>
<td>Kenya</td>
<td>59.5</td>
<td>76.7</td>
<td>188.0</td>
<td>181.0</td>
<td>28.9</td>
<td>145.1</td>
<td>-3.7</td>
</tr>
<tr>
<td>Total</td>
<td>786.2</td>
<td>727.0</td>
<td>824.6</td>
<td>1,173.1</td>
<td>-7.5</td>
<td>13.4</td>
<td>42.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports 2005</th>
<th>Exports 2006</th>
<th>Exports 2007</th>
<th>Exports 2008</th>
<th>% Change from previous year 2006</th>
<th>% Change from previous year 2007</th>
<th>% Change from previous year 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>87.9</td>
<td>101.8</td>
<td>148.8</td>
<td>195.2</td>
<td>15.8</td>
<td>46.2</td>
<td>31.2</td>
</tr>
<tr>
<td>Tanzania</td>
<td>142.0</td>
<td>147.4</td>
<td>169.4</td>
<td>310.5</td>
<td>3.8</td>
<td>14.9</td>
<td>83.3</td>
</tr>
<tr>
<td>Kenya</td>
<td>831.2</td>
<td>641.0</td>
<td>830.4</td>
<td>1,036.6</td>
<td>-22.9</td>
<td>29.5</td>
<td>24.8</td>
</tr>
<tr>
<td>Total</td>
<td>1,061.1</td>
<td>890.2</td>
<td>1,148.6</td>
<td>1,542.2</td>
<td>-16.1</td>
<td>29</td>
<td>34.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Total EAC Trade Value 2005</th>
<th>Total EAC Trade Value 2006</th>
<th>Total EAC Trade Value 2007</th>
<th>Total EAC Trade Value 2008</th>
<th>% Change from previous year 2006</th>
<th>% Change from previous year 2007</th>
<th>% Change from previous year 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>638.7</td>
<td>531.4</td>
<td>675.3</td>
<td>762.0</td>
<td>-16.8</td>
<td>27.1</td>
<td>12.8</td>
</tr>
<tr>
<td>Tanzania</td>
<td>317.9</td>
<td>368.0</td>
<td>279.5</td>
<td>735.8</td>
<td>15.8</td>
<td>-24.0</td>
<td>163.2</td>
</tr>
<tr>
<td>Kenya</td>
<td>890.7</td>
<td>717.7</td>
<td>1,018.4</td>
<td>1,217.6</td>
<td>-19.4</td>
<td>41.9</td>
<td>19.6</td>
</tr>
<tr>
<td>Total</td>
<td>1,847.3</td>
<td>1,617.1</td>
<td>1,973.2</td>
<td>2,715.4</td>
<td>-12.5</td>
<td>22.0</td>
<td>37.6</td>
</tr>
</tbody>
</table>

Source: EAC Trade Report 2009.
Table 10: Rwanda’s & Burundi’s Trade with the EAC (US $ Million).

<table>
<thead>
<tr>
<th>Trade Flows</th>
<th>Imports From EAC:</th>
<th>Exports to EAC</th>
<th>% Change from previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>199.9</td>
<td>299.8</td>
<td>49.97</td>
</tr>
<tr>
<td>Burundi</td>
<td>79.54</td>
<td>84.71</td>
<td>6.5</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>37.9</td>
<td>37.9</td>
<td>0</td>
</tr>
<tr>
<td>Burundi</td>
<td>7.03</td>
<td>9.29</td>
<td>32.1</td>
</tr>
</tbody>
</table>

Source: EAC Trade Report 2009 (with author’s amendment).

Table 9 shows the trade statistics for the initial three EAC members; Kenya, Uganda and Tanzania. It shows an overall growth in the total imports from $786.2 million in 2005, $824.6 million in 2007 and $1,173.1 million in 2008. A decline was experienced in 2006 at $727 million. This presents a change from -7.5% in 2006 to 42.3% in 2008. Total exports were at $1,061.1 million in 2005 but fell to $890.2 million in 2006 before rising again to $1,148.6 million in 2007 and $1,542.2 million in 2008 respectively. This also presents a change from -16.1% in 2006 to 34.3% in 2008. Total trade value for the three countries was at $1,847.3 million in 2005 but fell to $1,617.1 million in 2006. The trend was however reversed with increases to $1,973.2 million in 2007 and $2,715.4 million in 2008 respectively. This presents a change from -12.5% in 2006 to 37.6% in 2008.

