UNIVERSITY OF NAIROBI
INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES

REGIONAL ECONOMIC INTEGRATION IN AFRICA: A REVIEW OF PROBLEMS AND PROSPECTS WITH A CASE STUDY OF EAST AFRICAN COMMUNITY, 2001-2015

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DECLARATION

I declare that this project is my original work and has not been presented to any university for award of any other degree.

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LIST OF ABBREVIATIONS

EAC	East Africa Communities
COMESA	Common Market for East & Southern Africa
EAC	East African Community
EACC	East African Communities Cooperation
EC	European Community
ECSC	European Coal and Steel Community
ECOWAS	Economic Community for West African States
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
IGAD	Inter-governmental Authority on Drought & Development
IMF	International Monetary Fund
MDGs	Millennium Development Goals
OAU	Organization of African Unity
PEV	Post Election Violence
PTA	Preferential Trade Area
SADC	Southern Africa Development Cooperation
WTO	World Trade Organization

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ABSTRACT

This study looks at the usefulness of the regional economic integration to the East African Community in relation to the milestones the economic bloc towards growth and development of the member states and the problems the bloc has had to contend with. The study therefore focused on the progress of the integration during the period 2000 – 2015. The study discusses the four stages of the EAC integration mainly the customs union and common market, which have been implemented while touching on new developments which include the entry of new member states and new problems that have redefined the integration including trade, terrorism and mistrust among member states.

It also outlines the key findings from the study and presents the main recommendations on how challenges to the integration process can be overcome. This is generally applicable to other regional integration schemes particularly in Africa. The important issue of the likelihood of selected member states deriving more benefit from the integration is addressed. The study also outlines the theoretical aspects of regional integration especially with respect to the functionalism theory and the customs union theory. Regarding 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 recommend for the need for greater stakeholder involvement to attain effective policy harmonization and coordination. The need for more detailed studies on other aspects of the integration has also been pointed out.

Table of Contents

LIST OF TABLES

APPENDICES

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Regional trade have widely promoted economic growth and development. Transitional arrangements are in place to spearhead advancement of the EAC and foster an economic associations among member countries. Africa has minimal decision due to the current worldwide monetary atmosphere instead of conclusively combining and fabricating its regional trading market. East African nations are determined and progressively swinging to an aggressive regional intergration project. Regional integration as an arrangement intended to reduce or eliminate trade barriers among a number of partner states irrespective of their proximity to one another. Also, it is the process where states go into agreements to collaborate in the political arena and economic through formation of a common market, customs unions, economic unions, free trade areas, and political federation (Sindzingre, 2007).

East African countries, in 1993, made a move to revive old EAC so that they could salvage their economies after macroeconomic volatility and deteriorating growth. According to Nashiraliyev (2009), converging development is necessary due to the excessive difference in income between the poor and the rich economies which keeps on causing international tensions and is also offensive to human dignity. The partner countries should adhere to same macroeconomic policies to circumvent economic disturbance in the regional economies. In order to realize these goals, the partner states deliberated to advance the sequential phase of regional integration so as to ensure the entire integration process is achievable through a most optimized mechanism (Pallack, 2001). In following this optimized mechanism, the East African nations have set a standard; price stability, sustained growth justifiable financial and current account deficits, and external debt (EAC treaty, 2001). The formation of a shared regional market on which free movement of laborers, goods and services, and ventures runs aids in building the EAC and a common market in Africa.

1.2 Statement of Research Problem

Since it came to existence, the East African Community has faced a myriad of challenges that include high minimal share of global trade, level of poverty, and slow pace of growth in infrastructure and human capital in addition to challenges resulting due to external pressures. Regional integration's relevance in East African communities is a persistent issue, particularly in the perspective of economic and political backwardness.

The studies which have been carried out in the recent past show that regional integrations in the African continent have failed. These studies are shallow with weaknesses since they lack sufficient and comprehensive explanation for past failures. An example for the case of EAC, previous studies have tended to concentrate on the age old problems of the 1990s that have included political federation, custom union and borderless trade. However information on emerging barriers to EAC remains weak to bring to light detailed data on the prospects and problems of the modern day EAC.

Key among them is the entry of new member states like South Sudan to the community and what that means to the integration, souring relationship between member states, for example Rwanda and Tanzania, and Tanzania and Kenya and trade deals, like the Economic Partnership Agreement, that have redefined how EAC does trade between its members and with external trade partners.

The major questions remains to be tackled. Has the EAC contributed to the economic growth and development of its members? What are the modern challenges facing the East African Community and are there prospects for overcoming the problems and sustaining the integration?

1.3 Objectives of the Research

1.3.1 Overall Objective

The overall objective of the study is to review the problems and prospects of regional economic integration in EAC.

1.3.2 Specific Objectives

i. To establish the impact of regional economic integration on growth and development of EAC
ii. To identify the problems facing EAC in regional economic integration
iii. To recommend solutions to the problems facing EAC in regional economic integration

1.4 Literature Review

1.4.1 Regional Integration Efforts in EAC and Africa

EAC perceive regional fiscal collaboration as a way of taking advantage of economies of scale by merging small fragmented internal markets to back industrial development and encouraging intra-regional trade (Ng’eno, 2003). The vision of the Community was to be realized as a Monetary Union, an incremental development over the phases of a Common Market (2009), a Customs Union (2005), and Finally a Political Federation of EAC in 2015. The cradle of the integration progression of the EAC was the Customs Union, which started in 2005 as set out in the Treaty, and was executed gradually over a period of 5 years to a free trade regime in January 2010. The EAC Common Market Protocol commenced in July 2010, and the member states embarked on the process of negotiation of the procedure for creation of the East African Monetary Union (Clarke, 2009)

An initiative for regional integration in Africa came to birth with the formation of the South African Customs Union (SACU) in 1910. Nine years later, 1919, regional integration kicked off in East Africa when the East African customs union between three countries Kenya, Tanzania and Uganda. However, the collaboration continued up to 1977. Political and economic issues were major causes that lead to the downfall and the eventual failure of the East Africa Community. A treaty founding the current EAC was signed on 30th November 1999 and came into effect on 7th July 2001. The overall goal of East African Community is to create a collaboration in the economic, political, and social fields by boosting economic growth, legal and political matters,as well as science and technology. It envisions strengthening regional integration through creation a common market, a monetary union, customs union (CU), and finally a political federation amongst the member countries.[1]

Rwanda and Burundi become members of East African Community in 2007. They were later integrated to the East Africa Customs Union in 2009. The EACU endavours to

[1] The East African Community Treaty 2001

create a mutual external trade policy by applying a shared external tariff on imports into the member nations from non partner nations. Also, the customs union eliminates non-tariff barriers to trade among the member countries alongside customs duties and additional charges. The main goal of EACU is to further liberalize cross border, enhance domestic and intra-regional trade, and foreign investment in the East Africa Community.[2]

The largest facet of EAC customs union is the unification of five countries to one big block, which could have been deemed too small to attract foreign investment. EAC partner states have diverse social indicators and incomes. The EAC's land area of 1800,000 square kilometers and a large population of approximately 135,000,000 makes it ideal for a ready market. EAC bloc has nominal GDP of 84.7 billion dollars with Kenya having the largest economy with 41% of total GDP, whereas Burundi has the lowest economy with an average nominal per capita GDP of $180 (less than a third of EAC's avererage). Regional integration enables region's larger economies such as Kenya, to enhance their own economic capacities, while on the other hand facilitating and encouraging economic expansion of the poorer states, such as Burundi (Castro *et al.,* 2004).

1.4.2 Economic Integration Arrangements under the EAC

The East African Community has made a number of important steps towards the attainment of full economic integration of all the East African nations' economies. EAC member countries are members of other regional economic unions. This has seen them push for economic cooperation arrangements outside the EAC economic integration framework. The benefits of regional economic integration is being stressed by key

[2] The East African Community Treaty 2001

development agencies like the World Bank. The African area of the World Bank for example went a step further with the formation of a Department of Regional Integration in August 2005. It is a realization that Africa as a continent is greatly fragmented and that the cause of Africa's problems lies in chronic constrictions to economic competitiveness, fragmented and small markets, weak systems to facilitate trade, undeveloped financial markets, weaknesses in crucial institutions and lack of enough human resources (Schiff & Winters, 1998).

The EAC can learning from the economic achievement of other regions that have advanced from economic integration. The economic growth and development of the Asian Tigers can be used as a good model to spur the economic growth of the EAC economic region. The economic growth of Asian region has had a transmission of the development process through market forces as well as government policies from more to less advanced countries. It is of significance to point out that such a transmission is best possible in an economic cooperation framework between countries. According to Schiff and Winters (1998)[3], a planned economic coordination can be achieved through a regional economic arrangement mainly at the front of intra-region trade development.

Capannelli *et al.* (2009), noted that trade development is not an automatic result of regional integration. He caution that even though regional integration arrangements are recognized world over to produce profits through creation and ultimate growth of trade, specialization, reallocation of resources due to changing relative prices, economies of scale, increased levels of investment, efficiency changes owing to increased competition, achievement and growth of political goals should be considered. The East African

[3] Schiff & Winters, 1998.

