

**CHALLENGES FACING REGIONAL INTEGRATION: A CASE STUDY OF  
EAST AFRICAN COMMUNITY**

**BY  
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**A Research Thesis Submitted in Partial Fulfillment of the Requirements for the  
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## DECLARATION

I declare that this research thesis is my original work and has not been presented for a degree in any other university.

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## **DEDICATION**

I dedicate this work to my wife Eunice Ngila and my children Pius Ngila, Maricella Ngila Maurice Ngila and Daniel Ngila. They all encouraged me to read, complete my studies and graduate.

## **ACKNOWLEDGEMENTS**

I would like to thank the Almighty God for His guidance throughout the study period

I would also like to acknowledge the encouragement given by my family and friends throughout the study period and to all those who in one way or another, contributed to the success of this study, I say, "God bless you all abundantly".

I would also wish to acknowledge the entire fraternity of the University of Nairobi and particularly the humble contribution of my University Supervisors, Professor Maria Nzomo and Mr. Martin Nguru for their scholarly comments and value added insights that guided me through the process of writing this research project.

## **ABSTRACT**

East African integration intends to build a regional bloc, starting with a Customs Union (CU) as the entry point and eventually developing into a Political Federation. The Common Market (CM) negotiations were launched in January 2008. The mission and vision of this second generation EAC are specified as a prosperous, competitive, stable and politically united East Africa. It aims at widening and deepening economic, social, and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments. Therefore, the current study aims at addressing the challenges in the face of East African integration and to explain how each of them interacts with the others to form social political and economic barriers to integration. The study was guided by four objectives which were; to find out the role of language on regional integration in the East African Community, to assess the effects of currency on regional integration, to determine the effects of restrictions on movement of people and goods on regional integration and to assess the effects of political systems to regional integration in the East African Community.

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## **LIST OF ACRONYMS**

<b>AMU</b>	<b>Arab Maghreb Union</b>
<b>ASEAN</b>	<b>Association of Southeast Asian Nations</b>
<b>AU</b>	<b>African Union</b>
<b>AUC</b>	<b>African Union Commission</b>
<b>CCM</b>	<b><i>Chama Cha Mapinduzi</i></b>
<b>CEN-SAD</b>	<b>Economic Community of Sahel- Saharan States</b>
<b>CET</b>	<b>Common External Tariff</b>
<b>CFA</b>	<b>Communauté Financière d’Afrique</b>
<b>CM</b>	<b>Common Market</b>
<b>COMESA</b>	<b>Common Market for East and South Africa</b>
<b>CU</b>	<b>Customs Union</b>
<b>CUP</b>	<b>Customs Union Protocol</b>
<b>EAC</b>	<b>East African Community</b>
<b>EAC</b>	<b>East African Cooperation</b>
<b>EACJ</b>	<b>East African Court of Justice</b>
<b>EACM</b>	<b>East African Common Market</b>
<b>EACSO</b>	<b>East African Common Services Organization</b>
<b>EAF</b>	<b>East African Federation</b>
<b>EAHC</b>	<b>East African High Commission</b>
<b>EALA</b>	<b>East African Legislative Assembly</b>
<b>EAPMP</b>	<b>East African Power Master Plan</b>

<b>EARP</b>	<b>East African Road Network Project</b>
<b>ECOWAS</b>	<b>Economic Commission for West African States</b>
<b>EEC</b>	<b>European Economic Community</b>
<b>EPA</b>	<b>Economic Partnership Agreement</b>
<b>EPA</b>	<b>Economic Partnership Agreement</b>
<b>EU</b>	<b>European Union</b>
<b>FDI</b>	<b>Foreign Direct Investment</b>
<b>FTA</b>	<b>Free Trade Area</b>
<b>GATT</b>	<b>General Agreement on Tariffs and Trade</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>GLR</b>	<b>Great Lakes region</b>
<b>HADDIL</b>	<b>Horn of Africa Democracy and Development International Lobby</b>
<b>ICBT</b>	<b>Informal Cross-Border Trade</b>
<b>ICT</b>	<b>Information and Communication technologies</b>
<b>IGAD</b>	<b>Intergovernmental Authority on Development</b>
<b>IR</b>	<b>International Relations Theories</b>
<b>LVDP</b>	<b>Lake Victoria Development Programme,</b>
<b>MFSF</b>	<b>Multilateral Fiscal Surveillance Framework</b>
<b>NAFTA</b>	<b>North America Free Trade Area</b>
<b>NARC</b>	<b>National Rainbow Coalition</b>
<b>NEPAD</b>	<b>New Partnership for Africa's Development</b>
<b>NTBs</b>	<b>Non-Tariff Barriers</b>

<b>OAU</b>	<b>Organization of African Unity</b>
<b>OSBP</b>	<b>One-Stop Border Post</b>
<b>RECs</b>	<b>Regional Economic Communities</b>
<b>REI</b>	<b>Regional Economic Integration</b>
<b>RIA</b>	<b>Regional Integration Arrangements</b>
<b>RIIs</b>	<b>Regional Integration Institutes</b>
<b>SADC</b>	<b>Southern African Development Community</b>
<b>SADCC</b>	<b>Southern African Development Co-coordinating Conference</b>
<b>SPSS</b>	<b>Statistical Packages for Social Sciences</b>
<b>UK</b>	<b>United Kingdom</b>
<b>UN</b>	<b>United Nations</b>
<b>UNCTAD</b>	<b>United Nations Conference on Trade and Development</b>
<b>USA</b>	<b>United States of America</b>
<b>VAT</b>	<b>Value Added Tax</b>

## CHAPTER ONE: INTRODUCTION TO THE STUDY

### 1.1 Background to the Study

Economic internationalization through the formation of regional groupings is an increasingly popular model of economic development. Most regional groupings are driven by the trade development agenda<sup>1</sup>. Regional integration is not new in the East African context. The first attempt was initiated in the 20th century, culminating in the East African Customs Union in 1967. The Treaty of 1967 outlined the objectives of East African Community, EAC as “to strengthen and regulate the industrial, commercial and other relations of the partner states to the end that there shall be accelerated, harmonious and balanced development and sustained expansion of economic activities the benefits whereof shall be equitably shared”<sup>2</sup>. However, due to perceived inequality in the distribution of benefits, ideological differences and differences in levels of development and lack of political will to solve real or imagined problems the Community collapsed in 1977<sup>3</sup>. The spirit of integration was revived in 1993 when a Tripartite Agreement among Kenya, Uganda and Tanzania established the East African Cooperation (EAC). This was followed by the adoption of the Treaty of the East African Community (EAC), in 1999.

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<sup>1</sup> UNCTAD. 2009. *Economic Development in Africa Report 2009: Strengthening Regional Economic Integration in Africa*. New York & Geneva.

<sup>2</sup> World Bank (2000). *Trade blocs*. Oxford University Press, Yeats, A. (1999). “What can trade agreements do for Africa?” Policy Research Working Papers No. 2004. Washington DC.

<sup>3</sup> Alemayehu, G and Haile Kibret (2000). “Regional economic integration in Africa: a review of problems and prospects with a case study of COMESA”. First draft of Addis Ababa University working Paper.

The Treaty came into force on 30th July 2000, ushering in a new era for co-operation in economic, social and political affairs by the peoples of East Africa<sup>4</sup>

Upon inception, the most popular understanding of the advantage of an East African Community was that East African citizens would be able to move freely from one country to the other with minimal identification documents. The EAC was also perceived in terms of the opportunity to work anywhere in the region, and that East African citizens could own land in any of the Partner States. The EAC also had a political dimension. The issue of East African citizenship is vague as it has not been exhaustively set out in any of the treaty documents<sup>5</sup>. However, it is possible that citizens of member states will perceive an improvement in their sense of belonging to the East African region, with proper dissemination of information. Mobility within the Partner States is also an issue of concern to many.

East African integration intends to build a regional bloc, starting with a Customs Union (CU) as the entry point and eventually developing into a Political Federation. The Common Market (CM) negotiations were launched in January 2008. The mission and vision of this second generation EAC are specified as a prosperous, competitive, stable and politically united East Africa. It aims at widening and deepening economic, social, and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments. The

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<sup>4</sup> Jenkins, C. (2000). *"Integration and cooperation in Southern Africa"*. Paper presented during Workshop on New Forms of Integration in Emerging Africa. Geneva: OECD Development Centre.

<sup>5</sup> Kasekende, L. and N.K. Ng'eno (2000). *"Regional integration and economic integration in Eastern and Southern Africa"*. In *Sub-Saharan Africa Integration. Volume 1*. London: Macmillan Press.

corresponding primary goals are to promote mutually beneficial cooperation among partner states in political, economic, social and cultural fields, research and technology, and defense and legal affairs<sup>6</sup>. Since then, several policies and implementation machineries have been put in place to provide a platform of integration. In 2007 Burundi and Rwanda were incorporated into the EAC, thus covering part of the Great Lakes region (GLR)<sup>7</sup>.

## 1.2 Statement of the Research Problem

The revival of the East African Community (EAC) as a trading bloc, with the intention of eventually forming a political federation, has been warmly welcomed by the governments of the member states. The business community has also been enthusiastic about integration, as they stand to benefit from the opening up of a larger, regional market<sup>8</sup>. However, the pace at which the integration process is being driven seems to ignore a number of challenges which, if ignored, could scuttle the entire project.

To begin with, the issue of language could pose a major hurdle to integration. In the initial stage, three members EAC, it was resolved that Kiswahili would be the regional *lingua franca*. This was not contentious, as Kiswahili is widely spoken in Kenya and Tanzania, and is spoken to a lesser extent in Uganda as well. However, the adoption of Kiswahili ignores the status of other languages, particularly ethnic ones. Indeed, in

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<sup>6</sup> Balassa, B. (2001). *The theory of economic integration*. London: George Unwin.

<sup>7</sup> Lyakurwa, W., A. McKay, N. Ng'eno and W. Kennes (2007). "Regional integration in sub-Saharan Africa: a review of experiences and issues". In A. Oyejide, I. Elbadawi and P. Collier (eds). *Regional integration and trade liberalisation in sub-Saharan Africa: Volume 1: Framework, Issues and Methodological Perspectives*. London: Macmillan Press.

<sup>8</sup> World Trade Organization. 2002. *Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations*. Geneva:



many parts of Kenya, people prefer to speak their indigenous languages, and only use Kiswahili to speak to members of other ethnic groups. As language is the primary indicator of ethnic identity, the possibilities for migration in an integrated East Africa may also create new possibilities for ethnic conflict<sup>9</sup>

Similar concerns are expressed about the importance of currency integration. The five members of the current EAC have different currencies, and the creation of a monetary union will require them to harmonize them. However, such a monetary union should take place as a gradual process, allowing the economies of the member states to first merge, and then to come up with a common currency once economic activity has been fully integrated<sup>10</sup>. Currently, with differing economic conditions in member states, and the existence of trade barriers, it is hard to integrate the various currencies.

The ultimate goal of integration is to create a regional free trade area, with no restrictions on the movement of labour, goods and capital<sup>11</sup>. However, due to various factors, the movement of the factors of production in the EAC is currently hindered. For instance, tariff barriers, poor infrastructure and language barriers all contribute to keeping business within national borders, which does not bode well for the integration process<sup>12</sup>.

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<sup>9</sup> Mcmillan, J. (2003). "Does regional integration foster open trade? Economic Theory and GATT's Article xxiv". In K. Anderson and E. Blackhurst (eds). *Regional intergration and the global trading system*. Hemel Hempstead: Harvester-Wheatsheaf.

<sup>10</sup> World Bank (2000). *Trade blocs*. Oxford University Press, World Bank. Yeats, A. (1999). "What can trade agreements do for Africa?" Policy Research Working Papers No. 2004. Washington DC: World Bank.

<sup>11</sup> Alemayehu, G and Haile Kibret (2000). "Regional economic integration in Africa: a review of problems and prospects with a case study of COMESA". First draft of Addis Ababa University Working Paper.

<sup>12</sup> Muhika S.T, "Political Integration as the Pillar of successful economic integration", Wafubwa et al, "The drive towards economic integration in East Africa": A book in honor of Hon. Beatrice Kiraso (Arusha:EAC) 2012,p.165

Finally, the importance of political systems in the member states is another factor that has a bearing on EAC integration. With the ultimate aim of integration being a political union or federation, the different political systems of the member states will have to be harmonized. This is a daunting task, as the predecessor of the current EAC was disbanded in 1977, in the wake of political differences between the three member states at the time.

Therefore, the current study aims at addressing the challenges in the face of East African integration and to explain how each of them interacts with the others to form social, political and economic barriers to integration<sup>13</sup>.

### **1.3 Objectives of the Study**

The main objective of this study is to investigate the major challenges facing regional integration in East Africa.

#### **1.3.1 Specific Objectives**

- 1) To investigate the role of language on regional integration in East Africa
- 2) To assess the effects of currency on regional integration in East Africa
- 3) To determine the effects of restrictions on movement of people and goods in the East African Community
- 4) To assess the effects of political systems to regional integration in East Africa.

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<sup>13</sup> Muhika S.T, *Political Integration as the Pillar of successful economic integration*, Wafubwa et al, *The drive towards economic integration in East Africa*: A book in honor of Hon. Beatrice Kiraso (Arusha:EAC) 2012,p.165

#### **1.4 The Purpose of the Study**

The overall goal of the study was to investigate factors that are standing in the way of the EAC regional integration process. These involve identifying the priority regional integration concerns affecting East African integration. The study also sought to establish how individuals in the member states have been affected by EAC integration and what their views are about EAC policies. The study also identified the problems facing the EAC which impede on its capacity to deliver tangible benefits to ordinary citizens and to suggest ways on how to overcome them.