Despite the negative changes experienced in different years, the three countries appear to have been resilient enough to bounce back with some robust growth. Table 10 shows growth in imports from the EAC region by Rwanda from $199.9 million in 2007 to $299.8 million in 2008 and Burundi from $79.54 million in 2007 to $84.71 million in 2008. This translates to changes of 49.97% and 6.5% respectively. Increase in exports to the region was also experienced by Burundi from $7.03
million in 2007 to $9.29 million in 2008 translating to 32.1% increase while Rwanda remained constant at $37.9 million in 2007 and 2008 respectively.

The coming into force of the customs union and the common market signaled an opportunity for trade creation and expansion tendencies for the region. The extent to which an integration scheme is efficient can be analyzed by looking at the share of intra-regional trade over total trade and the intensity with which a region trades with itself as compared to its trade with the rest of the world. The two tables above depict a positive picture for the region where the total intra-EAC imports and exports are on an increasing trend from $786.2 million in 2005 to $1,173.1 million for imports and $1,061.1 million in 2005 to $1,542.2 million for exports respectively. This shows that the reality of open markets is leading to an environment conducive for trade. Significant strides have been made in a bid to expand trade. The customs union has however not resulted in exponential growth in trade as would have been expected with zeroing of tariffs on intra-EAC trade. Part of this is to be blamed largely on the inability to diversify from the traditional goods and services that member countries have always handled. The exception to this has been in the area of manufactured products which has seen a significant increase particularly with regard to manufactured products from Kenya to the rest of the region.

The drive towards expansion of intra-EAC trade is crucial to the overall development of the region. With an enlarged market potential, cross-border investments will be undertaken along foreign direct investment leading to faster growth of the region particularly with industrial investments that are unviable to be carried out in one small country like steel and other heavy industries. This would also lead to divesting the region’s trade from primary products to small manufactures and this is crucial for the region’s industrial growth. With a common market in place, tariff barriers are greatly removed.

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This provides a framework where new trade patterns can arise and with more contact, the remaining non-tariff barriers will be done away with. There will be positive avenues for technology transfer from the highly industrialized countries to this region. The right technology is vital for efficient production of goods and services which the markets require.

The integration of the region however continues to face the challenges of a customs union and a common market that are not fully developed. Major political and legal hurdles to full integration are far from being removed. While formal barriers to trade and capital flows are coming down across the region, markets for goods, services and capital are far from being harmonized, a factor that will delay the realization of full trade benefits under the EAC. With an infrastructure that is not fully developed, the region continues to incur huge transaction costs particularly from transportation by road of goods across borders. This is particularly costly for movement of goods from the port cities of Kenya and Tanzania to the land locked countries of Rwanda, Uganda and Burundi. Great milestones are yet to be made that will see a significant reduction in the average per unit cost of transportation within the region. With commitment to infrastructural development by the five countries and particularly rail transport, the cost and reliability of ferrying goods across borders can be greatly enhanced. The trade front has also not taken full advantage of the common market that introduced greater movements within the region. There is need for the business communities in the region to position themselves well to take charge of increased business opportunities as people move across borders. The service sectors have much more benefit to derive from this.

Economic integration in trade terms can be summarized to be equal to a single market which is also equal to a single price. The key aim of adopting the customs union and common market was to arrive at a point of eliminating barriers to the movement of commodities across borders. The EAC region has sought to create a huge common market that can be tapped into by business people from all

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partner states. Travel and immigration arrangements have been greatly reduced to ensure that as minimal hindrances to trade as possible exist. The region seeks to attain unrestricted intra-regional mobility of goods, labour and capital. These are the vital aspects on which the new trade regime under the integration ought to be anchored on. Trade development is not merely an increase in import and export flows for the partner states but also the creation of a favourable trade environment. The results on intra-EAC trade expansion shown above depict trade as being on a steady growth pattern for all the five countries. This positive effect in trade flow points to the existence of trade potential for the region. With the elimination of both bilateral and multilateral barriers to trade among the partner states, more positive results are to be expected.

An understanding of EAC trade flows calls for a critical look at the trade transactions among partner states and also with other regions of the world. The following table shows export and import trade flows for the EAC region during the period between 2005 and 2008.