Community in its customs union pursues better ways to connect intra-EAC trade by removing tariffs and the establishing a common external tariff for the Community. It's a driving force of economic advancement in the end as removal of tariffs and the trade creation will result in a mutual nature to all the EAC members (Lapadre & Tironi, 2009). The EAC member countries have been pursuing individual bilateral trade relationships among other nations. It's aimed towards boosting their trade with one another and create a ready market from the combined population of the Community. It may even create a trade alteration from those prior trading partners to greater Community trade under the EAC.[4]

1.4.3 Regional Integration, development, and Economic Progression

The increase in globalization around the world and the necessity for economic development and growth has led to regional economic integration initiatives (Jensen, 2010), Regional integration has been recognized as a major source of growth for the European, Latin American regions, and Asian. However, this development and growth must be seen in perspective of the influence of the numerous business initiatives particularly if practiced within a policy environment of trade liberalization. This is due to the fact that if the efficiencies arising from increasing competition and increased instances of specialization are to be realized, 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 comparative advantage over the other regions (Niekerk, 2005). This has been the main

[4] Ibid.

top-secret behind the European Union's (EU) tremendous growth in the last couple of years.

The reality of economic integration specifically in view of the 21st Century global economy is that economies that will be against the worldwide initiative to global economic integration will be out of pace with the rest of the world in terms of development and growth. This context is from the fact that integration essentials in other areas will affect development patterns and growth around world. Therefore, this demands to accept the tough comprehension that in an increasingly global economy, one cannot ignore the happenings elsewhere (Quattara, 1999).

1.5 Theoretical Framework

The study considered customs union theory and functionalism theory as relevant and useful in the analysis of its key issues. Customs union theory addresses the regional economic integration concept, and addresses welfare losses and gains accompanying creation of customs union. These losses and gains could arise due to various sources such as economies of scale, specialization, changes in terms of trade, and forced changes in efficiency owing to increased competition and due to a variation in the rate of economic growth (Lipsey & Kravis, 1987). According to Lipsey (1987), the model of customs union has been almost completely confined to an investigation of the first issues. Some slight attention have been given to the second and third issues; the fourth issue is discounted of traditional theory by the hypothesis that production is carried out by processes which are infact effictive, while the fifth item not being dealt with at all. The studies choose customs union theory over others is because trade creation raises a country's welfare while trade diversion lowers it. It helps in understanding the central focus of this study, which is about the welfare of the people through economic growth and development.

Functionalism theory was founded by Mitrany, who considered the dominance of economics in international studies and studies on integration. This theory, thou initially not meant to address regional integration has been refined further into variations like neo-functionalism. These, however, are built on the original theories. Mitrany considered 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 theory of custom union and functionalism bring a combination of the political and economic aspects of integration, which is important in putting the findings of this study in the proper context of the EAC regional integration. It is the certainty 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 changing nature of the conduct of member states. The two theories best inform the delicate balance member states must consider as they make decisions on all issues relating to the integration.

1.6 Research Hypotheses

i. Regional economic integration has a positive effect on growth and development of EAC.

ii. Regional economic integration has helped in solving problems facing EAC

1.7 Justification of the Research Problem

The formation one common market with free movement of goods and services, on which free movement of workers and investment operates, was intended to help build the EAC and the African common market. Regional economic integration help merging the 54 separate economies in Africa into a more coherent large market.

The findings of this study will be of help to the EAC members. The EAC will learn about the impact of regional integration, the problems, and the possible solutions. Through the findings of the study, the governments will be able to appreciate the various areas of regional integration and may opt to provide support.

The findings of this study will also be helpful to the policy makers in terms of shedding more light on a wide range of issues touching on regional integration. This study will help to identify the gaps and set strategy for better economic growth.

To the scholars, the findings of this study will add value to the present assemblage of information as it suggest ways for development of regional integration. Nevertheless, this study serves as a stepping stone for newer research on the area of regional integration.

1.8 Methodology of the Research

1.8.1 Research Design

The study is quantitative and quantitative in nature and mainly combines primary data from the field with existing literature. The study considered what has already been observed as prevailing trends in the past. The present was therefore explained and the future predicted. The study also used historic data to determine impact of regional integration on economic growth in EAC. It identified regional integration initiatives within the East African region and correlated this with the economic impacts realized thereto.

1.8.2 Population of the Study

The population of the study was members of EAC.

1.8.3 Data Collection

Data collection was hybrid, combining questionnaires and document analysis, which involves a broad investigation of public or private secondary source of data on the topic. The aim is to acquire both data and information easily for the researcher and without disruption of the functioning of the subject under study.

1.8.4 Data Analysis

Data from both the questionnaires distributed and public documents was analyzed using inferential and descriptive statistics. Inferential was used to show the relationship between regional integration and economic development. Data was coded and analyzed using the Statistical Package for the Social Sciences (SPSS) computer package Output 2016 version 22. This is because the research is predominantly qualitative making the computer package the most suitable for analysis.

1.9 Scope and Limitations of the research

Due to time constraint, this study considered the regional integration in EAC between 2000 and 20015. The study was conducted between September, 2015- October, 2016 by using an analysis of regional integration initiatives in East Africa. The research depend on both primary and secondary sources of data. Questionnaires were distributed to respondents from the Ministry of International Studies, Ministry of East African Community, Immigration, traders and business organizations across the five member states. The study also relied on secondary sources of data which included case studies and public documents.

1.10 Chapter Outline

Chapter One summaries the background of the study, research problem, research questions, research objectives, and significance of the study.

Chapter Two reviewed literature on regional economic integration. The study considered both traditional and modern theory of regional economic integration. The chapter also assessed existing empirical findings on effects of regional economic integration. The empirical and theoretical literature review have helped in discussing the outcomes of the study and analyze the findings in light of the previous findings. An all-inclusive literature review was carried out on past studies concerning regional integration, economic growth and the channels through which regional trade integration contributes to economic growth. The empirical and theoretical literature lets the most pertinent studies of research concept to be highlighted. The empirical and theoretical literature review helped to discuss the results of the study and to analyze whether or not the findings agree or contrast with previous findings.

Chapter Three examines an overview of economic, political, and institutional aspects of EAC member states, experiences on regional integration progress in East Africa Communities, and effects of regional economic integration.

Chapter Four analyses the data collected in addressing the research objectives

Chapter Five provides conclusions of the study, provides suggestions, and gives recommendations on areas for further study.

CHAPTER TWO

AN OVERVIEW OF THE RATIONALE AND ISSUES RELATING TO THE REGIONAL INTEGRATION IN EAST AFRICA

2.0 Introduction

This study confines itself to the inter-linkage of both the economic and political facets borrowing deeply from leading theories on EAC regional integration arising from both disciplines. Functionalism and the custom union theories are the two main theoretical references used in this study. The functionalist style to regional integration has great reputation in the context of the EAC, which struggles with whether member states should cede their sovereignty to a supranational organization. The challenge for East Africa's regional integration is the need of attaining common agreement on the best form the regional body should implement to yield maximum benefit to member states. Much needs to be coordinated in the area of policy if speedy results are to come by (Mngomezulu, 2009).[5] In a region that is still economically underdeveloped by global standards, much effort is necessary to identify the ideal theories and principles to guide in development and economic growth.

2.1 Regional Integration

Regional integration results in large extended markets as small countries forms one economic block benefiting from economies of scale, pooling resources together, and overcoming small market in trade and production. It UNECA (2010) shows that regional

[5] Mngomezulu, B.R. (2009), *The Economic and Political Foundations of Regional Integration in East Africa, 1924-1960*, accessed from http://www.ekon.sun.ac.za/ehssa/Mngomezulu1.pdf.

integration enables sharing of ideas, accessibility to technology, increasing foreign investment, and increasing competition in worldwide commerce. Most Leaders in Africa perceive it as an essential footpath to a continental economic community and broad-based development, as per the Treaty Inaugurating the African East African Community (1991) as well as the Constitutive Act of the AU (2000). According to Nwonwu (2010), collaboration and regional integration gives suggestions to the creation of a strong and maintainable administration of shared natural resources including sensitive ecosystem and water bodies, and effectively addressim the regional mutual problems like migratory diseases and climate change. Regional intergration has been seen as a potential tactic to overcoming the economic issues in most African countries. The once large economic networks and spaces in Africa have been separated by colonial borders ultimately creating small economic blocks which are incapable to overcoming the limitations and narrowness of their small markets on their own (Kasaija, 2004).

Development specialists maintain that African countries should formulate, publicize and defend their often mutual interests in regard to worldwide economic growth. In this regard, such could be realized with ease if states in the African continent would collaborate into regional blocks unlike when they speak as individual countries (Kawai & Wignaraja, 2009). Countries enter into Regional Integration collaborations to strengthen their social, environmental and political agendas (Lapadre & Tironi, 2009)[6] state that regional integration could entice donor funding who are prepared to sponsor regional

[6] Lapadre & Tironi, 2009.

project compared to individual development projects in states resulting in more expansion.

2.2 Economic Growth and Development

Economic growth denotes the ability of an economy to results in improved welfare of the population and production of goods and services. According to Feldman (1993)[7], sustained growth is a consequence of an improvement in the factors leading to productivity and production. These factors include the relative position of dominance in the global economy, the quality of infrastructure, the quality of financial systems, macro-economic stability, the quality of institutions, and technological innovation. In this regard, regional integration facilitate sustainable growth by improvement of the above factors. Moreover, none economic factors are considered as fundamentals for economic growth allowing the factors of production to grow in a sustainable manner.

2.3 Background of Regional Integration Concept

The commencement of organized regional integration is traced back to 1952 with the formation of the European Coal and Steel Community (ECSC) with the aim of preserving the economies of Europe. The move was seen as a force aimed at uniting Europe. The initial process grew into the European Economic Community (EEC) in 1958. From the EEC, it changed itself into the European Community (EC) in 1992 and later into the European Union (EU) in 1997. Europe's greatest interests in regional integration were security and economic advancement especially after the Second World War. After the

[7] Feldman, G.M. (1993), *Economic Growth in Africa*, University of Pennsylvania, African Studies Centre.

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 rebuild their economies destroyed by the war (Kateru, 2008).