#### **1.5 Justification and Significance of the Study**

The study will fulfill policy and academic justifications

##### **1.5.1 Policy Justifications**

This study sought to evaluate regional integration issues and bring to the fore recommendations which will provide valuable insights to the Kenyan Government which can be used to prepare its own policy and to engage other Governments in the region on new challenges facing regional integration and the possible establishment of formal structures for regional cooperation. The study sought to determine the factors that affect regional integration with specific reference of the East Africa community.

##### **1.5.2 Academic Justifications**

The study will provide a new platform for further research on the challenges facing East African integration. The study is expected to generate new information about the impact of integration on the daily life of citizens, which it is anticipated will provide the basis of new policy in the EAC which will better facilitate integration. Furthermore, once the

study is disseminated it will shed light on the misconceptions held by many East Africans surrounding integration, which may also be holding back the process. Therefore the need for ultimate involvement of all stakeholders such as policy makers, relevant scholars and researchers, the governments and the partners concerned to enhance the integration into full realization.

## **1.6 Literature Review**

### **1.6.1 Overview**

In this Section, the researcher presents a review of literature related to the study. The Section first covers literature on the rationale for regional integration and existing regional integration arrangements. Literature is then reviewed on the challenges posed by currency difference, language difference, mobility of factors of production (labour and capital among others) and challenges posed by political systems. The Section also presents the summary of the research gap. It achieves this by discussing the findings of scholars contained in books, journals, articles, periodicals, reviews, conference proceedings, newspapers, seminar papers, working papers and authentic internet sources.

### **1.6.2 The Rationale for Regional Integration**

Regional integration is a rational response to the difficulties faced by countries with unfavorable economic characteristics such as small national markets, and lack of access to the sea (including Burundi, Rwanda and Uganda). Consequently, many governments have concluded regional integration arrangements, of which the East African Community (EAC) is a pertinent example. Although regional integration initiatives, including the

EAC, are characterized by ambitious targets, they often face significant challenges which affect their implementation<sup>14</sup>.

The integration process usually begins with integration of goods, labour and capital markets, and eventually monetary and fiscal integration. The achievement of a political union is the eventual goal of the East African Community (EAC), which is currently a single market of five member states (Kenya, Uganda, Tanzania, Rwanda and Burundi) with an estimated 128 million producers and consumers and a total output of US\$66bn. It is at a vantage point to reap significant benefits from its integration which will strengthen its position in the world economy<sup>15</sup>.

### **1.6.3 Regional Integration Arrangements**

There is much support from governments for regional integration, especially in Africa. Indeed since independence they have embraced regional integration as an important component of their development strategies and concluded a very large number of regional integration arrangements (RIAs), several of which have significant membership overlap. For instance, Tanzania is a member of both the EAC and the Southern African Development Community (SADC). These two economic blocs are pertinent examples of regional integration in Africa, with the EAC having a slightly longer history than that of SADC. SADC began as the Southern African Development Co-ordinating Conference (SADCC) in 1980. Its members were Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. After South Africa's democratic transition

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<sup>14</sup> Economic Commission for Africa. 2004. *Assessing regional integration in Africa*. Economic Commission for Africa Policy Research Report. Addis Ababa: ECA.

<sup>15</sup> Muthaura F.K. *The Process for the EAC Regional Integration*. Paper presented at the EAC Seminar on dialogue Regional integration in East Africa, March 19<sup>th</sup> – 20<sup>th</sup> 2001 at Arusha.

in the early 1990s, SADCC became the Southern African Development Community (SADC) in 1992 and South Africa joined it in 1994<sup>16</sup>.

SADC adopted an explicit market integration agenda and is a good example of the linear model of integration in Africa. The SADC Regional Indicative Strategic Development Plan (RISDP) of 2003 articulates the procedure for SADC's integration, via the establishment of a Free Trade Area by 2008, a Customs Union in 2010, a Common Market in 2015, monetary union in 2016 and the introduction of a single currency in 2018. However, the free trade agreement adopted in 2008 has not yet been fully implemented, and at a ministerial task force meeting in March 2010, it was decided to postpone the establishment of the customs union, without committing to a specific deadline<sup>17</sup>.

The current version of the East African Community (EAC) was founded when the presidents of Kenya, Tanzania and Uganda signed the EAC Treaty in 1999. Burundi and Rwanda acceded to the EAC in 2007. A Customs Union Protocol (CUP) was signed in March 2004, a Customs Union was launched in 2005 and a Common Market Protocol was signed in June 2010. The current EAC is a revival of an earlier East African Community, which was established in 1967 and disbanded in 1977. The EAC has also adopted a sequential approach to integration, and so has The Economic Community of West African States (ECOWAS) in West Africa. However, progress in ECOWAS to establish a Free Trade Area (FTA) has been very slow and the Customs Union is still a

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<sup>16</sup> Economic Commission for Africa. 2004. *Assessing regional integration in Africa*. ECA Policy Research Report. Addis Ababa: Economic Commission for Africa.

<sup>17</sup> Erasmus, G. 2011. *Deeper regional integration in SADC. Will EPAs undermine the process?* Working Paper, Trade Law Centre for Southern Africa.

work in progress. Nevertheless, the SADC roadmap and the EAC integration plan are good examples of Africa's integration history, reflecting the adoption of a linear integration model with ambitious targets<sup>18</sup>.

The original East Africa Community (EAC), established in 1967 comprised Kenya, Tanzania and Uganda. It collapsed in 1977 as a result of several factors including political differences, which suggests that merging political systems may be a significant obstacle in the integration process. Furthermore, lack of involvement of non-state actors, including the business community (enterprises and regional corporations), community service organizations and academics, among others, is said to have played a crucial role in the demise of the EAC in 1977. The top down model of regional integration largely driven by public sector officials and heads of state has been blamed for the ineffectiveness of African regional integration initiatives<sup>19</sup>. Despite this, the reconstituted EAC aims at establishing closer economic links through a Free Trade Area (established in 2001), a Customs Union (established in 2005), a Common Market (established in 2010), a Monetary Union initially expected by 2012 and ultimately a Political Federation. The EAC members are also collectively negotiating an Economic Partnership Agreement (EPA) with the European Union (EU), where supporting regional integration is an overarching objective<sup>20</sup>.

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<sup>18</sup> Economic Commission for Africa. 2004. *Assessing regional integration in Africa*. ECA Policy Research Report. Addis Ababa: Economic Commission for Africa.

<sup>19</sup> FAO. 2003. *Regional integration and food security in developing countries*. Rome: FAO Technical Cooperation Department.

<sup>20</sup> Viljoen, W. 2011. *Non-tariff barriers affecting trade in the COMESA- EAC- SADC Tripartite Free Trade Agreement, Working Paper*, Trade Law Centre for Southern Africa.

#### **1.6.4 Challenges posed by Language**

The East African region has many languages, and can be defined as heavily multi-lingual. Tanzania alone has 100 indigenous languages, Uganda has nearly as many as Tanzania and Kenya has more than 40 languages. These various languages represent and express multifaceted cultures with varying divides. The classification of languages is complicated by problems of distinguishing between a language and a dialect<sup>21</sup>.

The entry of Rwanda and Burundi to the EAC complicates the language issue further, as it introduces three additional languages: Kinyarwanda, Kirundi and French. Kiswahili has often been proposed as the best regional language in the EAC, as it is spoken and understood in varying extent in all member states. However, cultural and linguistic integration will be difficult due to the connection between language and ethnic identity. This is currently a problem even within member states, and is likely to be a major issue in the EAC, especially once borders are opened to allow migration.

Kiswahili and English are the most influential trans-ethnic languages in East Africa<sup>22</sup>. Indeed, Kiswahili is a symbol of identity and heritage to many East Africans. It symbolizes cultural liberation from the Western world<sup>23</sup>. However, it does not enjoy the same status in Uganda, Rwanda and Burundi as it does in Tanzania and Kenya. Although Kiswahili serves a vital role in the East African integration, it faces a number of challenges as a language. Tanzania has given Kiswahili more socio-political goodwill.

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<sup>21</sup> Chimera, R. 1998. *Kiswahili: Past, present and future horizons*. Nairobi: Nairobi University Press.

<sup>22</sup> Mazrui and Mazrui, 1998: *The Power of Babel: Language and Governance in the African Experience*. Oxford and Chicago and University of Chicago Press

<sup>23</sup> Ndung'u, N.S. (2000). "Regional integration experiences in the Eastern African region". Paper presented during Workshop on New Forms of Integration in Emerging Africa. Geneva: OECD Development Centre.



For instance, the dominant political party, *Chama Cha Mapinduzi* (CCM) has supported Kiswahili by forming institutions for its growth and spread like *Baraza la Kiswahili la Taifa* (National Kiswahili Council). Explicit policies have been articulated and implemented through the use of this language. However, with Tanzania embracing capitalism and the challenges of globalization, there is inclination towards learning English which, it is believed, enhances job prospects<sup>24</sup>.

Although English is an official language in Kenya, and it spoken widely in Uganda and to some degree in Tanzania, it is considered the language of an elite minority, and although it is taught in schools in these three countries, and it is widely spoken internationally, it is unlikely to succeed as a medium of communication at grassroots level in East Africa. Furthermore, Rwanda and Burundi use French as an official language, and so they are likely to resist English, although Rwandese government communications are becoming increasingly trilingual (in Kinyarwanda, French and English).

In Kenya Kiswahili is a compulsory subject up to secondary school<sup>25</sup>. However, Kiswahili faces stiff competition from major ethnic languages like *Kikuyu*, *Luo*, and *Kamba* besides English and other foreign languages. Although Kiswahili is used as a national language, ethnic languages are important for local communication, such as in forming political blocs which are later used in political bargaining for power. Ethnic languages in Kenya are still the single factor for reinforcing cultural identity and political mobilization.

The concept of multiple identities represented by ethnic languages challenges the view of the nation-state as a collective homogeneous entity. This continues to be a

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<sup>24</sup> Chimera, R. 1998. *Kiswahili: Past, present and future horizons*. Nairobi: Nairobi University Press.

<sup>25</sup> Chimera, R. 1998. *Kiswahili: Past, present and future horizons*. Nairobi: Nairobi University Press.

problem in East African states. An East African identity, just like a national identity, is susceptible to splitting by alternative criteria of identity formation (for example, religion and language). This is particularly prevalent in Kenya and Uganda, where peoples, groups and tribes in each nation-state steadfastly hold on to ethnic identity, and express it through language<sup>26</sup>.

Ethnic relations in Tanzania have been controlled and minimized by the development and use of Kiswahili as a national language, and the absence of relatively strong and privileged ethnic groups<sup>27</sup>. However migration under the EAC may change this scenario, as ethnic groups from other EAC states come into contact (and potentially conflict) with Tanzanians. As these ethnic groups do not share the Tanzanian esteem for Kiswahili, it is likely that they will not seek to integrate with Tanzanians, and vice versa. Similarly, extraordinary importance has been placed on ethnic concerns by both political leaders and followers in Uganda, where a territory is presumed to belong to particular people by virtue of their objective ethnic characteristics, including language<sup>28</sup>.

The ethnic question has unquestionably shaped identity and citizenship struggles in Uganda, and that this has been reinforced by the restoration of traditional rulers in Buganda, Bunyoro, Toro and Busoga<sup>29</sup>. Ethnicity remains a lingering factor in the Uganda socioeconomic and political arena and is likely to dent any progress towards a

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<sup>26</sup> Osaghae, E. E. 1996. "Competing ethnicities and contested citizenship in contemporary Africa". Paper presented at the Conference organized by The Nordic Africa Institute, Sweden and The Institute of Diplomacy and International Studies, University of Nairobi on Constitutionalism and Citizenship in Contemporary Africa, Naivasha, Kenya, 13-15 December, pp. 4- 5.

<sup>27</sup> Mpangala, G. 1998. *Inter-ethnic relations in Tanzania*, in O. Nnoli (Ed.) *Ethnic conflicts in Africa*. Senegal: CODESRIA, pp. 311-27.

<sup>28</sup> Kasfir, N. 1996. *The Shrinking political arena: Participation and ethnicity in African politics, with a case study of Uganda*. Berkeley, CA: University of California Press.

<sup>29</sup> Ssenkumba, J. 1996. *Democracy and the ethnic question: cultural nationalism and citizenship in contemporary Uganda*. Paper presented at the conference on 'Constitutionalism and Citizenship in Contemporary Africa', Naivasha, Kenya, 13-15 December.

uniform East African citizenship. To resolve these issues, what is required is a form of citizenship that is capable of negotiating both rights-based and ethnic identities<sup>30</sup>. This would likely take care of the tensions that are likely to crop up between ethnicity, nationality of respective states and an East African identity. These can manifest themselves in situations of unequal economic development, particularly where the 'alien other' is doing comparably better than the national citizens. There is need to seek a new basis of citizenship that will supersede rival ethnic identities<sup>31</sup>.

### **1.6.5 Challenges posed by Currency**

The ultimate goal of regional integration is to merge some or all aspects of the economies concerned. This usually evolves from simple cooperation on and coordination of mutually agreed aspects amongst a given number of countries to full integration or merger of the economies in question<sup>32</sup>.

By definition, regional integration entails the coming together of two or more states, normally through reciprocal preferential agreements, based on one of more of the following successively more integrating cooperation arrangements: ultimately, economic community, a single-currency common market or monetary union in which fiscal and monetary policies are unified. If political sovereignty is given up, an economic

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<sup>30</sup> Mamdani. 2006. *Citizen and subject*. Princeton, NJ: Princeton University Press.

<sup>31</sup> Kymlicka, W. & Norman, W. 1995. *Return of the citizen: a survey of recent work on citizenship theory*. In R. Beiner (Ed.), *Theorizing citizenship*. Albany, NY: State University of New York Press, pp. 283-322.

<sup>32</sup> Economic Commission for Africa. 2004. *Assessing regional integration in Africa*. ECA Policy Research Report. Addis Ababa: Economic Commission for Africa.

community becomes a federation or political union with common legislation and political structures<sup>33</sup>.