**Table 11: Trade Flows for EAC, 2005-2008 (US $ Million)**

<table>
<thead>
<tr>
<th>Regional Trade Exports</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-EAC</td>
<td>1,283.2</td>
<td>1,081.1</td>
<td>1,485.50</td>
<td>1,947.50</td>
</tr>
<tr>
<td>To COMESA</td>
<td>949.40</td>
<td>1,042.60</td>
<td>1,323.90</td>
<td>1,906.60</td>
</tr>
<tr>
<td>To SADC</td>
<td>734.20</td>
<td>723.90</td>
<td>526.50</td>
<td>354.30</td>
</tr>
<tr>
<td>To Rest of Africa</td>
<td>137.80</td>
<td>258.30</td>
<td>242.80</td>
<td>357.70</td>
</tr>
<tr>
<td>To EU</td>
<td>1,200.80</td>
<td>1,191.90</td>
<td>1,396.40</td>
<td>2,290.60</td>
</tr>
<tr>
<td>To USA</td>
<td>262.70</td>
<td>328.10</td>
<td>367.80</td>
<td>370.70</td>
</tr>
<tr>
<td>Total Exports to the Rest of the World</td>
<td>1,584.10</td>
<td>1,959.00</td>
<td>2,263.80</td>
<td>3,010.30</td>
</tr>
<tr>
<td>Total EAC Exports</td>
<td>4,951.40</td>
<td>6,584.90</td>
<td>7,607.70</td>
<td>10,237.70</td>
</tr>
<tr>
<td>------------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>-----------</td>
</tr>
<tr>
<td>Regional Trade(Imports)</td>
<td>2005</td>
<td>2006</td>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>Intra-EAC Total imports</td>
<td>1,283.2</td>
<td>1,081.1</td>
<td>1,485.50</td>
<td>1,947.50</td>
</tr>
<tr>
<td>From COMESA</td>
<td>287.50</td>
<td>375.00</td>
<td>496.00</td>
<td>591.80</td>
</tr>
<tr>
<td>From SADC</td>
<td>1,252.60</td>
<td>1,409.70</td>
<td>1,424.50</td>
<td>1,840.10</td>
</tr>
<tr>
<td>From Rest of Africa</td>
<td>14.30</td>
<td>122.00</td>
<td>17.80</td>
<td>109.90</td>
</tr>
<tr>
<td>From EU</td>
<td>1,881.90</td>
<td>2,496.80</td>
<td>3,136.90</td>
<td>4,163.50</td>
</tr>
<tr>
<td>From USA</td>
<td>741.70</td>
<td>556.80</td>
<td>950.30</td>
<td>731.10</td>
</tr>
<tr>
<td>Total imports from the rest of the world</td>
<td>5,788.10</td>
<td>8,390.10</td>
<td>11,166.00</td>
<td>13,964.50</td>
</tr>
<tr>
<td>Total EAC Imports</td>
<td>11,249.30</td>
<td>14,431.50</td>
<td>18,467.70</td>
<td>23,348.40</td>
</tr>
</tbody>
</table>

Source: EAC Trade Report 2009 (with author's amendment)

The data depicts EAC exports to be on an increasing trend apart from exports to the SADC region and EU which fell from $734.20 million in 2005 to $354.30 million in 2008. However, in terms of total exports to the rest of the world, EAC trade flows were consistently on an upward trend rising from $1,584.10 million in 2005 to $3,010.30 million in 2008. Total EAC imports have also been on an upward trend from $11,249.30 million in 2005, $14,431.50 million in 2006, $18,467.70 million in 2007 and $23,348.40 million in 2008 respectively. The significance of this for the EAC is that the main focus is not only on intra-EAC trade but this extends to trade diversification. An interesting fact to note is that intra-EAC trade volume is still way below that of trade with the COMESA region. Export values between the two indicate exports to COMESA compared to the EAC region to be varying at -17.13% in 2006, -15.25% in 2007 and -23.63% in 2008. Whereas one would not expect the trend to be reversed rapidly, the gap between the two is not significant pointing to the
fact that this will be surpassed within a few years. The unfortunate aspect is that the region experienced unfavourable balance of trade in the same time period importing far much more than it exported. This was at $-6,297.90 million in 2005, $-7,846.60 million in 2006, $ - 10,860 million in 2007 and $- 13,110.70 in 2008. The policy implication for this is that as the EAC goes through a period of economic expansion, imports of a non-capital nature lead to capital leakages which lead to potentially unfavourable results.