Later programs for development were anchored on the OECD countries action plan and the Maastricht and Benelux Treaties (Jhingan, 2005).[8] It provided for sound policy harmonization to get the benefits from a monetary induced form of cooperation. In the influential 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. This mainly 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 First and Second World Wars.

The effect of the EU on integration processes in African continent is multidirectional. On one hand, it helps as a model which is used in different extent in the formation of outlines for the integration processes, institutions and blocks as it is the most developed integration community. The European Union, on the other hand, is a big trade partner for regional economic communities (RECs) and most of Africa's countries. It is also the biggest donor, providing more than the half of the Official

[8] Jhingan, 2005.

development aid (ODA) for Africa. The European Union purposes to support the expansion of regional economic integration processes through the measures of the Common development policy and more specifically through the Economic partnership agreements (Dosenrode, 2010).[9]

The dynamics and development of regional integration in African continent are majorly influenced by the revolution of the trade relations enforced by the Cotonou agreement. Economic relations now based on unilateral trade preferences provided by the EU are predicted to be based on Economic partnership agreements that ought to control cooperation and trade creating new trade regimes between the ACP regions and EU selected by clear criteria. Also, they impose measures to support developing partner regions and promote regional integration efforts.

The late 20th century force of globalization took the concept of economic regional 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) as a replacement to 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

[9] Dosenrode, S. (2010), Perspectives on Federalism-Federalism and Regional Integration, *Perspectives on Federalism*, *2*(3).

widespread move towards regional economic integration for developing countries although with less successful results (Anadi, 2005).

2.4 Functionalism

Functionalism 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 a definite territory can be broken. It seeks the attainment of a regional organization that would not be rooted on the territorial limits of the states forming it. 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 make 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 main 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 (Lloyd, 2010).

From functionalist approach, regional integration 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 achieved, 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 (Niekerk, 2005).[10]

2.5 Customs Union Theory

The customs union theory addresses the welfare dimension of regional integration is closely similar way to functionalism. The theory suggests that a customs union can lead to trade diversion or creation. Viner (1992) defines a custom union as a procedure for leveling tariffs on imported goods from non-partner states and removal of intra-tariff barriers. In an ideal economic integration, a customs union is the third phase of integration after a free and preferential trade area (Schiff & Winters, 1998).[11]

The EAC integration procedure deviates in that a customs union is the first phase 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 customs union seeks to attain harmony between the member states through the realization of a common external tariff..

[10] Niekerk, 2005.
[11] Schiff & Winters, 1998.

2.6 Institutionalism

Institutionalism as a theoretical framework for the explanation of regional integration originating from earlier researches done by March & Olsen (1997) and they claimed that institutions play a key role by influencing on political results. Furthermore, Institutions mediate between the policy outcomes anticipated and favorites of actors.

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.

2.7 Intergovernmentalism

Intergovernmentalism conceptualizes integration as a sequence of negotiations between government heads countries doing well in the region with a straightforward assumption that integration is brought up in local politics. Converging interests that form the basis for deliberations are based on the interests of large states where harmony is attained when the large countries dominate the smaller ones. On the contrary, the theory states that despite this, the smaller countries would also require a global body to assist in handling complex issues which they're incapable to handle by themselves

Intergovernmentalism however places a lot of emphasis on government heads since they are vital forces who can push for an integration scheme. In this regard, the several other players like private sector and civil society that make integration in the first place possible. 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.

2.8 Realism

Realism was propounded by Hans Morgenthau as part of American political thought. The theory takes a country as playing an important sole role in the global 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 global system which lacks a central power to make and impose laws governing inter-state associations. 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 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.

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 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 (1984) argues that actors do not necessarily create regimes out of a voluntary need in the international system. They however need to be consented to although they are largely determined by the relationships of power and dependence among states

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 implementation of the common market and a customs union. 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 (Odongo, 2011). 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

EAC INTEGRATION PROCESS

3.0 Introduction

In chapter 2, a rationale and an overview for regional integration in East Africa was discussed from an in- depth review of theories informing this study; functionalism and the customs union theory was provided. This chapter traces the EAC integration process from the initial beginnings to its current state and form. It looks 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 also addresses the key challenges to the process of integration for the region from the initial EAC.

3.1 East African Community Integration Efforts (1979-2000)

The birth of the EAC can be traced back to May 14, 1984 when the EAC Mediation Agreement was signed to pave way for the split of the assets and liabilities belonging to the defunct East African Community that collapsed in 1977. The Agreement provided that Kenya, Tanzania and Uganda were in agreement to identify areas to explore for future collaboration and to make arrangements for such collaboration (Katembo, 2008). The EAC integration process is an important attempt by the five member states to achieve economic growth and development for their people. Initially, the three members of the initial EAC that collapsed in 1977 commenced the integration efforts: Kenya, Uganda, and Tanzania. This was taking into consideration that the EAC's collapse in 1977 had been caused by lack of a robust engagement of the civil society and private sector, lack of resilient political willpower in the cooperation activities and continual uneven allocation of the profits made from cooperation amongst member countries. This was as a result of different development levels and lack of satisfactory rules to salvage this situation.[12]

The Heads of State of Kenya, Tanzania and Uganda met results to the ratification of the Agreement for the Formation of the Permanent Tripartite Commission for East African Cooperation on 30th November 1993. Efforts towards formal EA Collaboration commenced with the creation of the Secretariat of the Permanent Tripartite Commission. That was on March 14, 1996 in its headquarters in Arusha, Tanzania. They directed the Commission to initiate a procedure for advancement of the Agreement founding the Permanent Tripartite Commission for EA Cooperation into a treaty in their second Summit meeting on April 29, 1997. The Heads of State in another summit later repeated this on January 22, 1999 when they committed to sign the treaty forming the EAC by July 1999. During the summit, other important issues to the formation of the EAC undertaken were the ratification of zero tariff rates, Memorandum of Understanding on Foreign Policy Coordination that were to be approved by 1st July 1999, establishment of a mechanism to counter terrorism (after the Nairobi and Dar-es-Salaam twin terror attacks on the US Embassies in August 7, 1998) in the region, enactment of COMESA's 80 percent tariff decrease and the postponement in the

[12] The East African Community Facts & Figures, 2015.

admission of Burundi and Rwanda into East African Community.[13] The two countries had been involved in discussions and negotiations of the EAC treaty before their admission as members albeit as interested parties who were awaiting direction on their request for admission.

The three Foreign Affairs Ministers had extensively discussed the question of the admission of the new members during a preparatory meeting 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. It was to provide a cooperation framework where the three member states were to take a common stand at international fora. It also made 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 establishment of an assembly in the region with limited authority.

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 high-level task force advised a delay in the elimination of tariffs to July 1, 2000 as well

[13] Ibid

as the pegging of a maximum CET to 25%. A conference of specialists at the East African Community secretariat took place from 28th June 1999 to 7th July 1999, which resulted in the revision, and rewriting of trade provisions of the drafted East African Community treaty. This task force deliberated the removal non-tariff and internal barriers on imported goods originating from member nations within a year after the implementation of EAC treaty.[14] On 30th November 1999, the EAC treaty was in Arusha (Tanzania) later came into effect on 7th July 2000 after ratification by member states. Subsequently, the EAC was officially inaugurated on January 1, 2001 (Katembo, 2008).[15] The treaty supported four stages of the integration process: a monetary union, a common market, a customs union and finally a political federation. The fact that EAC strategy gives special attention to development and economic collaboration indicates a robust emphasis on the communal dimension.

A initiative by the leadership of Kenya, Uganda, and Tanzania to take another opportunity for cooperation was to some extent an affirmation that there indeed existed areas for cooperation and that the global economic environment had changed tremendously. The economic realities of the late 20th Century were pointing to the need for larger and better-organized economies to contest successfully with other more developed economies. At this point, a vibrant private sector and civil society had started to spring up. It was also a time when political pluralism had gained a footing in East Africa. For instance, Kenya had reverted to a multi-party political dispensation with the repealing of Section 2A of the constitution. Tanzania was already taking such steps

[14] Ibid
[15] Katembo, 2008.

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. It was a time when the Bretton Woods and other international lending institutions as well as 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.[16]

3.3 East African Community (2001-2014)

The region had seen a fall in economic development, infrastructure, and a drop in the effectiveness of their domestic policies. The drive towards new efforts at regional integration for the East African region can be attributed to the political leadership of the region right after the fall of the EAC in 1977 all through to the recent leadership at the helm of the five nations of the region. The desire by Rwanda and Burundi to be admitted as members disclosed the reality of the need for fast progress towards integrating the region. They fully become members on 1st July 2007 after both assenting to the EAC Treaty on 18th June 2007.

Economic hardships for the region had made it very 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

[16] The East African Community Treaty 2001

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 region, suffered from internal political tensions from the LRA insurgencies in the North coupled with cross-border tension in the Great Lakes Region (Goldstein & Ndung'u, 2001).

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 order to attain all its objectives, the East African Community is guided by the principles of shared trust, political goodwill and sovereign equity, tranquil co-existence. It relies on, good administration, great neighborliness, diplomatic settlement of disagreements, such as abiding to the rule of law, transparency, equal opportunities, following the ideologies of majority rule, and responsibility for all regardless gender or social status. Article 6 of Treaty establishing the EAC advocates for cooperation to achieve a common advantage and equal distribution of benefits. Moreover, provisions for Advocacy of human rights are outlined in the African Charter on Human and People's rights.