Regional integration can foster competition, subsidiarity, access to wider market (via trade), larger and diversified investment and production, socio-economic and political stability and bargaining power for the countries involved. It can be multi-dimensional to cover the movement of goods and services (i.e. trade), capital and labour, socio-economic policy coordination and harmonization, infrastructure development, environmental management, and reforms in other public goods such as governance, peace, defense and security<sup>34</sup>.

However, integration can be complicated by perceived or real gains or losses among the members that may lead to disputes and a sense of “loss” of national sovereignty. For success, integration thus requires strong commitment in implementing the agreed arrangements, fair mechanisms to arbitrate disputes and equitable distribution of the gains and costs of integration. For example, merging currencies may mean that the stronger currencies may be weakened, and weaker currencies strengthened, which may cause havoc with import and export markets.

The basic objectives that have underpinned the pursuit of regional integration are to merge economies, i.e. integrate them, and, as a derivative, thus form a monetary union. This requires a harmonization of economic policies, to pave way for convergence. Traditionally, macroeconomic convergence has focused on the maximum allowable levels for a few key indicators that have to do with fiscal discipline and monetary and

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<sup>33</sup> Mutasa, C. 2004. *Regional integration and debt: A Comparative report of Africa's regional groupings*. Harare: AFRODAD.

<sup>34</sup> Mutasa, C. 2004. *Regional integration and debt: A Comparative report of Africa's regional groupings*. Harare: AFRODAD.

financial stability, namely: rate of inflation, budget deficit and public debt, as well as external current account balance<sup>35</sup>. As each of the member countries has different levels of these indicators, it may take a considerable period of time, even years, for the member countries of a bloc to bring their indicators in line, as happened with the transition from the European Economic Community (EEC) to the European Union<sup>36</sup>.

The process of fiscal and monetary harmonization in East Africa involves the attainment of the following set of macroeconomic convergence criteria targets, grouped into traditional criteria; derivatives; derivatives of derivative and means to the end. Traditional criteria include: a reduction of current account deficit to Gross domestic product (GDP) to a sustainable level; reduction of budget deficit excluding grants to GDP ratio of less than 5 percent; and maintenance of stable competitively determined exchange rates. Derivative criteria include: maintenance of optimal market determined interest rates; maintenance of low underlying inflation to single digit rates of less than 5 percent; and building gross foreign exchange reserves to a level equivalent to 6 months of imports in the medium term. Derivatives of derivatives include high and sustainable rate of growth in real GDP of 7 percent as a minimum target annually. Means to an end criterion include: raising national savings to GDP ratio at least to 20 percent in the medium term; pursuit of debt reduction initiatives both domestic and foreign debt; and maintenance of prudential norms, strict supervision, improved corporate governance and

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<sup>35</sup> Yang, Yongzheng and Gupta, Sanjeev. *Regional Trade Arrangements in Africa: Past Performance and the Way Forward*, IMF Working Paper WP/05/36, 2005.

<sup>36</sup> Scollay, R. 2001. *The Changing outlook for Asia-Pacific regionalism*. *World Economy*, 24(9): 1135-1160.

transparency of all financial transactions<sup>37</sup>. However, it is hard to see how all of these parameters can be harmonized in the short term, especially since inflation in Kenya, for example, has been in double digits for the last few years. While it can be brought down, it will be a harder task to reduce inflation in all member states to single digits in the short term.

It is also noteworthy that the moving towards sustainable fiscal deficits that exclude external grant financing has been more difficult to achieve, given the relatively high donor dependence especially for Uganda and Tanzania. Kenya, which for many years has not received any substantial budgetary support from external donors, seems to perform better than the other two member states in the East African Community.

#### **1.6.7 Challenges posed by Mobility of Labour and Capital**

In addition to tariff, non-tariff and border barriers, many other constraints to the integration of trade exist, increasing the transaction costs of trade. Low per capita densities of rail and road transport infrastructure, which in colonial times was designed to transport primary products to port. Poorly developed cross-country connections are the outcome<sup>38</sup>. It has been pointed out that “the reality on the ground is that transport costs in Africa are still among the worlds highest. Throughout the continent, many road, air, and rail networks remain unconnected<sup>39</sup>. Overall, the high cost and unreliability of transport services contribute to a high-cost business environment in which firms are forced to keep

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<sup>37</sup> Soludo, C., Ogbu, O. & Chang H,J. 2004. *The Politics of trade and industrial policy in Africa: Forced consensus?* Ottawa/Nairobi: IDRC/Africa World Press.

<sup>38</sup> McCord, G., Sachs, J.D. & Wing, T.W. 2005. *Understanding African poverty: Beyond the Washington Consensus to the Millennium Development Goals approach*. In J.J. Teunissen & A. Akkerman (eds.), *Africa in the World Economy – The National, regional and international challenges*. The Hague: FONDAD.

<sup>39</sup> Economic Commission for Africa. 2004. *Assessing regional integration in Africa*. ECA Policy Research Report. Addis Ababa: Economic Commission for Africa.

higher levels of inventories, which means that cost-saving management systems cannot be used<sup>40</sup>.

An important objective of regional integration is to reduce the transaction costs of trade. The EAC has focused very much on the import tariff, aiming to achieve duty-free trade in goods among member states. The tariff is undeniably an important barrier but it may not necessarily be the most important one. There is abundant evidence suggesting that time consuming and inefficient border procedures, as well as corruption may be more important in inhibiting intra-regional trade. Multiple border crossings for goods to reach land-locked countries add significantly to the transaction costs of intra-regional trade<sup>41</sup>.

Easing trade regulations is increasingly important for business in a globalized world, as excessive documentation, burdensome customs procedures, inefficient port operations, and inadequate infrastructure all lead to additional costs and delays for exporters and importers, which ultimately hampers trade<sup>42</sup>. Furthermore, the importance of non-tariff barriers (NTBs) should not be underestimated. The most important NTBs hindering regional trade in the east and southern African region (COMESA, the EAC and SADC) include customs procedures and administrative requirements, technical standards and the lack of physical infrastructure<sup>43</sup>.

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<sup>40</sup> Collier, P. 2000. *Africa's comparative advantage*. In H. Jalilian, M. Tribe & J. Weiss (Eds.), *Industrial development and policy in Africa – Issues of de-industrialisation and development strategy*. Cheltenham, UK: Edward Elgar.

<sup>41</sup> McCarthy, C. 2007. Is African economic integration in need of a paradigm change? Thinking out of the box on African integration. In A. Bösl et al. (Eds.), *Monitoring regional integration in Southern Africa*, Yearbook Vol. 6 – 2007. Stellenbosch: Trade Law Centre for Southern Africa.

<sup>42</sup> World Bank. 2011. *Doing business 2011: Making a difference for entrepreneurs. Southern African Development Community (SADC)*. Washington, DC: World Bank Group.

<sup>43</sup> Viljoen, W. 2011. *Non-tariff barriers affecting trade in the COMESA- EAC- SADC Tripartite Free Trade Agreement, Working Paper*, Trade Law Centre for Southern Africa.

Movement of labour in an integrated East Africa is also subject to challenges. There is a need for a policy paradigm to reduce potential xenophobic responses to migrants of member states of the EAC through various measures. The various challenges of intra-regional migration are poor infrastructure; widespread information barriers; and lack of harmonization of the region's labour laws and regulations within member states, sporadic flow of refugees and internally displaced persons because of conflicts<sup>44</sup>. Natural calamities and illegal or under-qualified migrants also contribute to the widespread negative mindsets of the people of some of the member states in EAC toward migrants. These challenges can impact negatively to a balanced development and deeper EAC integration.

A further challenge to integration is informal cross-border trade (ICBT), brought about by the restrictions on movement that are currently in place. ICBT are imports and exports of legitimately produced goods and services which escape from the regulatory framework for taxation, and are often not recorded in official national statistics of the trading countries<sup>45</sup>. In general, the informal economy in EAC largely corresponds to the micro, small and medium-scale enterprises that are unregulated<sup>46</sup>. The negative implications of ICBT to the region's economy include understatements of intra-regional trade performance, due to unreported trade between EAC states, which leads to inaccurate records, improper planning and poor economic policy design, all of which

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<sup>44</sup> Kanyangoga, J.B. 2010. *Integrating migration with development in EAC: Policy challenges and recommendations*. CUTS Research Paper.

<sup>45</sup> Ogalo, V. 2010. *Informal cross-border trade in EAC: Implications for regional integration and development*. CUTS Research Paper.

<sup>46</sup> Ogalo, V. 2010. *Informal cross-border trade in EAC: Implications for regional integration and development*. CUTS Research Paper.



hinder the integration process<sup>47</sup>. ICBT also distorts competition by artificially lowering prices. In many instances, informal traders may supply substandard goods while undercutting their formal partners on price and market share. This unfair competition from ICBT players may prevent more productive formal firms from entering or expanding into the regional market.

ICBT is a means of tax evasion, as it leads to government losses in revenue such as value added tax (VAT) which diminishes the resources at its disposal to carry out projects that would improve the regional business environment. ICBT also encourages a culture of corruption, by breeding an environment for seeking of bribes by public administration, customs officials, the police at the border points, and along the trade routes within the region<sup>48</sup>.

The irony of informal cross border trade is that it harms integration by denying the member states revenue, yet these informal traders are doing what they would do anyway if borders were opened. Furthermore, open borders would mean full integration (the stated goal of member governments) and the end of revenue collection at border points for all traders. Thus the efforts by governments to limit informal cross border trade are an ample illustration of their ambivalence towards integration: they state that they want to integrate their economies yet they are reluctant to lose the revenues from cross border trade<sup>49</sup>.

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<sup>47</sup> Ogalo, V. 2010. *Informal cross-border trade in EAC: Implications for regional integration and development*. CUTS Research Paper.

<sup>48</sup> Hangi, M.A. 2010. *The Non-Tariff Barriers in trading within the East African Community*. Research Paper.

<sup>49</sup> Hangi, M.A. 2010. *The Non-Tariff Barriers in trading within the East African Community*. Research Paper.

### **1.6.8 Challenges posed by Political Systems**

As stated previously, the original East African Community was disbanded in 1977 due to political and ideological differences between the three member states. The current five members also have disparate political systems, and unifying them in one political entity is a daunting challenge. A political federation presupposes the existence of synchronized political systems, ideology and legal and policy frameworks. However, despite the existence of the EAC Secretariat, there is minimal coordination and implementation of agreed positions. Uganda is a quasi-military and no-party movement state, Tanzania is practicing a multiparty system that has a dominant ruling party, while Kenya is practicing multipartyism with political parties devoid of any ideology but instead driven by ethnicity and ethnic coalitions. The failure to harmonize the political systems in the region poses the danger of asymmetry. Tanzania was more vocal over her skepticism about the survival of the EAC<sup>50</sup>, particularly due to political wrangles in other member states. In Kenya, there were persistent disagreements within the then ruling National rainbow coalition (NARC). The disagreements were experienced during the first term (2003-2007) of Kibaki presidency. It is noted that, Mwai Kibaki went on to win a second Presidential term (2008-2013) and he is now retired. In Uganda the debate over President Museveni's third term, which he already won, raged. The entry of Rwanda and Burundi makes things even more complicated, as Rwanda is effectively a dictatorship, despite the existence of opposition parties and elections, and Burundi is trying to re-establish itself after years of civil war. The post election violence in Kenya in 2007 and 2008 may have

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<sup>50</sup> Daily Nation, 2005, p.1, "*MPs call for fair East Africa Federation*". 2005, April 26.

done little to reassure other East African Community members that political integration was worthwhile.

Concerns about political integration include the issue of the perceived loss of sovereignty that such an integration agenda involves. Sovereignty is a feature of states and not of governments; with governments acting on behalf of their states. Concerns about challenges to national sovereignty may arise in situations where supra-national bodies (such as the EAC) exercise powers over legitimate national matters. This has been seen, for example, in the relationship between British courts and the European Court of Human Rights. Once legal arrangements have been established to pursue regional integration, then transparency, and respect for the rules should follow. This refers to the application of the rule of law at inter-state level. However, most regional institutions have vaguely ascribed powers; hence the rules based nature of regional integration is not yet accepted by many African governments<sup>51</sup>.

Though the political will to integrate has been expressed, member states are reluctant to change from national to regional orientation<sup>52</sup>. This is evident from the non-compliance with regional laws and regulations, duplication of national activities, which should be otherwise handled at the regional level, and bureaucratic red-tape that often leads to delays in implementing regional obligations.

Having two sets of (possibly conflicting) rules, national and regional, is of great concern to the private sector. While governments enter into regional integration

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<sup>51</sup> Erasmus, G. 2011. *Deeper regional integration in SADC. Will EPAs undermine the process?* Working Paper, Trade Law Centre for Southern Africa.

<sup>52</sup> Collier (eds). *Regional integration and trade liberalisation in sub-Saharan Africa: Volume 1: Framework, Issues and Methodological Perspectives*. London: Macmillan Press.

agreements, the private sector will be responsible for the bulk of economic decisions which are the fabric of regional integration. Transparent and predictable rules are important to facilitate risk and cost management in the conduct of business. However, integration in the EAC is largely state-driven, with scant input from the private sector or other stakeholders, which leads to resistance from the business sector and the public towards political integration<sup>53</sup>.