The EAC integration presents quite a unique opportunity for the three landlocked countries Uganda, Rwanda and Burundi. The period under study saw great reduction in transport and transaction costs for goods from the dates of coming into effect of the customs union and the common market protocol (this has however not reached acceptable levels and much more reductions are needed). The use of the ports of Mombasa and Dar-es-Salaam for the three countries provides the region with an economic gateway that ought to be put to optimum utilization. This coupled with the tariff regimes introduced under the customs union greatly lead to downward cost reductions for trade in the region which will result in lower priced goods and services.

The greatest challenge has been the lack of diversification in products being traded within the region. This poses a serious question on the possibility of trade expansion in the context of a region whose partner states have homogenous products. The dynamics of reallocation of trade patterns within an integration region presupposes that production will be geared towards specialized production where more efficient firms within the regime gain eminence. These firms are also assumed to lead to market stabilization as they take over in markets that were previously served by inefficient firms. With reference to analysis of the EAC trade flows, the economic mass of the region taking on nominal GDP values can be understood from the context of inferences from other regions. Countries with larger GDPS are known to trade more than countries with smaller GDP. In the case of the EAC, this was
shown to be true with Kenya, Uganda and Tanzania, the leading countries in the region in terms of GDP size trading more with each other as compared to Rwanda and Burundi which are relatively small sized economies in terms of GDP.

Distance is another important aspect in explaining EAC trade flows. Trade among partners separated by large distances among them is greatly hampered by the inhibitive costs that transportation of goods would result in. For instance, movement of manufactured products from Tanzania for sale in Rwanda and Burundi may be counterproductive vis-à-vis Kenya and Uganda serving these markets due to their proximity to these countries. It is these drawbacks that would lead business people in Tanzania seeking new opportunities to position themselves in order to serve the region. This results in the broader reallocation of resources in order to serve the region leading to concentration of production in the areas where this can be done at the least cost.

The integration scheme under the EAC has the likelihood of resulting in spillover effects that can compensate for the costs incurred by the trading partners.\(^ {99}\) A major cost concern with regard to trade liberalization and opening of borders in the EAC has to do with loss of taxation revenue. This calls for broad measures to divert this loss for absorption in other sectors. For countries with a large tax base like Kenya, Uganda and Tanzania, this is not a big concern that can threaten the integration process. For Rwanda and Burundi who have smaller tax bases, they can resort to prudent resource management to ensure that the little revenue they get is optimally allocated.

Another option can be to resort to consumption-based taxation to boost revenue. This saw partner states push for a slightly higher common external tariff in order to have much of their revenue augmented from their trade with third parties. This had to be delicately crafted in order to be in line with WTO provisions regarding preferential trade arrangements within a regional integration

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framework. A higher CET does not however necessarily imply an avenue for getting a cushion against revenue losses. This must be carefully considered. Considerations like welfare gains and losses and more importantly the industrial development of the member states are important. These aspects of the integration must be carefully understood by all policy makers if the EAC is to result in empirical results that beat the general result of regional integration arrangements. This has been that for low income countries, integration tends to result to divergence rather than convergence in incomes and trade diversion rather than trade creation. The result in trade for the EAC is however encouraging and points to an even brighter future as the integration of the economies becomes fully operationalized in all sectors and aspects. This way, people within the EAC will begin to perceive themselves as members of one large market bloc.

4.5. INVESTMENT POTENTIAL UNDER THE EAC INTEGRATION

EAC partner states continue to work hard to harness the business climate in the region through creation of an economic infrastructure to emerge as a preferred investment destination. This has seen great attempts at creation of a stable and attractive macro and micro economic environment towards this goal. Various measures towards the realization of reasonable inflation levels, fiscal and monetary reforms and appropriate legal and regulatory reforms have been undertaken by the relevant government agencies in the partner states. All partner states have created Investment Promotion Authorities (IPAs) which act as a one stop shop where investors can get all the information and services relevant in appraising and making decisions on investment. The desire to create a favourable environment for doing business and attracting Foreign Direct Investment (FDI) calls for elaborate measures to realize this goal. The Common Market Protocol is a great milestone in terms of providing a framework for cross border business, investment and trade opportunities for member states.