3.4 THE EAC IN PESPECTIVE

3.4.1 Objectives of the EAC

The main goal of EAC is largely to achieve the common aspirations of the East African people. It was established on the fact that the East African people encountered a shared destiny and continued to face common challenges in the daily activities. Merging these aspirations was therefore vital. The major reason for the EAC Community integration was the urge to come up with strategies targeted to expanding as well as strengthening collaboration amongst the Countries in cultural activities, economically, politically, socially, technologically, research, security and defense, legal and judicial matters for a shared advantage. Furthermore, the East African Community wanted to create a Common Market and a Customs Union then afterwards a Political Federation and a Monetary Union (for a single currency) to control and reinforce the social, cultural, commercial, industrial, political, infrastructural, and additional associations among the member states to the harmonious and swift completion for the continuous growth and expansion of economic activities to achieve gains which will be reasonably shared.

An important requirement for member countries of EAC was to ensure the accomplishment of practical development and progression of the members by advocating a more composed and agreeable development of the states. Bolstering support in agreed fields that would yield evenhanded financial development in the partner states, improve the quality of life, increase the standards of living for their people. Employing measures which that would efficiently advance the sustainable usage of natural resources among member states is also the target of the EAC.

Finally, the Community also aims at improving and consolidation of associations amongst civil society and private sector to attain political, economic growth and social development in addition to other tasks aimed to achieve the goals of EAC which the member countries may choose to mutually undertake (Article 5 of the Treaty establishing EAC)[17].

3.4.2 Stages in the East African Community Integration Process

The East African Community integration process conceptualized passing four stages discusses below to control and stiffen the social, cultural, commercial, industrial, political, infrastructural, and additional associations among the member states industrial, commercial, infrastructural, cultural, social, political, and other relationships of the member nations (Article 5(2) of the treaty establishing EAC)

3.4.2.1 Customs Union

The inauguration of a customs union is given for under Article 75 of the Treaty building up the EAC under the chapter on Trade Liberalization and Development. On 2nd March 2014, the East African Community Customs Union Protocol was signed, ratified on December 2004, and came into effect on 1st January 2005 being roughly five years since the beginning of the EAC. The Protocol's most essential acquisitions are on intra-EAC tax liberalization and the pre-Customs Union intra-EAC tax choice. The agreement declared that Kenya was to withdraw duties on products emerging from Tanzania and Uganda with immediately after implementation of the Customs Union. The Tanzania and Uganda trade on category A items were liberalized from the date of the adoption of the

[17] The East African Community Treaty 2001.

union. Duties on Category B imports by Tanzania and Uganda from Kenya were likewise to be withdrawn slowly in a period of 5 years. A CET was additionally given for in a three-band formula on imports from nations who are not members from the EAC with 25 percent on finished products, 10 percent on intermediate imports and 0 percent on raw materials.

3.4.2.2 A Common Market

This refers to a unified market of the five member states into a sole block marketplace with free movement of labor, goods, trade, people with a right of residence and establishment. An agreement to the setting up of the East African Community Common Market was embraced on 20th November 2009 and subsequently became effective on 1st July 2010 when it was endorsed by all member nations. The Common Market agreement states that EAC partner countries shall endeavor to warrant that no discrimination of citizens belonging to another countries regardless of their nationality. It is a requirement of the partner states to treat other member countries' citizens friendly like how they treat third parties. The Common Market is expected to increase economic growth and expansion therefore laying an important platform for the regions desire towards full economic integration and the development of the region. It is still at the initial stage and its effect is still to be wholly monitored and analyzed. It is however one of the main channels for even greater expansion of the regional integration (Stahl, H.M., 2005).

3.4.2.3 Monetary Union

The EAC treaty bid for cooperation by partner states in fiscal and monetary matters outline in authorized macro-economic procedures of coordination programmes of the

EAC. The member countries should ensure conversion of their currencies as a foundation in establishment of a monetary union According to the EAC integration plan, discussions leading to the monetary union were concluded and the union came into force in 2013. Governors of the Central Banks of the partner states took a lead role in these negotiations (Article 82 of the Treaty instituting the EAC).

3.4.2.4 Political Federation

The East African Community Political Federation is expected as the last stage in the integration procedure. The game plan is to have a rotating presidency between all the five accomplice states. It was at first planned that this would be accomplished by 2013 then stretched out to 2015 and is currently focusing on reaching a 2016 deadline. Notwithstanding, the drowsy step that has occasioned the integration process has influenced this objective largely. This stage ought not to be rushed as it would fit in once the EAC matures with solid structures and established policy and legal fundamentals. Accomplishment of this stage will establish framework for higher yearnings for African integration plans.

3.5 Conclusion

The EAC integration process shows 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

PRESENTATION AND ANALYSIS OF FINDINGS

4.0 Introduction

The EAC has made significant paces 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 affect 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 facilitate 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.

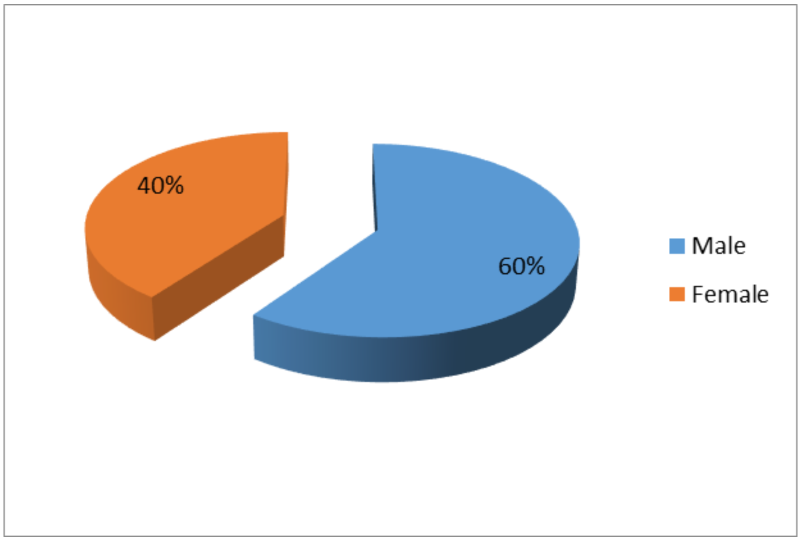
Sixty questionnaires were distributed to various respondents and out of these 48 were given back representing a high response rate of 80%.This is statistically significant to provide consistent results for the study. A response rate of over 70% is acceptable for a study and McBurney (2001) determined that a low response rate can result to a biasing effect on the study findings. The results have been presented in pie charts, figures, tables, and content delivery to explain the significant findings of the study.

4.1 Demographic

4.1.1 Gender of the Respondents

Figure 4.1 below shows the gender of respondents who took part in this study.

Figure 4.1 Gender of the Respondents



The study shows that majority of the respondents (69%) were male while 31% were female. There were more males than females who participated in this study implying that most stakeholders in the sector of trade and services were males.

4.1.2 Nationality

Respondents were asked to indicate their nationality. The findings are in Table 4.1;

Table 4.1: Nationality

	Frequency	Percent
Kenyan	16	33.4
Ugandan	11	22.9

Rwandan	5	10.4
Tanzanian	11	22.9
Burundi	5	10.4
Total	48	100.0

The findings in Table 4.1 shows a majority of the respondents (33.4%) were Kenyans. Ugandans and Tanzanians were each represented by 22.2% while Rwandan and Burundi each had 11.1%. The high number of Kenyans is attributed to the fact that Kenya is a strategic hub for business in the East African region.

4.1.3 Current Position

The respondents were asked to indicate their current position. The findings are shown in Table 4.2;

Table 4.2: Position

Current Position	Frequency	Percent
Government agencies	21	43.7
Immigration	13	27.1
Corporate	6	12.5
Business Associations	8	16.7
Total	48	100.0

*Government agency officials included those from the Ministry of International Trade and Ministry of East African Community.

*Immigration though a government agency was treated as a separate agency because of the direct interaction that the officials have with members of the EAC at border points and the feedback they gave to the study.

From Table 4.2, 44.4% of respondents were Government agencies that included officers from the Ministry of East African Community, Ministry of Trade and Ministry of Foreign Affairs, Ministry of Labour and Social Protection, 27.8% were from immigration, and 16.7% were business associations. A further 11.1% were corporate. Government agencies are many and therefore pushing the agenda for EAC integration.

4.1.4 Level of Management

Respondents were asked to indicate the level of management. The results are revealed in Table 4.3 below;

Table 4.3: Level of Management

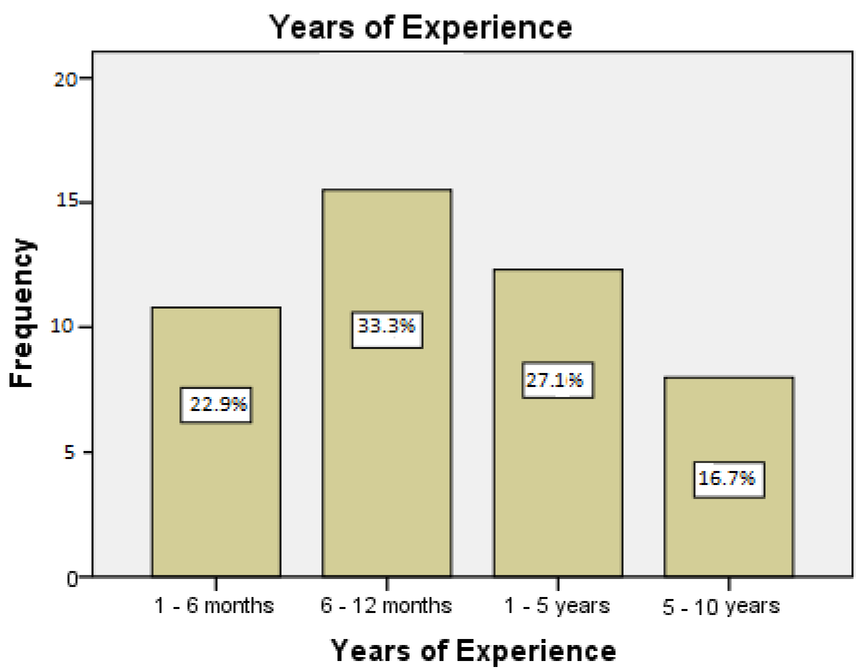
Level of Management	Frequency	Percent
Junior Level	5	10.4
Middle Level	16	33.3
Senior Level	27	56.3
Total	48	100.0

The majority of the respondents were on senior level (55.6%), 33.3% of the respondent were on the middle level while 11.1 % of the respondents were on junior level management. This shows that the respondents were spread across the three levels of management. Focus was given to the senior management given their immense knowledge on East African integration.