For integration to succeed in East Africa, the EAC Secretariat needs to be empowered both with authority and resources to monitor the EAC treaty obligations of member states and individual entities, and to enforce binding sanctions against violations of the EAC treaty<sup>54</sup>. However, it is doubtful whether member states are willing to cede political power (and sovereignty) to the EAC Secretariat, which means that integration itself is in doubt. Under a political union, EAC law will be directly applicable to the citizens of EAC member states. However, several member states have recently promulgated constitutions, signifying the continuation of national sovereignty. Indeed, the Constitution of Kenya, 2010, only pays lip service to East African integration, by only stating that “any treaty or convention ratified by Kenya shall form part of the laws of Kenya under this Constitution<sup>55</sup>” thereby casting the burden upon the legislature. East African Community, EAC, is not mentioned by name in the whole of the Kenya Constitution, thereby being lumped together with any other treaty which Kenya may ratify from time to time. To show its importance, a whole chapter would have been

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<sup>53</sup> FAO. 2003. *Regional integration and food security in developing countries*. Rome: FAO Technical Cooperation Department.

<sup>54</sup> Duina, F. (2006) *The Social construction of free trade: the European Union, NAFTA, and MERCOSUR*. Princeton, New Jersey: Princeton University Press.

<sup>55</sup> *Constitution of Kenya, 2010*, Chapter 1(6), page 14

devoted to the Constitution promulgated in 2010. In the Constitution, Kenyans gave more weight to the bill of rights, land matters and citizenship than East African Cooperation.

A further difficulty with political integration is that the Treaty for the Establishment of the East African Community (1999) makes no reference to the question of East African citizenship. As noted in a recent study undertaken by the Kituo Cha Katiba, there is overwhelming evidence that a majority of East Africans are baffled as to whether the ultimate aim of the EAC is to become a trading bloc, a political federation, a unified nation or whether it is just an exercise in futility. Thus the unilateral decision by the East African Heads of State Summit to fast-track political federation, without first appraising the public about their intention, has bred anxiety over their commitment to the principle of people-centeredness and ultimately the sustainability of the EAC<sup>56</sup>.

#### **1.6.9 Summary**

The literature review has elucidated a number of challenges that confront the process of regional integration in East Africa. As far as language is concerned, it must be acknowledged that whichever language is chosen as a medium of communication, it will have to face and overcome resistance and even competition from many of the other languages that are widely spoken in the EAC. In terms of currency, the wide disparity in value between the currencies of the member states, and their varying economic parameters, mean that it will require considerable time, effort and patience to harmonize the positions of the member countries sufficiently to introduce a common currency.

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<sup>56</sup> Kituo Cha Katiba. 2005. *Report of a fact-finding mission on citizens and identity in East Africa*, Nairobi: Kituo Cha Katiba.

However, there does not seem to be the political will to do so, and this significantly harms the prospects of integration. Restrictions on mobility in the EAC are in a state of ambivalence. Governments apparently want free trade, yet they make no measures to remove tariff and non tariff barriers to trade. They claim to support free movement of goods, yet they exert themselves to collect revenue from cross border traders. EAC governments may support free movement of labour, yet the citizenry have not been consulted on this issue, making it hard to integrate.

Finally, the diverse political systems of the five EAC countries need to be harmonized. Alternatively, if they opt for a federation, each state may keep its form of governance, but there have to be certain minimum standards that all members should adhere to. Without political commitment from all stakeholders, including citizens of member states, attempts at political union will founder in the face of the same manner as efforts towards economic union.

### **1.7 Study Hypotheses**

- (a) Regional integration in Africa faces many challenges.
- (b) Regionalism in East Africa has undergone and still faces many challenges.
- (c) Regional integration in East Africa has had several benefits and positive changes.

### **1.8 Theoretical Framework**

This study is based on the theory of regionalism. In contemporary era regionalism and Regional cooperation are part and parcel of the present global economic order. Regional interdependence in the cultural, economic, political or military dimensions has become significant in today's fast

changing world. Regional economic integration theory refers to the linear increase of economic interdependence through a stage process that starts with a preferential trade area and moves on to a free trade area, customs union, common market, economic union and political union<sup>57</sup>. In the beginning of the twenty-first century, there has seen an intensified interest in regionalism across the globe. Today more and more countries are engaging themselves in reciprocal regional trade agreements and there has been a fundamental alteration in world trade landscape. To integrate itself effectively with world economy, East African Community needs a paradigm policy change. In order to tide over their differences and solve long standing intra and inter-state disputes, this region needs to evolve a comprehensive policy for economic development, welfare of the people and for the maintenance of peace in the region.

In the beginning of the twenty-first century, there has been an intensified interest in regionalism across the globe. In 1980's itself there was a spurt in regional cooperation and such advances is credited to four major reasons - expansion in European integration; the collapse of Soviet Union; a paradigm shift in US – strategy in international affairs and perspective changes in regional trade and foreign investment among developing countries.<sup>58</sup> As of now, almost every country in the world has embraced regionalism. The renewed interest in regionalism has witnessed significant enthusiasm of even reluctant actors. Now United States of America - USA, Canada, Japan and China have moved towards deeper cooperative arrangements and enhanced integration with the neighboring countries through either formal or informal institutional frameworks.<sup>59</sup> In order to analyse regionalism in international politics, it is pertinent to define the

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<sup>57</sup> Balassa, B. (2001). *The theory of economic integration*. London: George Unwin.

<sup>58</sup> Kishore C Dash, "*Regionalism in South Asia: Negotiating Cooperation, Institutional Structures*", New York: Routledge, 2008, p. 1.

<sup>59</sup> Mary Farrell, "*The Global Politics of Regionalism: An Introduction*", Mary Farrell et al, *Global Politics of Regionalism: Theory and Practice*, London: Pluto Press, 2005, p. 1.

term 'region'. The term region and regionalism are not fixed, and has been subject to multiple interpretations. The Western scholars have developed the concept of region and regionalism in the field of international relations in 1960s and 1970s.<sup>60</sup>

In political science, a region is a political sub-system where regional identity is constructed for collective action in order to attain certain definite goals. In international relations, regionalism is seen as a more diverse form of integration. The term 'regionalism' implies collective action at the regional level. The factors for regional collective action are integration, unification, conflict management and cooperation at regional level. The formation of regional grouping of organization has become a trend in the world politics since the post-World War Second not only to strengthen gradual economic integration for overcoming barriers of global trade policies but also to exploit the potential of complementary for a better allocation of available resources to mutual comparative advantages. Regionalism is about regional cooperation. It appears under certain economic conditions - regional economic interdependence and aims to improve economic efficiency and thus to reinforce market driven regionalization. Approaches to Regionalism and Regional Cooperation can be attributed to several main in the study of regionalism and regional cooperation.

Under the inter-governmental approach, this school of integration theory emphasizes on that states are primary actor in region cooperation process. These sovereign states seek to pursue regional integration only when their national interests are compatible with the regional integration goals. It involves a series of bargains between the needs of government of the states in a region. The studies on regionalism till 1970's are categorized as old regionalism. Since early 1980's, the thrust area of the theories of regional cooperation shifted from the analysis of institution building to the problems and prospects of regime formation in various issue areas concerning mutual

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<sup>60</sup> Anasua Basu Ray Chaudhury, *"SAARC at Crossroads: The Fate of Regional Cooperation in South Asia"*, New Delhi: Samskriti, 2006, p. 42.



interactions.<sup>61</sup> New regionalism which emerged in 1990's emphasized the dynamic effects of economic integration, the interaction between trade and investment and the role of institutional arrangements as incentives for regional integration. Contemporary integration typically involves a number of small regional countries that are willing to link up with a large neighboring country that plays the role of regional hegemony.<sup>62</sup>

When Haas presaged approximately thirty years ago that regional integration theory was obsolete (1975) he was far from guessing how lively the intellectual debate on regionalism would be in the decades that followed. Within academia the debate has a long time ago transcended the classic (neo) functionalist approaches and is now strongly becoming a top research agenda for not only rationalist but also reflectivity scholars. In political circles the creation of cooperative ties between different social units as a way to foster economic and social welfare is also becoming a priority.<sup>63</sup> New regionalism has been particularly useful to have a theoretical framework that could be used outside of the European context. In the recent years, there has thus been a growing tendency to apply new regionalism to explain the ongoing processes in the African continent. Such studies have permitted the taking into account of the very vibrant – but also too often left out – informal regional networks that can be found in the different parts of Africa. In these cases, what is under review is not the existing formal regional institutions and their evolution but rather the appearance and dynamics of regional trading and exchange networks that occur within a region. Hettne<sup>64</sup>, one of the proponents of a new approach on regionalism considers that:

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<sup>61</sup> Mario Teló, ed., *European Union and New Regionalism: Regional Actors and Global Governance in a Post-Hegemonic Era*. Aldershot: Ashgate, 2001. p. 3

<sup>62</sup> Bharti Chhibber, *Regional Security and Regional Cooperation: A Comparative Study of ASEAN and SAARC*, New Delhi: New Century Publications, 2004, p. 10.

<sup>63</sup> Norman D. Palmer, *The New Regionalism in Asia and the Pacific*. Lexington: Lexington Books, 1991.

<sup>64</sup> Björn Hettne(1999) "Globalization and the New Regionalism: The Second Great Transformation" in Hettne, Björn; Inotai, Andrés and Sunkel, Osvaldo, *Globalism and the New Regionalism*, Vol. 1, London: Macmillan, p.7.

“whereas the old regionalism was created ‘from above’ (by the superpowers), the new is a more spontaneous process from within the region and also ‘from below’ in the sense that the constituent states themselves, but increasingly also other actors, are the main proponents for regional integration”.

This new regionalism approach certainly provides hope to the study of African regional integration. Although the other existing theories of regional integration can provide useful inputs they nevertheless offer a framework that is firstly suited for the European integration model.<sup>65</sup> To a certain extent, a parallel can be drawn with the ways a Westphalian conception of the state has been repetitively and inadequately imposed to African states. In a similar fashion, a reading of regional integration that was very euro-centric, or more exactly European integration-centric has been applied to the African experiments at regional integration. And just as the African states have been accused of being ‘failed’ or ‘collapsed’ similar accusations have been directed towards African regional integration seen as also having failed<sup>66</sup>.

As Telò<sup>67</sup> observes “too many inward-looking economic policies, too weak institutional settlements, the legacy of colonialism, and the weight of underdevelopment do explain the failure or the marginal impact” of this wave of regionalism. Also of fundamental importance is the fact that the US channeled its energy in promoting not regionalism but economic multilateralism and non-discrimination. Attempts to create regional trading areas in Africa, North America and Latin

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<sup>65</sup> Jeffrey Fine and Stephen Yeo (1997), “*Regional Integration in Sub-Saharan Africa : Dead End or a Fresh Start ?*”, in Oyejide, T. Ademola, Ibrahim Elbadawi and Paul Collier (eds), *Regional Integration and Trade Liberalization in Sub-Saharan Africa*, Vol I, London: Macmillan, p.437.

<sup>66</sup> Ibrahim Elbadawi (1997), “*The impact of Regional Trade and Monetary Schemes on Intra- Sub-Saharan African Trade*” in Oyejide, T. Ademola, Ibrahim Elbadawi and Paul Collier (eds), *Regional Integration and Trade Liberalization in Sub-Saharan Africa*, Vol. I, London: Macmillan, p. 229.

<sup>67</sup> Mario Telò, ed., *European Union and New Regionalism: Regional Actors and Global Governance in a Post-Hegemonic Era*. Aldershot: Ashgate, 2001. p. 3.

America did not get off the ground or collapsed at an early stage<sup>68</sup>. All this motivated Ernest Haas<sup>69</sup> to declare that regional integration theory was 'obsolete' in Western Europe and obsolescent, though still useful in the rest of the world.

To Mattli<sup>70</sup>, there are three political science approaches (functionalism, neo-functionalism and inter-governmentalism) and economic approaches (customs union theory, optimal currency area and fiscal federalism). The finest piece of literature in compiling the main (new regionalism) theories was, however, edited recently by Fred Söderbaum and Tim Shaw<sup>71</sup>. In this edited volume, ten renowned scholars on the new regionalism are condensed into rationalist and reflectivist views. Drawing on all these synthesizing attempts, where one registers eighteen theoretical approaches to regionalism, the mainstream (or old) theories of regionalism are functionalism, neo-functionalism, liberal institutionalism, inter-governmentalism, regional economic integration and neo-realism.

Finally, neorealism argues that regional groupings are predominantly formed by states in response to an external security threat<sup>72</sup>. After the constructivist boom in IR theory<sup>73</sup>, and the resurgence of regional empirical activity in late 1980s, a second wave of theories emerged to complement (and sometimes compete with) the mainstream theories. Both developments were incorporated, at different degrees, by approaches to regionalism such as the world order

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<sup>68</sup> Jagdish Bhagwati, Pravin Krishna and Arvind Panagariya, *Trading Blocs: Alternative Approaches to Analyzing Preferential Trade Agreements*. Cambridge, Massachusetts and London: MIT Press, 1999.

<sup>69</sup> Ernst Haas, *The Obsolescence of Regional Integration Theory*. Berkeley: Institute of International Studies: UCB, 1975

<sup>70</sup> Walter Mattli, *The Logic of Regional Integration: Europe and Beyond*. Cambridge: Cambridge University Press, 1999.

<sup>71</sup> Fredrik Söderbaum, and Timothy Shaw, eds., *Theories of New Regionalism: A Palgrave Reader*. Houndmills and New York: Palgrave Macmillan, 2003.

<sup>72</sup> Kenneth Waltz, *Theory of International Politics*. Reading, Mass: Addison-Wesley, 1979.

<sup>73</sup> Alexander Wendt, *Social Theory of International Politics*. Cambridge and New York: Cambridge University Press, 1999.

approach<sup>74</sup>, the NRA/new regionalism approach<sup>75</sup>, the humane global governance approach<sup>76</sup> and the new regionalisms/post-modern approach<sup>77</sup>. The first two look at regionalism in a systemic and structured way, elaborating on the effects of globalization and the shaping of a regional order. In sharp contrast, the new regionalisms approach rejects any universalistic logic and draws attention to the contradictory and conflicting elements of regionalization 'from below'. Falk's<sup>78</sup> insights are somewhat different. In his writings, he tries to assess the potential contribution of regionalism to the achievement of crucial world order values like democracy, human rights and social justice. For him, regionalism is a positive trend as long as it contains negative globalism, copes with 'pathological anarchism' and confronts the 'empire-building' project of the United States (US).