100 Ibid.
101 EAC Trade Report 2009.
One key challenge that the EAC like the rest of Africa must contend with is the slow pace at which their efforts to attract FDI are rewarded. Despite major measures at economic liberalization, FDI continues to grow at a low rate. Investment inflows are usually in industries focusing on raw materials and mining and consequently this is of a non-value adding nature. This is against a shortage of investment in infrastructure and energy which are deemed to be the engines for the industrialization of the region. The region continues to face a huge energy deficit and a large section of the EAC population continues to rely on traditional energy sources.\textsuperscript{102} This must be reversed particularly if a cottage-based industrialization is to be realized. Alternative energy options are being aggressively explored to meet the demand. These include biomass, methane gas and solar energy to supplement the already existent hydro-electric energy. Bold attempts have been made with regard to experimentation on the viability of nuclear energy which is currently underway in Kenya. Key recommendations of the 1\textsuperscript{st} East African Investment Conference held in Kigali, Rwanda in June 2008 regarding the creation of a reliable investment base are under deliberation to support industrialization in the region. These include the coming up and the operationalization of an EAC energy master plan, investments in fertilizer plants to boost agricultural production and the need to promote local tourism in all the countries.

The immense rights provided for in the Common Market Protocol such as the right to permanent residence, access to land, free movement of capital, goods, services and labour are crucial for opening up the region and transcending national boundaries.\textsuperscript{103} To remain competitive as an investment destination, transportation and communication infrastructures are being set up rapidly. In addition, harmonization of laws and regulations that would position the EAC as a preferred investment destination are being undertaken. This should also see the elimination of non-tariff barriers (NTBs) to

\textsuperscript{102} Report of the Conference Proceedings of the 1\textsuperscript{st} East African Investment Conference held in Kigali Serena Hotel on the 26\textsuperscript{th}-28\textsuperscript{th} June, 2008.

\textsuperscript{103} EAC Common Market Protocol.
trade. As a region, the EAC has seen its investments grow since 2007. FDI inflows to the EAC region for instance rose to US $ 9,040.5 million in 2008 from US $ 8,333.4 million in 2007. The investment resources came mainly from China, UK, Japan, India, Italy and USA. The following table shows investment inflows for the EAC partner states.

Table 12: Investment Inflows for EAC Partner States 2007-2008 (US $ Million).

<table>
<thead>
<tr>
<th>Country</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>2,051.1</td>
<td>4,557.1</td>
</tr>
<tr>
<td>Tanzania</td>
<td>5,715.6</td>
<td>3,229.2</td>
</tr>
<tr>
<td>Uganda</td>
<td>560.7</td>
<td>1,254.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>230.5</td>
<td>329.5</td>
</tr>
<tr>
<td>Burundi</td>
<td>0.5</td>
<td>3.83</td>
</tr>
</tbody>
</table>

Source: EAC Trade Report 2009 (apart from Burundi). Internal Monetary Fund, for Burundi (Net Inflows Balance of Payment)

The greatest challenges for the region as it moves towards harnessing both intra-EAC investment and foreign investment remain the need to do away with the cumbersome administrative and regulatory requirements, bringing down the high cost of doing business and ensuring adequate funding for IPAs. This will avoid compromise on investment promotion campaigns whether locally or abroad. The global financial and economic crisis of 2008 and the post-recession time raised an alert on the need for partner states to increase domestic resource mobilization and savings. This will help in augmenting foreign resources which has been the main focus for the region’s development funding. This will place the EAC at an advantaged position for economic advancement.

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104 EAC Trade Report 2009.
From an understanding of the trade aspects of the integration, one cannot fail to link investment in the region to the existence of a robust trade environment. The reality of investment is that it has a natural pull towards areas where there exist sufficient markets and the possibility of attaining the highest return on the capital invested. The greatest dilemma for the region has been with regard to creation of an environment that is friendly to investors. The move by all partner states towards IPAs that sought to create a one stop shop set up for investors was a deliberate attempt to galvanize all the factors necessary for investment attraction and promotion. Investments are a necessary condition for wealth and employment creation. This is at a critical moment when investment flows depict a “home bias” tendency with many investors seeking to invest more in their home countries.  

During the period under study, much of this potential has not been realized particularly from mid 2008 when the world started experiencing the devastating global financial crisis and the economic recession. This affected the source of most investment funding at a time when governments had to undertake urgent austerity measures to protect their economies from the meltdown that stared them in the face. The period 2008-2010 can be said to be a period of lost chances. Sustained investment into the region was greatly hampered as much of locally mobilized investment resources had to be cut back to avert the dangers of a recession. Infrastructural development undertakings across the region could not be undertaken at the rate that had been envisaged before.