4.1.5 Years of Experience

The respondents were asked to indicate the years they have worked in the current position. The findings are reported in Figure 4.2;

Figure 4.2: Years of Experience



As evident in Figure 4.2, the majority of the respondents (33.3%), have worked for 6 – 12 months, 27.8% have worked for 1 – 5 years, 22.2 % have worked for 1 – 6 months while 16.7% have between 5 - 10 years of experience in their current position.

4.2 Understanding the policy issues, dynamics, and perceptions of problems and prospects of the EAC Integration by players

Table 4.4: How well are you acquainted with East African Community

	Frequency	Percent
Very Well	29	60.4%
Well	13	27.1%
Fair	6	12.5%
Total	48	100.0

From the above results, the majority of the respondents (60.4%) stated that they're very well acquainted with the EAC, 27.1% are well acquainted, and 12.5% are fairly acquainted.

4.2.2 East African Community hasn't worked for the people of East Africa

Table 4.5: East African Community hasn't worked for the people of East Africa

	Frequency	Percent
Strongly agree	3	6.3%
Agree	5	10.4%

Disagree	16	33.3%
Strongly Disagree	24	50.0%
Total	48	100.0

The results from the study show that 50.0% of the respondents strongly disagree that EAC hasn't worked for the people of East Africa. 33.3% disagreed, 10.4% agreed, and a small portion (6.3%) strongly agreed.

4.2.3 The effect of the EAC integration is being felt by ordinary people

Table 4.6: The effect of the East African Community integration is being felt by ordinary people

	Frequency	Percent
Strongly agree	11	22.9%
Agree	18	37.5%
Disagree	11	22.9%
Strongly Disagree	8	16.7%
Total	48	100.0

The results in from the study show that 37.5% of the respondents agree that effect of the East African Community integration is being felt by ordinary people. 22.9% strongly agreed, and a further 22.9% disagreed. 16.7% strongly disagreed.

4.2.4 Factors that have affected the East African Community Integration

The main challenges in EAC integration were identified by respondents to be unharmonized policies, Lack of trust among EAC people, Political instability among member states, fear of losing sovereignty and different economic setups. Others were pointed out to be a unharmonized legal framework, poor infrastructure and poor implementation of Council directives from partner states. This implies that the economic integration of EAC is hampered by both leadership at the state level in the implementation of the agreements and individual interests of the member state in maintaining political dominance of their state. Likewise, lack trust among nations result in losing confidence in the integration process and hence poor progress of the EAC integration process

Misunderstanding between leaders, political influence in economic decisions and limited democratic space in respective EAC countries affected the pace of the integration process. This implies that the state leadership in the EAC has not adequately invested concentrated efforts in pushing out the economic integration despite the protocol being signed. This further shows that the leaders are concentrating much of their efforts to address local matters than regional. This adversely affects country leaders' priorities in resource allocation on the economic integration process. The EAC block has not realized the desired level of integrations and this further indicates that EAC leadership has not yet reached the point of addressing critical areas of integrations as perceived by the citizens of respective member states. This also shows that citizens have their priorities in the economic integration process that, even though been addressed in the protocols have not impacted the people in the EAC member states.

4.2.5 Has the addition of new member states affected the growth of the integration positively?

Figure 4.3: Opinion if addition of new member states affected the growth of the integration positively

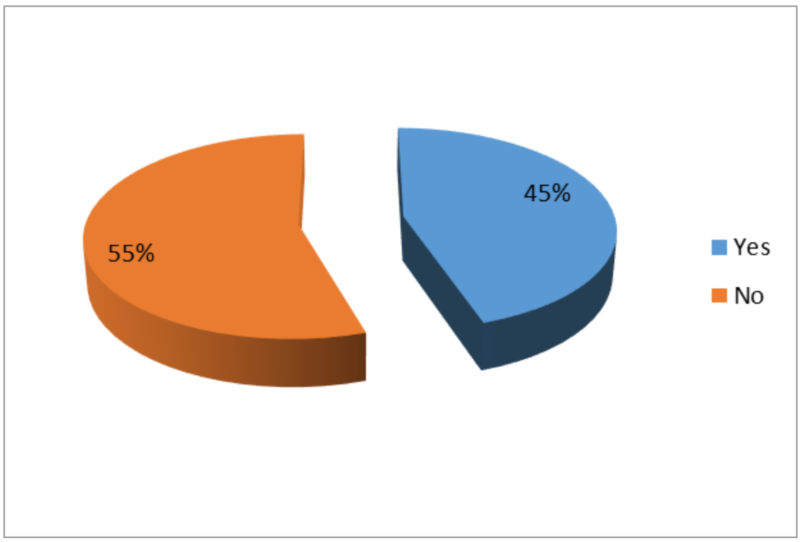


Figure 4.3 shows that slightly higher number of respondents, 55%, agreed that the addition of new member states affected the growth of integration positively while 45% disagreed.

South Sudan's bid to join EAC was approved in March 2016. The Republic of Somalia has made an application to join EAC.This development has elicited uncharacteristically heated debate in the media on the hitherto sedate and lackluster dialogue on the region's political and economic integration process. Of great concern has been the possible threat of cross border crime, increased insecurity, and terrorism. In a 2016 study carried by Strategic Intelligence sampling 300 residents of EAC member states infered that 55 per cent felt the enry of South Sudan would make the community less secure owning to potential cross border conflict and an escalation of terrorism activities. The more sober observers, on the other hand, are optimistic of an improvement and increased trade volumes, free movement and market expansion eased by a resurgence of regional extra-large infrastructure contracts including the recently launched US$26 billion port, rail, highway, oil pipeline, and fiber-optic regional infrastructure contract (LAPSSET) installed by the heads of states of South Sudan, Kenya and Ethiopia’s prime minister.

4.2.6 In order of prominence which member states do you think have implemented the integration process effectively, where 1 is the most effective and 5 is the least effective

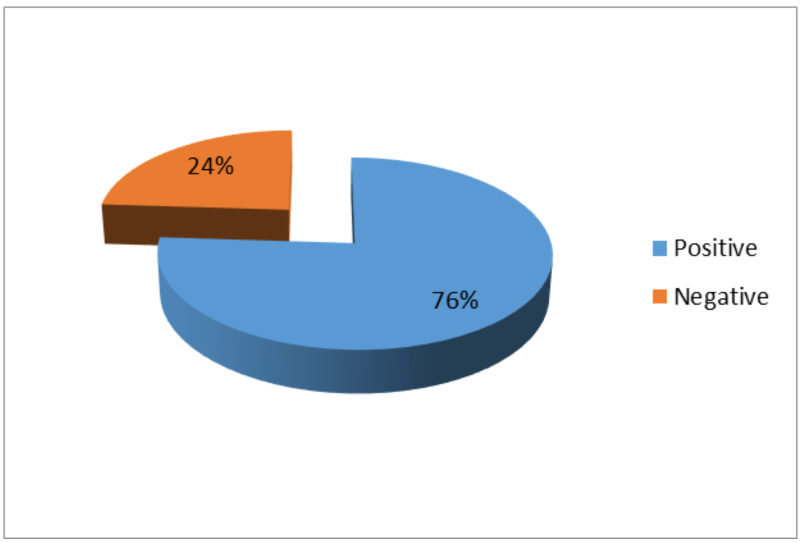
Table 4.7: Prominence of member states implementing the integration process effectively

	N	Mean	Std. Deviation
Kenya	48	2.42	.955
Uganda	48	3.12	.65
Tanzania	48	1.79	.969
Rwanda	48	4.01	.914
Burundi	48	4.66	1.163
Valid N (listwise)	48		

Tanzania and Kenya are very prominent states in implementing the integration process effectively, having means of 1.79 and 2.42 respectively. Uganda has moderate effectiveness (mean of 3.12). On the other hand, Rwanda (mean of 4.01) and Burundi (4.066) are less efficient.

4.2.7 In your view, is the impact of implementation of the East African Community integration positive or negative to a country?

Figure 4.4 Impact of implementation of EAC integration to a country



The majority of the respondents (76%) said that the impact of implementation of the EAC integration is positive to the countries involved. A further 24% of the respondents differed, saying it brings a negative effect. Majority of respondents who were in favour of the integration said they had seen increased trade volumes to their countries from other EAC member states, while also noting considerable ease in movement of people and goods across the region. Those who were opposed argued that there were loss of jobs to their countries to foreigners from other countries within the bloc and cited hurdles like complicated tax regime and other non-tariff barriers to trading with other EAC member states.

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

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

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

On the other hand, a small portion of respondents felt that the financial markets integration in the region is uneven and this makes it difficult operate smoothly.

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

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

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

The need to create investor protection policies and impart good conduct in doing business, removal and reduction of trade barriers like tariffs and non-tariff barriers, impose guidelines to facilitate the simplicity of paying fees and taxes, enable cross-border trade including free crossing across the borders for both goods and human, have a good judicial system that can ensure fulfillment of contractual obligations and resolve insolvency cases and finally automize most procedures so as to cut respondents strongly articulated the loopholes that could encourage corruption.