Though the study on the theories attributing to regionalism are wide and somewhat complicated, the study has tried nonetheless to earmark the main features of regionalism by bringing in, with a historical posture, its main empirical and theoretical attributes. At the end, three main conclusions are worth mentioning. First, regionalization is not a recent phenomenon. Spanning several centuries, it is a process that has had different outlooks and has been molded by different actors obeying different imperatives. Although since the 1980s regionalism entered into a new phase where new agents, directions and motivations came into play, military regionalism (regional empire) was a common feature in international relations until the First World War. Second, in terms of theory, the discipline of regionalism has witnessed a flurry of publications

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<sup>74</sup> Andrew Gamble and Anthony Payne, *'Regionalism and World Order'*. London: Macmillan Press, 1996.

<sup>75</sup> Björn Hettne and Fredrik Söderbaum, "Theorizing the Rise of 'Regionness'", *New Political Economy* 5(3), p.457-473, 2000.

<sup>76</sup> Richard Falk "Regionalism and World Order: The Changing Global Setting", in Fredrik Söderbaum and Timothy Shaw, eds., *Theories of New Regionalisms: a Palgrave Reader*, p. 63-80. London: Palgrave Macmillan, 2003.

<sup>77</sup> Morten Bøås, Marianne Marchand, and Tim Shaw, *New Regionalisms in the New Millennium*. New York: Palgrave Macmillan, 2003.

<sup>78</sup> Richard Falk, "Regionalism and World Order: The Changing Global Setting", in Fredrik Söderbaum and Timothy Shaw, eds., *Theories of New Regionalisms: a Palgrave Reader*, p. 63-80. London: Palgrave Macmillan, 2003.

over the last years bringing in the postmodern apparatus and focusing on regions such as Africa and particularly for this study, the EAC. Thirdly, in empirical terms, as regionalism is by now a granted feature of global social relations new concerns are under discussion as micro-regionalism, the nexus regionalism/peace, or inter- regionalism.

As the African continent has also witnessed in the latest years a surge in the regional integration scheme, the question arises whether there is indeed a theoretical framework that can rightly explain the ongoing dynamics in Africa's integration processes. The peculiarities of the African states have already been demonstrated to pose a challenge to the existing International Relations (IR) theories. Therefore, an essential questions needs to be asked: are the regional integration theories able to explain the regional integration processes in Africa? Or in other word the theories of regional integration because of their euro-centric nature need to be challenged because they fail to rightly take into account regional integration processes occurring in different ways than what has happened and is happening in the West.

## **1.9 Research Methodology**

### **1.9.1 Introduction**

This Section discusses the research design and methodology used in carrying out the study. The Section discusses the research design, the study area, population and the sample used in the study. The sampling procedures, data collection and analysis procedures were described.

### **1.9.2 Research Design**

This study adopted descriptive research design. A descriptive study is not restricted to fact finding; but may often result in the formulation of important principles of knowledge

and solutions to significant problems<sup>79</sup>. This design involved the measurement, classification, analysis, comparison and interpretation of data.

### 1.9.3 Population of Study

Population refers to the total collection of the elements about which the researcher wishes to make inferences<sup>80</sup>. For the purpose of this study the researcher requested information from the Ministry of East African Affairs, Commerce and Tourism offices, 400 traders (both formal and informal) at the borders, and 75 custom officials at the Kenya borders which included, Busia, Namanga and the port of Mombasa.

**Table 1.9.3.1 Target Population**

Category	Population	Sample	%
Ministry of EAC	85	26	30.4%
Traders at border point	400	120	30%
Customs officials	75	23	30.5%
<b>Total</b>	<b>560</b>	<b>169</b>	<b>30.1%</b>

<sup>79</sup> Neuman, W. L. (2000). *Social Research Methods: Qualitative and Quantitative Approaches*. Fourth Edition. Boston.

<sup>80</sup> Mugenda, M.O. & Mugenda, G.A.(1999) *Research Methods: quantitative methods qualitative approaches*. Nairobi: Act press.

#### **1.9.4 Sample Design**

The main factor considered in determining the sample size is the need to keep it manageably enough<sup>81</sup>. This enabled the researcher to derive from it detailed data at affordable costs in terms of time, finances and human resource<sup>82</sup>. The researcher ensured a high degree of correspondence between a sampling frame and the sample population as the accuracy of the sample depends on the sampling frame.

The study used stratified and simple random sampling techniques. The study randomly sampled 30% of the target population; as such, the total sample size was 169. The study will sample 30% because Neuman<sup>83</sup> recognizes 10% or more as an adequate sample size in a survey study.

#### **1.9.5 Data Collection**

This section presents the research instruments, the validation and reliability assurance of the research instruments and the data collection procedure that was adopted in this study. The study used questionnaires as explained below.

##### **1.9.5.1 Research Instruments**

The main research instruments that were used in this study were questionnaires. The researcher prepared questionnaires that are open and close ended. The main reason for

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<sup>81</sup> Neuman, W. L. (2000). *Social Research Methods: Qualitative and Quantitative Approaches*. Fourth Edition. Boston.

<sup>82</sup> Mugenda, M.O. & Mugenda, G.A.(1999) *Research Methods: quantitative methods qualitative approaches*. Nairobi: Act press.

<sup>83</sup> Neuman, W. L. (2000). *Social Research Methods: Qualitative and Quantitative Approaches*. Fourth Edition. Boston.

using questionnaires is that questionnaires focus directly on the issues of the research. Questionnaires are brief and comprehensive. To ensure the reliability and validity of the questionnaires, a pre-test was undertaken. According to Mugenda and Mugenda<sup>84</sup>, the number of cases in the pre-test was 10% for small samples and 1% for large samples. 15 questionnaires were administered to the respondents for the pre-test.

#### 1.9.5.2 Validity of the Research Instrument

Validity is quality attributed to proposition or measures of the degree to which they conform to establish knowledge or truth<sup>85</sup>. It refers to the extent to which an instrument asks the right questions in terms of accuracy. Validity is the accuracy and meaningfulness of inferences which are based on research results<sup>86</sup>. The content validity of the instrument was determined through piloting, where the responses of the subjects were checked against the research objectives. The researcher carried out the pilot test with a randomly selected sample of 15 respondents.

We can estimate the proportion of true score variance that is captured by the items by comparing the sum of item variances with the variance of the sum scale. Specifically, we can compute:  $a = (k/(k-1)) * [1 - S(s_{2i})/s_{2sum}]$ . This is the formula for the most common index of reliability, namely, the Cronbach's coefficient Alpha ( $\alpha$ ) (Neuman, 2000). In this formula, the  $s_{2i}$ 's denote the variances for the  $k$  individual items;  $s_{2sum}$  denotes the variance for the sum of all items. If there is no true score but only error in the

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<sup>84</sup> Mugenda, M.O. & Mugenda, G.A.(1999)*Research Methods: quantitative methods qualitative approaches*. Nairobi: Act press.

<sup>85</sup> Paton, M.Q (2001). "*Qualitative Research and Evaluation Methods (3<sup>rd</sup> Edition)*." London: Sage Publications.

<sup>86</sup> Mugenda, M.O. & Mugenda, G.A.(1999)*Research Methods: quantitative methods qualitative approaches*. Nairobi: Act press.



items (which is esoteric and unique, and, therefore, uncorrelated across subjects), then the variance of the sum is the same as the sum of variances of the individual items. Therefore, coefficient Alpha equals to zero.

If all items are perfectly reliable and measure the same thing (true score), then coefficient Alpha is equal to 1. Cronbach's alpha is the most common form of internal consistency reliability coefficient. By convention, a lenient cut-off of .60 is common in exploratory research; alpha should be at least .70 or higher to retain an item in an "adequate" scale; and many researchers require a cut-off of .80 for a "good scale." Regarding the above explanation, in this research, Cronbach's alpha was used in order to test the reliability of items at the pilot study, after calculating this; the researcher will make the relevant changes in order to make the questionnaire reliable and bring the Cronbach's alpha to minimum .70.

#### **1.9.5.3 Reliability of the Research Instrument**

Reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data after repeated trials. In order to test the reliability of the instrument to be used in the study, a pilot study was carried out and a reliability coefficient computed. This was to establish the extent to which the questionnaires elicited the same responses every time it was administered. A correlation coefficient of 0.5 if arrived at will be considered reliable for the study. The results obtained from the pilot study assisted the researcher in revising the questionnaire to make sure that it covers the objectives of the study.

#### **1.9.5.4 Administration of Research Instruments**

Research assistants were thoroughly trained both in interpretations of responses from respondents and also in the procedure of administration. They accompanied the researcher in piloting and modifying the research instruments so that they can comprehend fully the purposes and methods of data collection. The research assistants administered the questionnaires personally to the respondents.

#### **1.9.6 Data Analysis**

The selection of most appropriate statistical analysis depends on the type of data collected and the overall design of the research project<sup>87</sup>. The researcher typically has choices as to what type of data would best answer the research question. The author further adds that the statistic procedure to be used depended on whether the data collected is quantitative or qualitative. This study applied both qualitative and quantitative data. Quantitative data is usually analyzed using parametric tests that use means and standard deviation and inferential statistics applies to qualitative data. Correlation analysis was employed in this study. The data from the completed questionnaires was cleaned, re-coded and entered into the computer using the statistical packages for social sciences (SPSS) for Windows for analysis. The study results were presented using frequency tables, graphs and pie charts.

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<sup>87</sup> Baumgardner, K.R. & Arboh, A. (1997). *A review of key research design and statistical analysis issues*. University of Michigan.

### **1.9.7 Limitations and Assumptions**

Language is also expected to pose some hurdles, as some respondents may not be fluent in English and Kiswahili, the languages which the researcher is most familiar with. Furthermore, it is difficult to determine the accuracy of some responses, as some of the questions ask the respondents to anticipate what they expect from integration in the future. It is anticipated that the respondents gave honest responses to the questions. It was also expected that the respondents were aware of the EAC and that they are knowledgeable about integration initiatives that are taking place. It was also assumed that the use of multilingual questionnaires was necessary depending on the country in which data collection is being carried out at any particular time.

### **1.10 Chapter Outline**

Chapter 1: Introduction to the study

Chapter 2: Aspects of East Africa Community Integration

Chapter 3: Challenges facing the East Africa Community Integration.

Chapter 4: Data analysis, presentation and interpretation

Chapter 5: Summary of Findings, Conclusions and Recommendations

## CHAPTER TWO: ASPECTS OF EAST AFRICA COMMUNITY INTEGRATION

### 2.1 Introduction

Though the history of cooperation in the east African region can be traced as far back as 1917, the East Africa Community, EAC, in its current format, was only established in 1999, following the signing of the Treaty Establishing the East African Community.<sup>88</sup> The EAC is the umbrella organization overseeing a pan-nation trade bloc consisting of Kenya, Tanzania, Uganda, Rwanda, and Burundi. This confederation features a single currency, common language (Kiswahili), and shared regional initiatives (e.g. technology, research, education, and tourism, etc. It is composed of five states, three of which (Kenya, Uganda, and Tanzania) were the founding partners, while Burundi and Rwanda joined in 2007.

The objectives of the Community as set out in the Treaty include the progressive formation of a customs union, a common market, a monetary union and, ultimately, a political federation.<sup>89</sup> Though the EAC has marked a number of significant milestones since its establishment – among them are the launch of the EAC Customs Union, the conclusion of a Protocol on a Common Market, and the entry into force of the latter Protocol on 1 July 2010 – these gains have been fitful and uneven. Developments on the ground have not always reflected the rhetoric of the politicians and the obligations contained in the constitutive documents.<sup>90</sup>

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<sup>88</sup> Henry Mutai, Kibet Mutai. 2007. *Compliance with international trade obligations*. Alphen aan den Rijn: Kluwer Law International, pp 116–118.

<sup>89</sup> EAC Treaty, Article 5(2).

<sup>90</sup> *Treaty establishing the East African Community*, 30 November 1999 (entered into force 7 July 2000). Available at <http://www.eac.int/treaty/>;

## **2.2 Regional Integration in Africa**

Given the nature of the Continent's economies, regional cooperation and integration are important for facilitating the integration process. The success of the European Union (EU) since the 1950s bears a strong testimony to the potential benefits of regional integration. If properly conceived and implemented, regional integration offers numerous advantages to developing economies. Closer trade links among such economies have the potential of strengthening their capacity to participate in world trade. Countries can thus overcome obstacles caused by the relatively small size of the domestic markets, by offering producers opportunities to realize greater economies of scale and benefit from the establishment of regional infrastructure. A regional approach in major structural areas such as tariff reduction and harmonization, legal and regulatory reforms, rationalization of payments system, financial sector reform, investment incentive and tax system harmonization, and labour market reform, among others, enables participating countries to pool their resources and take advantage of regional institutional and human resources. The regional approach also allows countries to have a common front for asserting their interests from a stronger and more confident position in the global market and in international economic relations.

African countries were and remain fully cognizant of the benefits of regional cooperation and integration. This realization at independence made regional integration a core element on the Continent's development agenda. The establishment of the Organization of African Unity (OAU) in 1963 by the newly emerging states was inspired largely by the determination to promote the unity of African countries and coordinate their cooperation efforts for the achievement of improved living standards for the people of the Continent. Regional cooperation and integration were also seen as vital for safeguarding the Continent's hard-won independence, ridding it of the

vestiges of colonialism and apartheid, and overcoming the legacy of external exploitation and domination.