The accumulation of capital through investment is a critical engine for economic growth. This is the greatest missing link that many regions of the world continue to face and the EAC is no exception. Investment must not be seen only in the form of inflows from outside the region but also

those from within the region. The move towards cross listing of major companies in the region’s stock exchanges presents an opportunity for both local and foreign investors to access the capital market. This creates a pool for investment funds to be made readily available for the region’s development. The fundamental concern for all the states is the creation of investment environments that will attract the most funds for development activities in the region. Attraction of FDI inflows into the region is key to the attainment of high economic growth rates that will lead to the reduction of poverty in the region. There is a correlation between FDI and economic growth, particularly where there exists a highly educated workforce and conditions conducive for investment. This therefore presents one area where the EAC must not relent if the goal of raising the quality of life of the citizenry is to be realized.

Mobility of factors of production in the region is yet to be fully enhanced to hasten a resource reallocation from less productive to more productive economic sectors. This, alongside the adoption of legal regimes that will act as an incentive to investors and investment activity will see the EAC flourish in the future. As the world gradually recovers from the global economic crisis, attraction of the best investment opportunities should remain the primary goal of deliberations of all the organs and agencies of the EAC. This will push the region to be the preferred location for investors and this will lead to unprecedented employment creation that will result in the breaking of the cycle of poverty in the region.

4.6. MOVE TOWARDS DEEPER INTEGRATION IN THE EAC

An evaluation of the EAC’s existence in the last decade shows that the leadership of the five countries has constantly sought ways of attaining deeper and rapid integration to attain the goals of the EAC. The political will that has been exhibited is testimony of the goodwill that the EAC enjoys. This can be tapped into to ensure that more benefits are realized for the good of the region. It is vital to consider whether the current form of integration is the best model to propel the East African region to
growth and development. The reality of the process is that not much difference has been witnessed by the common East African whose lifestyle and standard of living has remained largely unchanged. Within a span of five years apart, the customs union and the common market have been introduced as the two foremost stages of the EAC integration.

The freedoms provided for in the common market protocol need to be actualized with policies implemented to enhance them. This will boost the perception of the East Africans with regard to their region. This also has to do with the envisaged greater role for the private sector and the civil society. The challenge of economic development for the EAC region calls for articulate prioritization. It is not enough for the region to post good growth rates. The same growth should be translated in real terms to the people. Until people experience the benefits of the integration within their households and at a personal level, then the benefits realized are only best for board room discussions.108

It is inevitable not to look at the future of the EAC from the current happenings. For instance, it is in order to evaluate whether economic integration should be intensified first prior to progression to a political federation.109 Once economic oneness of the five countries has been achieved, the economic risks associated with it will be raised and the political leadership would not want the undesirable effects once they enter into a political federation. As the region aims for deeper forms of integration, economic integration remains a key focal point for any meaningful results to be realized. The partner states and the EAC secretariat have undertaken deeper reflections on the stages that the EAC has gone through so far. This will lead to an evaluation of successes and failures in the past ten years and which will also inform the preparations vital for the successful carrying of the common market and in future the monetary union and political federation. The happenings of the ten years under study collectively

109 Ibid.
point to an EAC that will lead to better prospects in the next decade at a time when the most ideal model of integrating the region will be clearer.

4.7. CONCLUSION

The regional integration process of the EAC has since inception been a bold attempt at harnessing the economic potential of the region for economic growth and development to benefit the people of the region. In the period under study, there has been quite substantial progress made in trade and investment and these point to an even brighter future for the region in the years to come. The experience of the last couple of years particularly from 2007 with the official admission of Rwanda and Burundi present a reference point for which the success of the region should be patterned. As pointed out, the global economic system has dramatically changed and now more than ever before, strategic economic positioning is vital for any country or region that seeks to join the ranks of developed countries. The reality of attaining growth and development will be cumbersome for any country or group of countries that ignores the new global happenings of the 21st century. There exist a number of areas that the EAC has leveraged on and improvement for better results will be attained in the areas of trade and investment respectively. The positive outlook realized in the ten years under study has pointed to a potential for accelerated growth for the region.
CHAPTER FIVE

5.0. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. INTRODUCTION

This study set out with the overall objective of examining the contribution of regional integration to East Africa’s economic growth and development. It also sought to explain in a concise manner the relationship between regional integration and economic growth and development. This had to be undertaken with a lot of caution as the EAC is still at a very young stage with many of its institutions not having attained full performance. Secondly, the integration process can be said to be still in the formative years since only the customs union has been tried out over a relatively longer period of time. The common market came into effect in July 2010 and as at the close of the year which marked the end of the period of the study, the working of the common market had not as yet been tested. This presented a challenge in the evaluation of the efficacy of the integration process against the first stage, the customs union, a time frame which cannot be deemed to be long enough to exhaustively evaluate the performance of the integration.