Above all, the states must invest in technological advancement and communication that favour trade in services. The respondents were also for the view of the abolishment of stringent procedures regarding the acquisition of Visa within the partner.

4.2.9 In the classification below of key factors critical for the integration process how effective have these services been in helping realize the integration process

Where 1 = Least Effective, 2 = Effective, and 3 = Most Effective

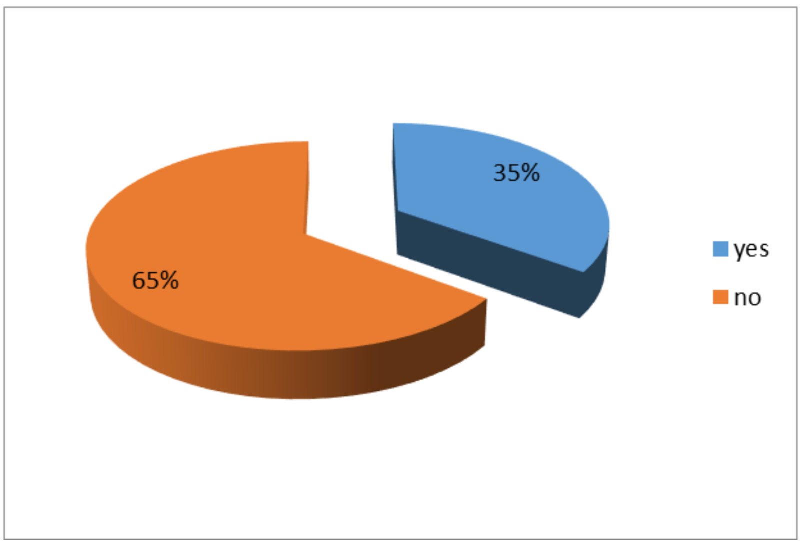
Table 4.8: Classification of key factors for the integration process

	N	Mean	Std. Deviation
Free movement of people and goods	48	1.72	.914
Elimination of Tariff and Non-Tariff Barriers	48	1.69	.995
Harmonization of rules and regulations	48	1.79	.969
Encouraging movement of labour and capital across member states	48	1.66	.965
Registering business in another Member State	48	2.34	1.163
Political will power	48	2.14	.945
Valid N (listwise)	48		

As evident from Table 4.8, respondents indicated effectiveness in registering business in another member state (mean of 2.34), political willpower (mean of 2.14), harmonization of rules and regulations (mean of 1.79), free movement of people and goods (mean of 1.72), elimination of Tariff and Non-Tariff Barriers (mean of 1.69), and encouraging movement of labour and capital across member states (mean of 1.66).

4.2.10 Has national interests by member states had an impact on the smooth operation of the integration?

Figure 4.5: Has national interests by member states had an impact on the smooth operation of the integration?



It was revealed that 35% agree and 65% disagreed that has national interests by member states had an impact on the smooth operation of the integration. Respondents pointed out that Some EAC member have personal interests in the economic integration than others. This is contrary to the article 6 (a) of the Treaty established EAC. It's mandatory for the Member nations under Article 6 (a) of the Treaty established EAC to abide by the sovereign equality, political will and principle of mutual trust to achieve the objectives of community. This implies that EAC member states are not at par as far as the objectives of EAC are concerned. Despite signing of different protocols targeting strengthening the integration of EAC, there is no consensus on the commonage of the benefits accrued from the integration process. This results in member states not entirely giving up for the common interest. Lack of trust slows down the implementation of the agreements as they are perceived to favour other countries in the EAC as opposed to be beneficial to the whole EAC block.

4.3 Prospects of Economic Growth and Development

Development and economic growth of the EAC region is an 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 resulting in development and economic growth and. The survival of countries 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 largely 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 opportunities of exploring new markets, business activities, accessibility to technology and finance (Haji, 2009).[18] 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 part of world exports and world trade, Africa's part of world trade dropped from 7.6% to 2.2% (1948 – 2005) while Africa's part of exports declined from 7.3% to 2.4% (Hammouda, 2006).[19] It 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.

[18] Haji, 2009.
[19] Hammouda, 2006.

Compared to other nations of Africa, East Africa is better off although higher growth is desirable. The table 4.9 shows East Africa's (EAC Partner States) share of Nominal GDP and Real GDP in Africa in terms of total value and ranking for each nation.

Table 4.9: East Africa's Share of Nominal GDP and Real GDP in Africa in 2005

	Nominal GDP		**Real GDP**		**Real GDP**
	Share (Africa=100)	**Rank**	**Share (Africa=100)**	**Rank**	**Billion US$**
Kenya	2.23	8	2.7	8	47.93
Tanzania	1.51	11	2.02	10	35.94
Uganda	1.09	15	1.48	13	26.25
Rwanda	0.28	34	0.4	33	7.15
Burundi	N/A	N/A	N/A	N/A	N/A

(Source: EAC Statistics, 2015)

NB: N/A indicates Not Available.

From the table above, 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 allow and focus for the strengthening of regional economic integration as an initial phase to an economic regional integration and political federation in the African continent (Haji, 2009).[20]

[20] Haji, 2009.

Table 4.10 shows the share of real and nominal GDP per capita during the same time.

Table 4.10: East Africa's share of Real GDP/capita and Nominal GDP/capita at 2005

	Nominal GDP/Capita	**Rank**	**Real GDP/Capita**	**Rank**
Kenya	531	27	1.359	25
Tanzania	360	32	1.018	31
Uganda	345	34	0.991	32
Rwanda	271	39	0.813	36
Burundi	N/A	N/A	0.3	N/A

Source: (EAC Statistics, 2015)

NB: N/A indicates Not Available

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 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 occasioned by inequity in terms of wealth distribution.

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 over- emphasized. 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.[21]

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 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 unfavorably 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

[21] Ibid.

between 2000 and 2011.

Table 4.11: Real GDP (Million US $), 2000-2014

State	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2012**	**2013**	**2014**
Burundi	-	-	-	537.9	627.8	703.2	883.9	858.4	836.8	1,331.	1,499.	1,243.	1583.11	1726.26
Tanzania	10,001.0	9,676.0	9,405.7	9,358.0	9,625.2	10,749.2	10,289.3	11,195.6	12,395.2	11,907.4	11,941.1	11,396.3	11,751.31	11,746.04
Uganda	6,261.	6,388.	6,672.	6,488.	7,437.0	8,319.	8,659.1	9,943.	11,000.	9,705.	9,613.	8,794.	8,706.15	8,337.72
Kenya	12,904.7	13,058.5	13,082.5	13,918.1	13,948.5	15,514.2	17,259.8	19,842.0	19,613.6	18,015.3	18,620.7	17,334.5	16,882.85	16,282.06
Rwanda	1,754.	1,674.	1,732.	1,534.	1,504.3	1,669.	1,790.4	1,972.	3,682.0	3,852.	4,032.	4,231.	5,014.72	5,501.58
East Africa														

Source: EAC Facts & Figures, 2015

Table 4.12: Percentage Real GDP Growth Rates (2000-2014)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Burundi	(0.9)	2.1	4.5	(1.2)	4.8	0.9	5.5	3.6	4.5	3.5	3.9	4.2	4.1	4.2	4.2
Tanzania	4.9	6.0	7.2	6.9	7.8	7.4	6.7	7.1	7.4	6.0	7.0	6.4	6.4	6.4	6.3
Uganda	4.4	6.5	4.7	6.2	5.8 F	10.0	7.0	8.1	10.4	4.1	6.2	5.9	6.8	6.8	6.8
Kenya	0.6	4.5	0.6	2.8	4.9	5.7	6.1	7.0	1.5	2.7	5.8	4.4	5.3	5.5	5.7
Rwanda	6.0	9.7	11.0	0.3	5.3	7.2	6.5	7.9	11.2	6.1	7.5	8.6	7.1	7.0	7.0
East Africa															

Source: EAC Facts & Figures, 2015

The GDP growth reveals mixed results for all five countries. Kenya had a gradual growth in its GDP from 0.6% in 2000 to 7.0% in 2007 and it experienced a fall in its growth in 2008 and 2009 at 1.5% and 2.7% 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 7.4% in 2008 to 6.0 % in 2009 respectively. Uganda had a sustained increase from 5.8 % in 2003 to 10.0 % in 2005 but experienced a fall in growth to 4.7% in 2002. Rwanda experienced a fall from 11.0% in 2002 to 0.3 % in 2003 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 3.5% to 4.8% in 2004, in 2009 to 3.5% from 5.5% in 2006 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 4.13: Percentage Annual Change in Inflation Rate (2002-2014)

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Kenya	2.7	3.5	3.5	4.0	13.0	1.6	25.5	7.6	15.6	17.3	19.1	20.9	22.6
Tanzania	4.6	4.5	5.9	4.4	7.5	6.5	9.5	7.7	9.1	9.7	10.3	10.9	11.5
Uganda	5.7	5.1	3.5	8.0	6.7	7.0	11.6	7.2	9.6	10.3	10.9	11.5	12.1
Rwanda	2.0	7.4	6.9	9.2	5.5	5.0	16.0	9.0	12.1	13.0	14.0	15.0	16.0
Burundi	3.5	10.7	8.4	13.4	2.5	3.3	19.0	10.0	12.1	12.8	13.6	14.3	15.0

Source: Report on Economic and Social Conditions for Eastern Africa sub-region, 2009

Table 4.13 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 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 unfavorably 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 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 fundamental forces are pushing the region from the kind of existence that was commonplace a few decades ago. 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 governments across East Africa have largely focused on economic growth at the expense of development growth. A report by the United Nations Economic Commission for Africa(UNECA) titled "Tracking progress on microeconomic and social development in the Eastern Africa region: sustaining economic growth and development in turbulent times", growth in GDP and an improvement of macro-economic environment in East African countries has not been commensurate with the social development of its people.