Over the last forty years, the institutional framework for Africa's integration process has evolved through a number of phases, in response to changing realities. The establishment of the African Union (AU) in 2001 constitutes the latest phase in the development of regional cooperation and integration on the Continent.<sup>91</sup> Drawing on lessons from experience with regional integration in the post- independence years and taking account of the challenges facing the Continent in a rapidly globalizing world, the AU is expected to serve as the key instrument for the achievement of a rapid and sustainable development of Africa and the effective integration of the Continent into the global economic and financial system.

The Continent's high enthusiasm for regional integration has not been matched by commensurate political will and commitment of member states to effectively implement agreements reached under various integration arrangements. Few countries on the Continent seem to be prepared for the partial surrender and the pooling of sovereignty, which is critical for the success of any regional integration scheme. Many protocols have been signed but remain unimplemented, due to absence of effective sanctions against defaulting member states and weak enforcement and implementation capacity. Lack of political will and commitment has been reflected in the failure to meet target dates set for the attainment of objectives. The integration process on the Continent is also constrained by the high incidence of conflicts among member states. Conflicts hinder integration and development by curtailing economic activities, destroying infrastructure and constituting a serious barrier to the flow of trade and investment. Effectiveness of the process is also being limited by the multiplicity of schemes, which imposes a huge burden

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<sup>91</sup> Ethan B. Kapstein, Rene Kim and Willem Ruster. *The Socio-Economic Impact of Nile Breweries in Uganda and Cerveceria Hondurena in Honduras* (May 2009).

on the limited administrative and financial capacities of the countries concerned and leads to conflicting obligations<sup>92</sup>.

This explains why most member states find it difficult to adequately meet financial obligations to integration schemes and the failure of such schemes to effectively implement their programs and policies. Africa's regional integration process has also been set back by the poor design and sequencing of the arrangements. This is reflected, *inter alia*, in the heavy emphasis of most of the schemes on trade liberalization and market integration without much regard for the fostering of production integration/regional complementarities or the development of regional infrastructure (especially transport and communication) to drive market integration; the inability to adequately handle issues relating to human rights, good governance, accountability, and transparency, which are vital for political stability, peace and security and required for the attainment of economic objectives of integration; the absence of self-financing mechanisms for the regional integration organizations; the inadequacy of mechanisms to ensure that the benefits of integration are equitably distributed among the member states; the lack of involvement of the private sector and civil society in the integration process; and the disproportionate time allocated to conflict-related issues, which has significant implications for the skills and competencies required by the Regional Economic Communities (RECs)

Regional integration requires political will and commitment of the leaders of the EAC member states to relinquish parts of their sovereign decision making powers to a regional authority with a view to achieve the broader benefit from the economies of scale that come with larger production centers and markets. Creation of a single economic space requires them to harmonize national economic and social policies, create infrastructure and facilitate trade keeping regional development in view and bring down administrative and transaction costs. When

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<sup>92</sup> Walter Mattli. "*Explaining Regional Integration Outcomes*," *Journal of European Public Policy* (March 1999). p. 4

neighboring countries benefit from each other, peer pressure from the beneficiary citizens creates soft policy coordination<sup>93</sup>

More substantive policy coordination and implementation comes with regional institution building, better coordination among adjudicatory, regulatory and administrative agencies of the countries and the eventual creation of regional agencies to enforce policies. Such collective action usually requires a champion, a leader among the participating nations to drive and even subsidise the regional integration efforts of weaker partners. Harmonisation of and coordination for aligning the national development plans of member states in the medium to long term should go hand in hand with developing research based policy options that emphasise the benefits of the integration process to EAC households and individuals in each of the member states. The cultural and historical affinities among the peoples of the region will help in ensuring support from masses.

### **2.3 History of East Africa Integration**

Initially, Kenya, Tanzania, and Uganda were the original constituency members of the EAC with Rwanda and Burundi being accepted as members in November 2006. An official ceremony and treaty signing for the inclusion of Rwanda and Burundi was held on June 18, 2007<sup>94</sup>. This consortium, starting with the integration of Kenya, Tanzania, and Uganda, is actually a revival of the old East African Cooperation which collapsed in 1977, after a 10-year existence.

To understand why the EAC concept had to be re-launched, the circumstances and issues affecting its demise and collapse must be revisited and accessed. In the 1890s, British colonial

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<sup>93</sup> Simms & Simms (2007) *"The Building Blocks of Successful Regional Integration: Lessons for the CSME from other regional integration schemes"*. Conference paper available at: <http://sta.uwi.edu/conferences/salises/documents/Simms%20R%20-%20Simms%20E.pdf>.

<sup>94</sup> T. Cocks. (2007) *Rwanda, Burundi sign East African Community deal*. Retrieved June 20, 2007 from <http://africa.reuters.com/top/news/usnBAN923545.html>.



interest in East Africa (conceived as a region from a territorial perspective) can be traced back to accomplishing three major objectives: 1) securing control of the Nile headwaters as a conduit for protection of British position in Egypt and the Suez Canal, 2) monitoring of pre-World War I era German imperial plans in the region, and 3) opening up the Kenyan hinterland via rail transport to introduce lucrative large-scale farming. At this time, the East African region, colonized under British control, was comprised of Tanganyika (i.e. mainland Tanzania), Kenya, Uganda, and Zanzibar (an island off the coast of Tanganyika).<sup>95</sup>

In 1948, Britain set up the East African High Commission (EAHC), which oversaw a variety of common service initiatives for the region that is currently comprised of Kenya, Tanzania, and Uganda; e.g. regional university (namely, the University of East Africa), railways, harbors, airways, unions (postal and customs), and departments (telegraph and meteorology), etc. The East African Common Services Organization (EACSO) was established in 1961 to replace the EAHC, which was deemed politically unacceptable, following that Tanganyika had attained independence from Britain in the same year. It was to manage many of the integration services of the region in the mode of the predecessor organization, East African High Commission, EAHC. With Zanzibar and Kenya in 1963 and Uganda in 1962 becoming independent from Britain, the presidential leadership of the newly independent countries (Julius Nyerere –Tanzania (formed from 1964 geo-political merger of Tanganyika and Zanzibar), Jomo Kenyatta - Kenya, and Milton Obote - Uganda) thought that political and economic prudence called for engaging in the continuance of the common services initiatives, but under African direction and customization<sup>96</sup>

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<sup>95</sup> Africa Business Pages. (2003) *The East African Community: East African countries of Kenya, Uganda, and Tanzania establish the East African Community (EAC) to boost regional trade*. Retrieved June 13, 2007 from <http://www.africa-business.com/features/eac.html>.

<sup>96</sup> K. Kamanga. (2004) *Some Constitutional Dimensions of East African Cooperation*. Retrieved June 17, 2007 from <http://www.kituoachakatiba.co.ug/Constm%202001%20%20Khoti%20EAC.pdf>.

In summary, the East African Cooperation (1967-1977) crumbled from the administrative failure of its leadership to resolve the collective impact of six major, on-going issues: 1) lack of political will, 2) insufficient information distribution and confederation concept buy-in amongst tri-state rank & file citizenry, 3) inequitable fiscal redistribution of gains, 4) inter-territorial imbalances in trade, 5) currency system disharmony, and 6) constitutional impediments. Unresolved issues one through five is self-explanatory; however, constitutional impediments will be explored further from a political, financial, and institutional standpoint. Following divergent paths being taken by member states in terms of political architecture, social laws, and civil liberties, Idi Amin Dada's 1971 seizure of power in Uganda by the overthrow of the Obote regime exacerbated regional tensions and strained political communication amongst the tri-partner governments.<sup>97</sup> Adding fuel to fire, President Amin's egomaniacal personality, bullying, confrontational theatrics, and open assertion that power in East Africa revolved around him created a hostile political climate for meetings of the East African Authority - the main body that helped keep the territorial administrative structure operational; as a result, the East African Authority ceased meetings and operation in 1971. On the financial end, sentiments of economic nationalism gave way to each of the partner states effectively withdrawing from a common currency and developing separate state currencies and central banks.

This withdrawal from the common market approach created a decline in intra-East Africa trade levels, imbalances in inter-state remittance, and loss of foreign private investment over perceptions/concerns about economic instability. On the institutional front, micro-management of East African Cooperation business and affairs by officials from member state governments took place because different administrative committees took too long for decisions to be reached and many issues were thereby left dangling and unresolved, leading to organizational chaos and

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<sup>97</sup> Petersen, T. (2005). *The EAC: The fast guide*. Retrieved June 13, 2007 from <http://www.uganda.ms.dk/MShikamano/April2005/MShi0405p4.htm>

confusion.<sup>98</sup> The demise of the 10-year old organization was culminated in June 1977 when the partner states withheld approval for the general fund services budget for the year beginning July 1, 1977. As previously mentioned, the service budget provided itemized financial allocations for training, auditing, management and research matter expenditures.

The re-launch of the integration idea and initiative under the new name of the East African Community in 2001 was predeceased by a series of forward-moving political highlights occurring after the East African Cooperation collapse in June 1977.<sup>99</sup> Having taken steps to avoid repeating the old mistakes, the EAC, born in 2001, encourages regional resource pooling and regional free trade; this new trade bloc (703,842 sq. mi.) represents a practical, modern-era application of *ujamaa* (Kiswahili for collective work). With the acceptance of new members Rwanda and Burundi, the bloc's population and territorial space increases from 90 million to around 115 million people with an additional land annexation of 681,980 sq. mi. as a consequence<sup>100</sup>. In this age where the challenges of globalization necessitate greater cooperation between countries to enhance socioeconomic development, the EAC initiative and concept is expected to boost the political and economic clout of the region – a territory which is also rich in various natural resources (e.g. forests, minerals, exotic wildlife, and water).

The main purpose of establishing the EAC is to strengthen regional cooperation, infrastructure and development via full political, economic and cultural integration of the member states. Some of the areas of cooperation include commerce, technology, health, environmental concerns, and tourism. The EAC also cooperates in political matters including defense, security,

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<sup>98</sup> Ngambi, M. & Katembo, B. (2006) *Historically Black Colleges and Universities: A Think Tank Resource for Africa*. Retrieved June 13, 2007 from

[http://www.ipanafrican.com/docs/vol1no6/HistoricallyBlackCollegesandUniversities\\_vol1no6.pdf](http://www.ipanafrican.com/docs/vol1no6/HistoricallyBlackCollegesandUniversities_vol1no6.pdf)

<sup>99</sup> Kasasira, R. (2007) *East Africa: Rwanda, Burundi to Sign EAC Treaty in Kampala*. Retrieved June 13, 2007 from <http://allafrica.com/stories/200706110105.html>.

<sup>100</sup> African Union. (2007) *Wikipedia, the free encyclopedia*. Retrieved June 19, 2007 from [http://en.wikipedia.org/wiki/African\\_union](http://en.wikipedia.org/wiki/African_union).

foreign affairs and judicial matters. Under the auspices of the EAC, the pan-nation region will feature a common currency, a common legislative assembly, a common language, and shared initiatives on research, regional transportation and resource usage<sup>101</sup>.

#### **2.4 The Political-Economy Context of the EAC Integration**

The EAC integration process has four main strands: the now quite advanced process of establishing a free - trade area and customs union; the promised but still largely unrealized opportunities for cooperation in the provision of public goods and services; the process initiated in 2006 of negotiating a common market; the eventual goal of political union under a federal constitution (following monetary union).<sup>102</sup> In each of these areas, structural factors, institutions and agents interact differently.

The four strands of integration do not have the same potential to contribute to an acceleration of economic development and poverty reduction in the region. Although it will produce economic change, the customs union is not the most relevant process from the point of view of increasing the pace of poverty-reducing economic growth. Both cooperation to provide public goods and the negotiations on the creation of a full common market are potentially more important. This conclusion depends in part upon an assessment of the principal obstacles to more successful development in the three current EAC member countries. In neopatrimonial systems, the state has a bureaucratic (law- and rule-governed) façade, but political motivations are mostly about short-term advantage and the dispensing of patronage.

Ethnic and other particularistic loyalties play a significant role. Rather than constituting a merely dysfunctional system or historical aberration, this pattern is a significant feature of the

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<sup>101</sup> Africa Business Pages. (2003) *The East African Community: East African countries of Kenya, Uganda, and Tanzania establish the East African Community (EAC) to boost regional trade*. Retrieved June 13, 2007 from <http://www.africa-business.com/features/eac.html>.

<sup>102</sup> Society for International Development, *The State of East Africa 2006: Trends, Tensions and Contradictions*, Nairobi: SID, 2006.

way 'Africa works'. Although some of its features may be socially stabilizing, it has clearly negative consequences for economic development. It encourages the kind of business that flourishes in protected niches where rents can be extracted. It creates a climate that is generally unfavorable to long-term, large-scale investments because policies are unstable, and risks and transaction costs are high. The consequences are particularly serious in agriculture and rural markets, where the potential for poverty-reducing growth is greatest.<sup>103</sup> Larger investors who might solve coordination problems, build infrastructure and provide efficient marketing for smallholders stay out because the 'rules of the game' are not predictable. Thus, the most important question about East African integration is whether it provides any new means by which citizens of the countries might address this core challenge.

Despite their obvious differences, Kenya, Tanzania and Uganda share many development challenges. The three countries are apparently undergoing the same demographic transition, with substantial lags but posing similar challenges to education systems and job markets. Economic growth constraints arising from weak infrastructure and energy supply are more or less serious across the region. Policies for market-based development have been improving, but too slowly for investment and employment needs to be met. Failure to attract sufficient private capital and expertise into agriculture to transform the livelihoods of the poor majority of the population is a critical challenge in all three countries. The political and economic systems of these countries differ.

However, they also share some important features, which have persisted through time. In all three countries, the quality of policy making is limited by the interest of politicians in the 'discretion' that incomplete economic liberalization and imperfect regulation give them. The importance of discretion arises from the character of the political system, or the form of the state.