It is worthwhile to note that the integration presents a great milestone for integration attempts in Africa and also shapes the way the economic integration of the continent should be undertaken. Decades before the birth of EAC II, another cooperation arrangement under the then EAC I had been attempted in East Africa by the three countries namely Kenya, Uganda and Tanzania. This had been an attempt to foster cooperation efforts towards the attainment of common objectives. The need for the attainment of growth and development has been the underlying factor for the region’s push for regional integration. This presents an opportunity for the East African region to take charge of its
economic and political destiny against the backdrop of a rapidly globalizing political economic environment.\textsuperscript{110}

The study arrived at a number of conclusions which need to inform the form and pace that the integration need to take in future years. These will be discussed briefly in this chapter as a way of separating the key issues from the main discussion that has been the focus of the other chapters. The key research hypotheses as detailed in chapter 1 have been found to be true and this draws the focus to the key recommendations that can be put in place to help in the realization of a formidable East African integration that will see the realization of sustained economic growth and development.\textsuperscript{111}

5.2. SUMMARY OF KEY FINDINGS

The study found that some key aspects of the integration hold the key to the region’s economic transformation. One, the realization of high economic growth rate will go a long way in enhancing the region’s potential and with it the individual partner states’ positioning economically. Secondly, the realization of the trade potential of the region and particularly intra-regional trade holds the key to the region’s growth and development. This is a great pillar upon which the success or failure of the EAC is hinged on. It will continue to be so in the coming years particularly with the coming into effect of the customs union.\textsuperscript{112} Thirdly, the immense investment potential of the region provides an opportunity for the economic reorganization of the region in a bid to sustain economic development. Fourthly, development dynamics for the region must be understood from a bottom-up approach with regard to evaluating the spread of the proceeds of the economic growth realized to the citizens of the partner states. This will help in checking how effective the wealth distribution is for all the countries.

The possibility of unequal benefits for the partner states has the potential to affect the life of the cooperation. States essentially remain in an integration arrangement so long as their welfare gains are assured. As soon as welfare losses set in, a state can resort to pulling out of the integration to pursue different policies on its own or to reassess the need for future membership to another regional integration body. Finally, the great role that policy imperatives play cannot be understated. Lack of policy coordination and harmony can be blamed particularly for the slow pace of the operationalization of the customs union and the common market.113

5.3. CONCLUSION

The realization of the economic growth and development objectives of the EAC remain the core aspirations of the partner states. This is an objective that will continue to bind the region and lead to the seeking of newer and more innovative ways to better integrate the region's economies in order to weather the 21st century global economic storms. The approach to be adopted in this century cannot be mutually exclusive but states must go beyond the traditional preoccupation with state sovereignty towards the adoption of more collective approaches for the attainment of economic growth and development.

5.4. RECOMMENDATIONS

With regard to the future functioning and relevance of the EAC towards the economic growth and development agenda for Africa, a number of recommendations can be put forward to ensure that the best results are realized from the integration process. First, there is the need for greater focus on civic education for the citizens of the five states. There is need for a thorough understanding of how the EAC works and the various stages the integration will move into and the key result areas expected. Secondly, as the region moves towards the monetary union, there is a great need for monitoring and

evaluation of the progress made so far in the integration vis-à-vis the goals and targets set at the inception of the regional integration process.

Thirdly, in the area of policy harmonization and coordination, greater stakeholder involvement is necessary. In particular, the role of the private sector and civil society must be increased and greater cooperation in the form of public-private partnerships explored. This will lead to better approaches towards the attainment of the integration objectives. Fourthly, there is the need to have more focused studies on the EAC particularly with regard to how greater diversification of the East African economies and deeper economic integration can be achieved. A number of opportunities do exist for broadening of the economic base of the region. The findings of these studies should inform the policy measures that need to be put in place for the effective working of the integration process. Finally, with the birth of the 54th state in Africa, Southern Sudan, there is need to increase flexibility of the EAC in order to consider expansion to include South Sudan as a new member.

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