The study posits that though East African countries have been mentioned in numerous reports as the most promising in terms of economic development, they have done little to address basic concerns like food insecurity and improving the general welfare of the citizenry.

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 unfavorable climate conditions like drought can concentrate on setting up of sophisticated transport and communication infrastructure to create favorable conditions for enterprise. These are the challenges that all five countries continue to face 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 the young and able-bodied persons 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 result. While unemployed in the urban areas, most have resulted to vices like crime, prostitution, and drug abuse among other vices.

4.4 EAC Population Profile

One major goal of EAC regional integration is the unity of people in the five partner countries into one big collective block where their large populations would provide basis for markets that would attract business investment to the region. The large pooled market of approximately one hundred and thirty million people is so large such that investors would be interesting in taping the unexploited market. Table 4.14 gives a breakdown of the population changes and movements for the 5 member states from 2001-2011 coupled with their annual population growth rates over the same period.

Table 4.14: EAC Population (Millions Persons)

State		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Burundi	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.4	2.4	2.4	2.5	2.3	2.3	2.2
Tanzania	2.8	2.8	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Uganda	3.2	3.2	3.2	3.2	3.2	3.2	3.3	3.3	3.4	3.5	3.5	3.2	3.4	3.5	3.5
Kenya	2.9	3.0	2.9	3.0	2.9	2.8	2.8	2.7	3.0	1.3	1.3	1.3	0.9	0.6	0.3
Rwanda	2.6	2.6	2.6	3.1	2.7	2.6	3.2	2.7	2.8	2.9	2.8	2.9	2.9	2.9	2.9
E. Africa	**2.8**	**2.9**	**2.9**	**3.0**	**2.9**	**2.8**	**3.0**	**2.8**	**2.9**	**2.6**	**2.6**	**2.6**	**2.5**	**2.5**	**2.4**

Source: EAC Facts and Figures, 2015

The population for all the five countries has been on an increasing trend from 2001. 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 people 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 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 part of concern is the move towards accomplishment of gender balance and the advancement of the role of women in development. Governmental policy regarding minorities in society has been classified in Kenya, Rwanda, and Uganda in a bid to enhance the position of women. These demographic aspects should be considered while driving at policy measures to improve the development of the region. To achieve accelerated levels of economic growth and development, the nations must accomplish reliably high development rate. This is because the development accomplished has to be reallocated over the entire population (per capita). Population development is a central key for consideration in the analysis of how an economy benefits. High populaces are great regarding markets. An investor seeking an open door would be inclined towards an extensive business market in order to take advantage of the deals. This must however be considered with regard to the wages of the general population as utilization of goods and services is a function of the disposable income that the citizens have.

It is therefore not enough to have a high population and a high growth rate. For instance the East African Community five member states' 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 little earnings results in little savings and consequently little wealth formation and then little low investment and back to the beginning of the cycle with low income (Jhingan, 2005).[22]

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

[22] Jhingan, 2005.

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 (Feldman, 1993).[23] On the same breath, 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. 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

[23] Feldman, 1993.

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 (Karpowicz, 2007).[24] 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.

[24] Karpowicz, 2007.

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 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 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. Deepening regional linkages and interdependencies also have a great role that they have played in rendering regional bodies viable (Hashmi & Lee, 2008). It has been argued that political leaders, for political mileage, can usurp these same noble reasons. Leaders in regional integration arrangements can gain more credibility for being members of regional bodies whereas no credible benefits are realized (Fanta, 2008).

4.5 Trade Dynamics in the EAC

The major goal of East African Community is to promote and enhance trade in the region in order to achieve development and economic growth within the member nations. Table 4.15, shown below, indicates that trade shares of GDP for all member nations are statistically significant and gradually increasing over the years. However, the worldwide financial crisis also affected the region leading to a decline in 2009. It's also evident that trends in imports and exports shown by shares of GDP reveals that the region exports less to other foreign countries than they import.

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.

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 4.15: Total Intra East African Community Trade, 2012-2015 (in Million)

	Imports				**% Change from previous year**		
	2012	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Kenya	$59.5	$76.7	$188.0	$181.0	28.9%	145.1%	-3.7%
Tanzania	$175.9	$220.6	$110.1	$425.3	25.4%	-50.1%	286.3%
Uganda	$550.8	$429.7	$526.5	$566.8	-22.0%	22.5%	7.7%
Total	**$786.2**	**$727.0**	**$824.6**	**$1,173.1**	**-7.5%**	**13.4%**	**42.3%**
	Exports				**% Change from previous year**		
	2012	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**

Kenya	$831.2	$641.0	$830.4	$1,036.6	-22.9%	29.5%	24.8%
Tanzania	$142.0	$147.4	$169.4	$310.5	3.8%	14.9%	83.3%
Uganda	$87.9	$101.8	$148.8	$195.2	15.8%	46.2%	31.2%
Total	**$1,061.1**	**$890.2**	**$1,148.6**	**$1,542.2**	**-16.1%**	**29%**	**34.3%**
	Total EAC Trade Value				**% Change from previous year**		
	2012	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Kenya	$890.7	$717.7	$1,018.4	$1,217.6	-19.4%	41.9%	19.6%
Tanzania	$317.9	$368.0	$279.5	$735.8	15.8%	-24.0%	163.2%
Uganda	$638.7	$531.4	$675.3	$762.0	-16.8%	27.1%	12.8%
Total	$1,847.3	$1,617.1	$1,973.2	$2,715.4	-12.5%	22.0%	37.6%

Source: EAC Trade Report 2015

Table 4.16: Burundi's and Rwanda's Trade with the East African Community (in Million)

Trade Flows			
Imports From EAC:	**2014**	**2015**	**% Change from previous year**
Burundi	$79.54	$84.71	6.5%
Rwanda	$199.9	$299.8	49.97%
Exports to EAC	**2014**	**2015**	**% Change from previous year**
Burundi	$7.03	$9.29	32.1%
Rwanda	$37.9	$37.9	0%

(Source: EAC Trade Report 2015)

Table 4.16 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 2012, $ 824.6 million in 2014, and $ 1,173.1 million in 2015. A decline was experienced in 2013 at $ 727 million. This presents a change from -7.5% in 2013 to 42.3% in 2015. Total exports were at $ 1,061.1 million in 2012 but fell to $ 890.2 million in 2013 before rising again to $ 1,148.6 million in 2014 and $ 1,542.2 million in 2015 respectively. This also presents a change from -16.1% in 2013 to 34.3% in 2015. Total trade value for the three countries was at $ 1,847.3 million in 2012 but fell to $ 1,617.1 million in 2013. The trend was however reversed with increases to $ 1,973.2 million in 2014 and $ 2,715.4 million in 2015 respectively. This presents a change from -12.5% in 2013 to 37.6% in 2015.

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 4.16 shows growth in imports from the EAC region by Rwanda from $ 199.9 million in 2014 to $ 299.8 million in 2015 and Burundi from $ 79.54 million in 2014 to $ 84.71 million in 2015. 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 2014 to $ 9.29 million in 2015 translating to 32.1% increase while Rwanda remained constant at $ 37.9 million in 2014 and 2015 respectively.

The implementation of the Common Market and Customs Union 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 segment of intra-regional trade over entire trade and the amount of a region’s internal trade and comparing it to its trade with other foreign countries (Capannelli *et al*., 2009).[25] 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 other partner states of EAC.

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.

[25] Capannelli et al., 2009.

This provides a framework where new trade patterns can arise and with more contact, the remaining non-tariff barriers will be removed. There will be positive avenues for technology transfer from the highly industrialized countries to this region. The integration of the region, however, continues to face the challenges of a Common Market and a Customs Union 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 (Lloyd, 2010).[26] The EAC region has sought to create a huge common market that can be tapped into by business people from all 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 free movement of labor, goods, 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 favorable 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, results that are more positive are to be expected.

An understanding of EAC trade-flows calls for a critical look at the trade transactions among partner states and with other regions of the world. Table 4.17 shows export and import trade flows for the EAC region during the period between 2005 and 2008.

[26] Lloyd, 2010.

Table 4.17: Trade Flows for EAC, 2012-2015 (in Million)

Exports	2012	2013	2014	2015
Intra-EAC	$1,283.2	$1,081.1	$1,485.50	$1,947.50
To COMESA	$949.40	$1,042.60	$1,323.90	$1,906.60
To SADC	$734.20	$723.90	$526.50	$354.30
To Rest of Africa	$137.80	$258.30	$242.80	$357.70
To EU	$1,200.80	$1,191.90	$1,396.40	$2,290.60
To USA	$262.70	$328.10	$367.80	$370.70
Total Exports to the Rest of the	$1,584.10	$1,959.00	$2,263.80	$3,010.30
Total EAC Exports	**4,951.40**	**6,584.90**	**7,607.70**	**10,237.70**
Regional Trade(Imports)	**2012**	**2013**	**2014**	**2015**
Intra-EAC Total imports	1,283.2	1,081.1	1,485.50	1,947.50
From COMESA	287.50	375.00	496.00	591.80
From SADC	1,252.60	1,409.70	1,424.50	1,840.10
From Rest of Africa	14.30	122.00	17.80	109.90
From EU	1,881.90	2,496.80	3,136.90	4,163.50
From USA	741.70	556.80	950.30	731.10
Total imports from the rest of the World	5,788.10	8,390.10	11,166.00	13,964.50
Total EAC Imports	**11,249.30**	**14,431.50**	**18,467.70**	**23,348.40**

(Source: EAC Trade Report 2015)

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 2012 to $ 354.30 million in 2015. However, in terms of total exports to the rest of the world, EAC trade flows were consistently on an upward trend from $ 1,584.10 - $3,010.30 million(2012 to 2015). Total EAC imports have also been on an upward trend from $ 11,249.30 million in 2012, $ 14,431.50 million in 2013, $ 18,467.70 million in 2014, and $ 23,348.40

million in 2015 respectively. The significance of this for the EAC is that the 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 2013, -15.25% in 2014 and -23.63% in 2015. 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 unfavorable balance of trade in the same period importing far much more than it exported. This was at $ -6,297.90 million in 2012, $ -7,846.60 million in 2013, $ - 10,860 million in 2014 and $- 13,110.70 in 2015. 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 unfavorable 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 implementation of a Common Market Protocol and the Customs Union (this has however not reached acceptable levels and much more reductions are needed). The use of the ports of Dar-es-Salaam and Mombasa 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 that 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. These drawbacks 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. 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 framework. A higher CET does not 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.[27] All policy makers must carefully understand these aspects of the integration 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

[27] Ibid.