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<sup>103</sup> Matthew Lockwood, *The State They're In: An Agenda for International Action on Poverty in Africa*, London: ITDG Publishing, 2005.

As in other parts of sub-Saharan Africa, the state is a hybrid structure, characterized in the political science literature as neopatrimonial.<sup>104</sup>

It is clear that the political and economic drivers of the new EAC are different from those of the former Community. The thinking of the political elites is nonetheless quite strongly influenced by the earlier experience. In economic terms, the trade effects of the customs union have limitations that differ in detail but not in kind from those of the former EAC. But this time the trade effects are not the most important mechanism by which the integration process should be expected to influence development in the region.

There do appear to be a coherent set of political drivers behind the re-launching of the EAC. There is some truth in the humorous version of the contrasting motives of the three countries – that Kenya is interested in exporting surplus capital and Uganda in an outlet for its surplus labour, while Tanzania wants to realise a Pan-African vision. However, this underrates the commonalities.

History and historical symbolism are very important in all three countries. Members of the national elites who are old enough to remember tend to share memories and quite a sharp sense of loss concerning the rise and eventual dissolution of the former Community. This sense of history combines easily with the motivations that ambitious Politicians share. Acting on the regional stage helps some leaders of all three countries project themselves as statesmen of a higher order. For the national leaderships, EAC institutions bring significant new powers to dispose and depose. They are an additional resource for rewarding political loyalty, creating obligations and generating support.

The ideology and these political and economic practicalities are woven together and are hard to separate. This political vision of the EAC is, however, not very widely shared outside the

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<sup>104</sup> Thomas N. Kibua and Arne Tostensen, *Fast-tracking East African Integration: Assessing the Feasibility of a Political Federation by 2010*, Bergen: Christian Michelsen Institute, CMI Report R2005:14, 2005.

elite and the relatively elderly. Despite an enhanced sense of East African identity arising from modern communications, the youthful mass of the population is not well informed about the process in any of the three countries. Commitment to the formal EAC idea is relatively narrow, in both social and generational terms. This will make it vulnerable, especially as it advances beyond the current stage and begins to affect issues of mass concern such as jobs and pensions. Donors are providing substantial support to the EAC as well as to other Regional Economic Communities (RECs) in Africa.<sup>105</sup> This does not necessarily make the process donor - driven. Senior politicians make all the key policy decisions relating to membership of RECs, as is underlined by the story of Tanzania's withdrawal from COMESA, and its insistence on staying within the SADC bloc for the Economic Partnership Agreement negotiations with the European Union. The principal components of the customs union (CU) agreement are 1) a Common External Tariff (CET) on imports from third countries; 2) duty-free trade between the member states; and 3) common customs procedures. The agreed CET follows the tariff-escalation principle, with different rates for raw materials (0%), intermediate products (10%) and finished goods (25%), the latter percentage being fixed as the maximum.

This contrasts with former normal maxima for Kenya of 35%, for Tanzania of 40% and for Uganda of 15%, meaning a reduced level of protection with respect to the rest of the world for Kenya and Tanzania but increased protection (higher import costs) for Uganda – whose development model has been the most export-oriented of the three. The removal of duties on trade within the CU, on the other hand, has the effect of reducing protection against competitors within the region, particularly creating greater openness of the Tanzanian and Ugandan markets to imports from Kenya ('the lion is now inside the cage with the goat', as one Ugandan entrepreneur put it). The customs union phase of integration is, however, not yet fully

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<sup>105</sup> Matthew Lockwood, *The State They're In: An Agenda for International Action on Poverty in Africa*, London: ITDG Publishing, 2005.

implemented. There is a Common External Tariff and tariff-free movement of goods and services, but there remains a substantial list of exclusions, transitional arrangements and derogations in favor of non-EAC trading partners. The technical work to harmonise and modernise the customs procedures in the EAC's major ports of entry is also incomplete. There is a fairly large literature on the expected revenue, trade and welfare effects of the fully implemented CU. The bulk of this is based on comparative-static simulation exercises designed to show the one-off impacts of introducing immediately the full tariff package of the CU.<sup>106</sup>

From a trade-integration point of view, the EAC does not seem to be a well-chosen unit. In the technical language used in this field, the three economies are neither very complementary nor very competitive. Current trade between the three countries is small compared with their trade with the rest of the world, and only really significant for Kenyan exports. Although an improvement on fragmented national markets, the EAC's 105 million people (after inclusion of Rwanda and Burundi) do not form a large market in global terms, given the very low level of average incomes. At best, the EAC integration process can be seen as a useful stepping-stone on the way to greater integration into the world economy with lower levels of protection.

The discussion around fast-tracking political union was initiated in 2004. According to the EAC Treaty, political federation is the final stage of integration, to be negotiated only after economic integration has reached an advanced stage. Revisiting this agreement and 'fast-tracking' political union was proposed by President Museveni at the 2004 meeting of Heads of State.<sup>107</sup> There was sufficient consensus on the subject among the three presidents for them to appoint a high-level committee headed by Hon. Amos Wako of Kenya to investigate the possibility of expediting and compressing the process of integration so as to achieve political

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<sup>106</sup> Society for International Development, *The State of East Africa 2006: Trends, Tensions and Contradictions*, Nairobi: SID, 2006.

<sup>107</sup> Society for International Development, *The State of East Africa 2006: Trends, Tensions and Contradictions*, Nairobi: SID, 2006.



federation sooner than previously visualised. The report of the Fast Track Committee was presented to the next meeting of the presidents in mid-2005, endorsed in principle and sent out for further discussion in the three countries. Action on it was postponed until after the Tanzanian and Ugandan elections of late 2005 and early 2006. Six months of public discussion were announced in October 2006. The three presidents have since given further support to the proposal. However, there remain many doubts about its feasibility. <sup>108</sup>

## **2.5 Status of Cooperation in East African Community**

As pointed out earlier, the regional co-operation and integration envisaged in the EAC is broad based, covering trade, investments and industrial development; monetary and fiscal affairs; infrastructure and services; human resources, science and technology; agriculture and food security; environment and natural resources management; tourism and wildlife management; and health, social and cultural activities. The countries of EAC have agreed and together are now negotiating the Economic Partnership Agreement (EPA) with the European Union and have already signed a trade pact with the European Union. This was a tough decision to achieve because Kenya and Uganda were negotiating the EPA under COMESA while Tanzania was negotiating under SADC. Negotiating together as a bloc is more beneficial as these countries are very small to have substantial impact in multilateral negotiations individually.

The EAC member countries have introduced a common passport valid within the community to facilitate cross-border movement of the nationals of its member states and it issued in all three EAC member countries. The holder of the passport (EAC passport) can enter any East African country for a period of six months without the need to stamp his/her passport. The East African passport is designed to ease cross border movements for citizens of the member states. Other measures to ease border crossing for East Africans include issuance of inter-state passes

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<sup>108</sup> Society for International Development, *The State of East Africa 2006: Trends, Tensions and Contradictions*, Nairobi: SID, 2006.

which commenced on 1st July 2003; a single immigration Departure/Entry card which has been adopted by the partner states; harmonization of the procedures of work permits and the classification process which has been finalized; and the studies on the harmonization of Labor Laws and Employment Policies which are at their final stages of compilation.<sup>109</sup>

Also economic co-operation and development have been prioritized in the ongoing regional programme in the EAC. A number of identified regional projects, which are deemed to have the greatest impact on the lives and livelihoods in the region, are underway. These include the Lake Victoria Development Programme - LVDP, the East African Road Network Project – EARP, East African Power Master Plan – EAPMP and other high profile infrastructure projects that are at various stages of implementation.<sup>110</sup> EAC member countries are also working together towards improving communications and transportation within and across the borders of the member states. Information and Communication technologies (ICT) have spread more rapidly in the East African and are seen as very important to the region's economic development, democratization, social advancement, cultural progress and competitiveness.

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

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<sup>109</sup> EAC official website <http://www.eac.int> accessed on January 18, 2013

<sup>110</sup> EAC Development Strategy 2006-2010.

Regional infrastructure interventions are very important in attracting investment, improving competitiveness and promoting trade. The partner states of EAC have also adopted together an action program that will focus on increased employment and poverty reduction in the region.<sup>111</sup> Poverty remains high in all partner states and the general characteristics are similar between the member states. The EAC policies, projects and programmes intend to contribute completely and automatically to poverty reduction through their general focus on integration. The EAC projects and programs are assessed so as to know how they contribute towards poverty eradication in the region. In the area of labor and employment EAC member states have adopted a harmonized classification for issuance of entry/work permits consisting of twelve sectors and classes of entry/work permits.<sup>112</sup>

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

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

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<sup>111</sup> EAC Development Strategy 2006-2010.

<sup>112</sup> EAC Development Strategy 2006-2010.

partner states in ensuring sustainable use of Lake Victoria is vital for the sustainability of the lake and the Commission is responsible in overseeing the management and development of the lake Victoria Basin.<sup>113</sup> In relation to cooperation on development of human resources, and science and technology, partner states are working on the protocol on the establishment of a Science and Technology Council and it is under a good stage of clearance while the regional study on harmonization of curricula, examinations, certification and accreditation has to be concluded.<sup>114</sup> The East African Advisory Committee on Education, Research and Training has been formed and is active since 2002. Regarding political matters, peace and security, legal and judicial affairs, the EAC partner states have established two important organs namely East African Court of Justice (EACJ) and the East African Legislative Assembly (EALA). Also there are memoranda of understanding guiding cooperation in foreign policy, and in defense and security.

## **2.6 Progress at the Continental Level**

From the dawn of the independence era, virtually all African countries have embraced regionalism. Today, there are more regional organisations in Africa than in any other continent and most African countries are members of more than one regional integration initiative. At the same time, it is widely recognised that many initiatives did not live up to expectations. Why did these initiatives only produce limited results so far? Were the challenges and constraints simply too formidable? The underlying reasons for the disappointing record need to be thoroughly examined and understood if African integration initiatives are to realise their potential.

The commitment to regionalism was part and parcel of the broader aspiration of continental integration, a vision that led to the creation of the Organisation of African Unity (OAU) in 1963. The recent transformation of the OAU into the African Union (AU) has

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<sup>113</sup> EAC Development Strategy 2006-2010.

<sup>114</sup> EAC Development Strategy 2006-2010.

significantly strengthened the movement towards the goal of Pan-African political and economic union. However, the new setup at the continental level leads to the question of how the regional and sub-regional initiatives and the AU can become mutually reinforcing. In addition to the regional initiatives within Africa there have been proposals and actual negotiations aimed at establishing North-South integration arrangements between Africa and developed countries or regions. These include the Economic Partnership Agreements (EPAs) presently being negotiated between four groups of African countries and the European Union (EU). At the global level, almost all African countries became members of the World Trade Organization (WTO) or applied for membership. As a result, regional initiatives must adhere to the rules of the multilateral trading system, which, among other things, are important for the North-South trade arrangements. Another relevant point is the extent to which regional initiatives could help the African countries participate more effectively and take fuller advantage of the global economy.

Africa's regional economic communities (RECs) are undertaking various activities and programmes in many areas of integration. This report is intended to capture the progress made in key integration areas, such as trade, investment promotion, infrastructure, the free movement of persons, macroeconomic convergence, agriculture and food security, peace and security, social affairs, tourism, industry and planning, and monitoring and evaluation. Progress made, challenges encountered and the future outlook in each of the above mentioned sectors are analyzed.<sup>115</sup> The report also assesses the status of integration at the continental level, especially at the level of the African Union Commission (AUC), by capturing the progress made in the implementation of the key African Union integration programmes and initiatives.

Finally, some best practices and experience in regional integration in Africa are highlighted, including the Tripartite Free Trade Area initiative involving the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern

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<sup>115</sup> EAC Development Strategy 2006-2010.

Africa Development Community (SADC). The report looks at progress made in the tripartite negotiation process as well as the implementation of various agreed programmes.

## **2.7 Status of Integration in the Regional Economic Communities**

The African countries as an economic bloc occupy a very low position in the global mainstream. The African continent is home to 14 per cent of the global population; it accounts for less than 3 per cent of the global GDP and receives only 3 per cent of foreign direct investment. Where global trade in goods is concerned, the continent accounts for only 1.8 per cent of imports and 3.6 per cent of exports. These rates are even lower in the services sector: 1.7 per cent and 1.8 per cent of imports and exports respectively. Beyond the relatively unfavourable general positioning, the situation is quite mixed if countries are considered on an individual basis. Intra- African trade, at around 12 per cent of total trade, sales in comparison with the levels of intraregional trade achieved by Europe (60 per cent), North America (40 per cent) and the Association of Southeast Asian Nations (ASEAN) (30 per cent). Even if allowance is made for Africa's unrecorded informal cross-border trade, the total level of intra-African trade is not likely to be more than 20 per cent, which is still lower than that of other major regions of the world.<sup>116</sup>

The eight regional economic Communities (RECs) recognized by the African Union (AU), which form the "pillars" of the African Economic Community, are moving towards implementing the Abuja Treaty at different speeds. EAC is the most advanced community, and launched its common market in 2010. COMESA launched its customs union in June 2009. SADC and the Economic Community of West African States (ECOWAS) have made progress in building their free trade areas (FTAs) and each plan to launch a customs union, in 2013 and 2015 respectively. The Economic Community of Central African States (ECCAS) launched its FTA in 2004, but is facing enormous challenges in its practical application. The Arab Maghreb Union

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<sup>116</sup> Falagiarda, M. (2010). *Are the East African countries ready for a monetary union? Traditional Indicators and Cointegration Analysis*. JEL Classification, E42, F33.

(AMU), the Economic Community of Sahel- Saharan States (CEN-SAD) and the Intergovernmental Authority on Development (IGAD) are moving slowly, and are still in the early stages of cooperation among their member States. Elimination of non-tariff barriers (NTBs)<sup>117</sup>.