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.

4.6 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 establishment of an attractive and steady macro and micro economic environment towards this goal. Various measures towards the realization of reasonable inflation levels, relevant regulatory and legal reforms, and monetary and fiscal reforms have been undertaken by the relevant government agencies in the partner states.[28] 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 favorable 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.

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

[28] EAC Trade Report 2009.

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.[29] 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 1st 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 access to land, permanent residence, easy mobility of labour, goods, capital, and services services are crucial for opening up the region and transcending national boundaries.[103] To remain competitive as an investment destination, transportation and

[29] Report of the Conference Proceeding of East Africa Investment

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. 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 (EAC Trade Report, 2014). The investment resources came mainly from USA, China, Japan, Italy, UK, and India. Table 4.18 shows investment inflows for the EAC partner states.

Table 4.18: Investment Inflows for EAC Partner States 2014-2015 (US $ Million)

Country	**2014**	**2015**
Kenya	2,051.1	4,557.1
Tanzania	5,715.6	3,229.2
Uganda	560.7	1,254.2
Rwanda	230.5	329.5
Burundi	0.5	3.83

Source: EAC Trade Report 2015 (apart from Burundi)

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. This will help in augmenting foreign resources, which has been the focus for the region's development funding. This will place the EAC at an advantaged position for economic advancement.

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 (Rodrik, 2000).

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 (Quah, 2001). 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 critical 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 enhanced fully 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.

4.7 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 the common East African, whose lifestyle and standard of living has remained largely unchanged, has witnessed not much difference. 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 taken care of 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 civil society's and private sectors' greater role. 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 household and personal levels, the benefits realized are only best for boardroom discussions (Haji, 2009).[30] 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

[30] Haji, 2009.

progression to a political federation.[31] 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 inform the preparations vital for the successful carrying of the CM and ultimately political federation and a monetary union. The happenings of ten years under study collectively point to an EAC that will lead to better prospects in the next decade at a time when the ideal model of integrating the region will be clearer.

4.8 Conclusion

The regional integration process of the EAC has since inception been a bold attempt at harnessing the economic potential of the region for development and economic growth to benefit the East African Community. In the period under study, there has been quite substantial progress made in trade and investment. It promises 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. Now, the 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

[31] Ibid.

cumbersome for any country or group of countries that ignores the new global happenings of the 21st century. The EAC has leveraged on a number of areas for better results in 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
CONCLUSION, SUMMARY AND RECOMMENDATION

5.0 Introduction

Regional economic integration initiatives in East African Community is the key to tackle some of the problems faced in the African continent. In addition, it can benefit in creating one big market taking advantage of economies of scale, domestic and foreign investment, and improved competition raising productivity and expanding exports. Moreover, the collaboration of small domestic markets into enlarged markets will assist in lowering transaction costs. While some East Africa Community countries have made significant progress in the integration, general trend in the entire African continent has been slow. The determination by nations towards attaining stronger regional economic integration has moved according to plans but no sufficient significant achievements so far.

5.1 Summary of Key Findings

The study establishes that some important aspects of the regional integration contribute to economic transformation in the region. First, the achievement of high economic growth rate goes a long way in improving the region's strengths and placing the individual partner states' economically. Furthermore, the realization of the trade prospective of the region especially intra-regional trade has the potentiality to region's growth and development. The success or failure of the EAC is hinged on upon this foundation. It will endure to be so in the coming years particularly due to the implementation of the customs union. Thirdly, the huge investment possibility of the region gives an opportunity for the economic reorganization of the region with aim of sustaining economic development. Fourthly, development changes for the region must be considered from a bottom- up approach in relation to evaluating the spread of the proceeds of the economic growth realized to the citizens of the partner states. This will help in monitoring how effective the wealth distribution is for all the countries.

The possibility of unequal profits for the partner states has the likelihood to affect the life of the cooperation. States essentially remain in an integration arrangement so long as their welfare gains are assured (Katembo, 2008).[32] 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 is not blamable particularly for the slow pace of the operationalization of the common market and customs union (Hammouda, 2006).[33]

5.2 Conclusion

The realization of the development objectives and economic growth of EAC remain partner state's core aspirations. 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 in achieving development and economic growth.

[32] Katembo, 2008
[33] Hammouda, 2006.

The fruitful conclusion of negotiations, signing, and endorsement of East Africa Community CM Protocol is a major attainment under the Common Market. The main goal of the Common Market Protocol is to enhance and institutionalize certain requirements through harmonization of legal and regulatory framework, policies and formation of supportive institutions for effective and efficient service delivery, ease private sector investments, and wide stake holder participation.

One of the key objective of regional economic integration in the EAC was to promote development and economic growth and its successful implementation will reduce transaction costs, improved competition, facilitate economies of scale, ease macroeconomic coordination, and attract foreign investment.

5.3 Recommendations

The study recommends that the EAC should put into consideration the stages of integration to ensure the future functioning and relevance of the EAC towards the economic growth and development agenda for Africa. There is a need for greater emphasis on civic education for the citizens of the five states. A thorough understanding of how the EAC works, the various stages the integration will pass, and the key result areas is critical to the success of the region. 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 a vis the goals and targets set at the inception of the regional integration process. Moreover, in the area of policy harmonization and coordination, greater stakeholder commitment is necessary. In particular, the civil society and private sector's role must be increased and greater cooperation in the form of public-private partnerships explored (Goldstein & Ndung'u, 2001).[34] 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 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.

[34] Goldstein & Ndung'u, 2001

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APPENDICES

Appendix 1: Questionnaire

This questionnaire is part of Robert Koigi Muthoni's research project 'Regional economic integration in Africa: A review of problems and prospects with a case study of the East African Community, 2001-2015. Koigi is a final year student pursuing Masters of Arts in International Studies at the Institute of Diplomacy and International Studies (IDIS), University of Nairobi.

Information collected in this study is for academic research purposes and your answers will be treated with utmost confidentiality. Most sincerely thank you in advance for taking time to read and complete the questionnaire

PART 1: BIO DATA

Name...

Gender: [ ] Male [ ] Female

Nationality [ ] Kenyan [ ] Ugandan [ ] Rwandan [ ] Tanzanian [ ] Burundi

Please indicate your current position

[ ] Government agencies [ ] Immigration [ ] Corporate [ ] Business associations [ ]

Other…………

What position do you hold in your current position?

Junior [ ] Mid-Level [ ] Senior [ ] Other ……………………………

How long have you served in the current position?

[ ] Less than one month [ ] 1 - 6 months [ ] 6months - 1 year [ ] 1- 5 years

[ ] 5-10 years Others…………..

PART 2: Understanding the policy issues, dynamics and perceptions of problems and prospects of the EAC Integration by players.

How well are you acquainted with East African Community?

Very Well [ ] Well [ ] Fair [ ] Poor [ ]

East African Community hasn't worked for the people of East Africa

Strongly agree [ ] Agree [ ] Disagree [ ] Strongly Disagree [ ]

The effect of the East African Community integration is being felt by ordinary people

Strongly agree [ ] Agree [ ] Disagree [ ] Strongly Disagree [ ]

In your opinion list the five factors that have affected the East African community integration either positively

i)……………………………………………………………………………………
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ii)……………………………………………………………………………………
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iii)……………………………………………………………………………………
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iv)…………………………………………………………………………………

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v)…………………………………………………………………………………

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In your opinion list the five factors that have affected the East African community integration either positively

i)…………………………………………………………………………………

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Has the addition of new member states affected the growth of the integration positively?

Yes [ ] No [ ]

If Yes, describe

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If No, describe

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In order of prominence which member states do you think have implemented the integration process effectively, where 1 is the most effective and 5 is the least effective

	1	2	3	4	5
Kenya					
Uganda					
Tanzania					
Rwanda					
Burundi					

In your view, is the impact of implementation of the East African Community integration positive or negative to a country?

Positive [ ] Negative [ ]

If Positive, explain

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If negative, explain

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

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In the classification below of key factors critical for the integration process how effective have these services been in helping realize the integration process, where 3 is most effective

(Least Effective=1, Effective=2, Most Effective= 3)

Service	1	2	3
Free movement of goods and people			
Elimination of Tariff and Non-Tariff Barriers			
Harmonization of rules and regulations			
Encouraging movement of labour and capital across member states			
Registering business in another member State			
Political will power			

Has national interests by member states had an impact on the smooth operation of the integration?

Yes [ ] b) No [ ]

If yes , describe

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If No, describe

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