Apart from problems in implementing the agreed FTAs, RECs are also facing non-tariff barriers to trade. The communities have different approaches in dealing with such barriers. The three RECs which are parties to the tripartite arrangement have adopted a single programme on the elimination of NTBs, which is an Internet-based system for use by stakeholders in the member States in reporting NTBs as well as monitoring the processes of their elimination. ECOWAS has put in place national committees to deal with problems raised by NTBs and has set up complaint desks at the borders. The remaining RECs have yet to establish such systems. Establishment of one-stop border posts. One of the main tools used for trade facilitation is the one-stop border post (OSBP). The concept is used to minimize delays at cross border points on major transport corridors in the region, often caused by poor facilities, manual processes, lengthy and non-integrated procedures and poor traffic flow. Under the OSBP concept, all traffic stops once in each direction of travel, facilitating faster movement of persons and goods and allowing border control officers from the two States involved to conduct joint inspections. The concept was first used at the Chirundu crossing between Zambia and Zimbabwe, and was judged successful. It has now been widely adopted in various regional economic Communities (RECs), including COMESA, EAC, ECCAS, ECOWAS and SADC.

## **2.8 Conclusion**

The new East African Community has generated wide - spread excitement around the world. It signals a growing recognition across Africa in the power of markets to lift the continent out of

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<sup>117</sup> Falagiarda, M. (2010). *Are the East African countries ready for a monetary union? Traditional Indicators and Cointegration Analysis*. JEL Classification, E42, F33.

poverty and onto the path of sustained growth<sup>118</sup>. Now the proper incentives must be provided to the public and private sectors so that they receive the set of “marching orders” that leads them toward deeper integration. This means that governments must focus on creating an economic Environment that induces investment and risk-taking, while the private sector must act to take advantage of the new opportunities that regional integration offers for long-term expansion.

This does not mean that deeper regional integration will offer any member-state a “magic bullet” when it comes to sustainable development. The road ahead is full of numerous impediments, and even under the best of circumstances the “static” gains from increased trade are likely to be small as a share of GDP. These barriers, coupled with the potential for disappointment should the data reveal only small benefits to the member-states, could threaten the entire undertaking. Yet a crucial lesson for all stakeholders in the East African Community to remember is that the gains from trade are not just static, they are also dynamic, playing out over time. It is essential for these stakeholders to give the project time to mature, instilling the belief in entrepreneurs that this time really is different, and inducing investors to put capital at risk. Only then, as new opportunities reveal themselves in perhaps surprising ways (as suggested by the growth of Kenya’s education sector), will the story of the new EAC unfold with all its promise. This, in turn, reminds us of the crucial role that time horizons play in every new development project. When payoffs will only be realized many years in the future, patience is required on the part of both public and private sector leaders, something that is difficult to achieve when voters on the one hand and shareholders on the other demand immediate results. But it is the hope for a “quick buck” that must doom every long-term project aimed at sustainable development.

Today, East Africa’s elites are much better positioned to take the long-view. They have slowly engaged in institution-building to support more democratic institutions at home and more trusting relations abroad, while reaching out to the international community to support the great

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<sup>118</sup> Ethan B Kapstein, “*Africa’s Capitalist Revolution*,” *Foreign Affairs* (July/August 2009).



**project of deeper integration. This is an effort that is truly worthy of support by everyone who has a stake in Africa's future.**

## **CHAPTER THREE: CHALLENGES FACING THE EAC INTEGRATION.**

### **3.1 Introduction**

The concern for regional cooperation and integration in Africa predates independence. The period 1960-1980, however, witnessed the emergence of the major regional integration schemes that pushed forward the Continent's economic integration agenda. Post-independence regional economic integration and cooperation efforts resulted in a variety of initiatives with overlapping membership and mandates, making Africa the region with the highest density of economic integration and cooperation arrangements.<sup>119</sup> Yet, these arrangements failed to impact positively on the Continent's economic performance. Inadequate political will and commitment to the process; high incidence of conflicts and political instability; poor design and sequencing of regional integration arrangements; multiplicity of the schemes; inadequacy of funding; and exclusion of key stakeholders from the regional integration process are factors accounting for the ineffectiveness.<sup>120</sup>

Despite Africa's unsatisfactory track record in regional integration over the decades, the case for cooperation and integration has become much stronger in recent years, due to the fact that the continent is facing a number of major challenges, notably

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<sup>119</sup> Fajana, O. 2004. *Enhancing Africa's Integration in a Globalizing World: A Challenge for the African Union*.

<sup>120</sup> Sako, S. 2004. *Meeting the Challenge of Enhancing Trade and Investment for Poverty Reduction in Africa* " ACBF Newsletter, October-December 2004; PASU; and Ogiogio, G. 2002. *Some Issues in the Building of Trade Policy Development Capacity in Africa*", ILEAP Launch Conference.

globalization and the changing global economic and political environments, to which enhanced cooperation and integration constitute an appropriate response. With the emergence of the New Partnership for Africa's Development (NEPAD), Africa's regional economic communities now have a more prominent role to play on the Continent's integration process. Enhanced regional cooperation and integration will provide the Continent with a platform for effective participation in international negotiations. Regional bargaining power and pooling of expertise are crucial to Africa in terms of a meaningful contribution to reshaping the global economic order and protecting the interests of its peoples. This is a challenge with significant capacity dimensions that need to be addressed.

On a general perspective, until the Uruguay Round (1986-1994) of the GATT, African countries did not participate much in multilateral trade negotiations; and even in the Uruguay Round negotiations; no more than a dozen African countries actively took part. Developing countries were more active for example in the United Nations Conference on Trade and Development (UNCTAD) that advocated an approach of non-reciprocity and special and differential treatment. Following the creation of the WTO in 1995 the situation changed dramatically. Most developing countries joined the WTO or applied for membership. Presently more than two thirds of the 150 WTO members are developing countries. In Africa, there are only eleven countries outside the WTO, and most of these are in the process of negotiating their entry.<sup>121</sup>

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<sup>121</sup> Stevens, Christopher (2006), *The EU, Africa and Economic Partnership Agreements: unintended policy consequences of policy leverage*, *Journal of Modern African Studies* 44, 3, pp. 441-458.

However, membership does not necessarily translate into effective participation in terms of setting the multilateral negotiation agenda and influencing the formulation of new trade rules in view of perceived interests. There are many explanations, including the increasing complexity and scope of the negotiations (comprising not only goods trade, but also for example services trade, intellectual property, sanitary and phytosanitary measures, technical barriers to trade and trade facilitation) and the lack of capacity in developing countries to deal with all these issues. Many African countries cannot afford a representation in Geneva and even those with offices cannot afford large representations with expertise across the range of subjects on the multilateral trade agenda. There is thus a case for regional organisations to play a bigger role in promoting effective participation of their members in the WTO system.

The new East African Community has generated wide spread excitement around the world. It signals a growing recognition across Africa in the power of markets to lift the continent out of poverty and onto the path of sustained growth<sup>122</sup>. Now the proper incentives must be provided to the public and private sectors so that they receive the set of “marching orders” that leads them toward deeper integration. This means that governments must focus on creating an economic environment that induces investment and risk-taking, while the private sector must act to take advantage of the new opportunities that regional integration offers for long-term expansion.

This does not mean that deeper regional integration will offer any member-state a “magic bullet” when it comes to sustainable development. The road ahead is full of numerous impediments, and even under the best of circumstances the “static” gains from

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<sup>122</sup> Kapstein, Ethan B. “Africa’s Capitalist Revolution,” *Foreign Affairs* (July/August 2009).

increased trade are likely to be small as a share of GDP. These barriers, coupled with the potential for disappointment should the data reveal only small benefits to the member-states, could threaten the entire undertaking. Yet a crucial lesson for all stakeholders in the East African Community to remember is that the gains from trade are not just static, they are also dynamic, playing out over time.

It is essential for these stakeholders to give the project time to mature, instilling the belief in entrepreneurs that this time really is different, and inducing investors to put capital at risk. Only then, as new opportunities reveal themselves in perhaps surprising ways (as suggested by the growth of Kenya's education sector), will the story of the new EAC unfold with all its promise.<sup>123</sup> This, in turn, reminds us of the crucial role that time horizons play in every new development project. When payoffs will only be realized many years in the future, patience is required on the part of both public and private sector leaders, something that is difficult to achieve when voters on the one hand and shareholders on the other demand immediate results. But it is the hope for a "quick buck" that must doom every long-term project aimed at sustainable development.

Today, East Africa's elites are much better positioned to take the long-view. They have slowly engaged in institution-building to support more democratic institutions at home and more trusting relations abroad, while reaching out to the international community to support the great project of deeper integration. This is an effort that is truly worthy of support by everyone who has a stake in Africa's future.

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<sup>123</sup> Kapstein, Ethan B. "Africa's Capitalist Revolution," *Foreign Affairs* (July/August 2009).

### **3.2 Benefits that the East African Community offers to its Member States**

The benefits or impacts which developing countries in Africa can get or expect to get from regional economic integration can be better understood by looking at the benefits that member countries of EAC are getting or expecting to get out of that economic integration. EAC is one of the old regional economic communities (since 1967) in Africa. Given such history the new East African Community started with a customs union as the first stage in the process of economic integration. But the customs union as explained in the introductory part was supposed to be the third stage of integration after the preferential trade and free trade areas. Therefore, real economic integration in the region commenced with the customs union. <sup>124</sup>

Since the re-launching of EAC, Member countries of the EAC have been enjoying some benefits and they are expecting to benefit more from that economic community. However, more benefits are expected at the higher level of economic integration. This chapter will point out the benefits of EAC to its member states. Regional cooperation offers one route to overcome the disadvantages of economic smallness, by pooling resources or combining markets. Tanzania, Kenya and Uganda are all developing countries with small economies. In 2005, Kenya had a GDP of US\$19 billion, Tanzania US\$10.3 and Uganda US\$9.28. These economies are too small on their own to attract any major investment in this globalised economy. By moving towards the economic integration via the EAC they have created a single market of over 90 million

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<sup>124</sup> Baldwin, E. Richard and Venables, J. Anthony. *Regional Economic Integration*, London School of Economics, 2004.

people (2005) and a combined GDP of around US\$38.3 billion.<sup>125</sup> Thus, we can say that the EAC provides its partner states with a wider market within which investors can take advantage of economies of scale and thereby produce competitively. Furthermore it provides a training ground and facilitates them to survive within the liberalized and competitive world market.

Investment, both foreign and domestic, is one of the important macroeconomic aspect which has attracted the attention of all member countries in the EAC. The customs union has promoted cross-border investment and served to attract investment into the region. This is because the enlarged market with minimal customs clearance formalities is more attractive to investors than the previously small individual national markets. The customs union has also offered and is expected to offer a more predictable economic environment for both investors and traders across the region as regionally administered common external tariff and trade policy will tend to be more stable.<sup>126</sup>

In view of the current global trend where trade negotiations are increasingly being carried out under regional blocs, the formation of a customs union in East Africa was not a matter of choice but of necessity. It would be difficult for partner states to negotiate a Free Trade Area (FTA) with other regional blocs, for example the EU, unless they have liberalized trade among themselves. Due to the multiple memberships of the partner states in other regional organizations, the EAC customs union can enter into FTAs with other trading blocs, or in the extreme circumstance, merge with them to make a larger

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<sup>125</sup> East African Secretariat. EAC Development Strategy 2006-2010, Arusha Tanzania, 2006.

<sup>126</sup> East African Community Trade Report 2005, the East African Community Secretariat, Arusha, Tanzania, 2007

trading bloc. It is worth to note that countries which on their own have strong competitive economies such as Germany, France and the United Kingdom (UK) are strong supporters of the EU, which is still expanding by including the former less developed countries of Eastern and Central Europe. The USA together with Canada and Mexico have come together under NAFTA, and want to expand taking on board countries of Central and Latin America. In Asia, the countries of South East Asia are revolving around Japan and China. Therefore, it will be difficult for small countries such as those of East Africa and generally in Africa to negotiate with such giants on their own. As pointed out earlier, member countries of the EAC are together negotiating and have signed a trade pact with European Union.

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

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



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

Opening up of the domestic economies to competition from member countries of the EAC has resulted in increased efficiency in some sectors, increased product varieties and the introduction of new and modern methods of doing business in the region. This is due to increased competition from other member states in which local companies are forced to adjust themselves in offering better services for fear of being left behind or kicked out of the business. Increased competition may lead to efficiencies, but in the short run the firms which stand to gain most are those that are already competitive. In the EAC this was clearly taken into consideration and that is why the EAC member countries adopted the principle of asymmetry in the phasing down of internal tariffs in order to provide firms located in Uganda and Tanzania with an adjustment period of five years.<sup>127</sup> This is because firms in Kenya are more competitive than firms in Tanzania and Uganda. Nevertheless, such firms may in the medium term overcome lack of competitiveness, through additional investment in newer production technologies; specialization in

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<sup>127</sup> Ethan B, Kapstein. "*Africa's Capitalist Revolution*," *Foreign Affairs* (July/August 2009).

activities where they have a competitive advantage; re-training of human resources; and forming strategic alliances with their competitors.

Regional cooperation in the EAC through the customs union is expected to play a great role in enabling private sector operators based in the region with cross-border business operations to exploit the comparative and competitive advantages offered by regional business locations, without having to factor in the differences in tariff protection rates, and added business transaction costs arising from customs clearance formalities. The regionally based enterprises will also get better protection, as enforcement of the common external tariff is done at the regional level. The EAC customs union has also assisted to level the playing field for the region's producers by imposing uniform competition policy and law, customs procedures and external tariffs on goods imported from third countries. This in turn has assisted the region in advancing its economic development and poverty reduction agenda. <sup>128</sup>

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

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<sup>128</sup> Kapstein, Ethan B. "Africa's Capitalist Revolution," *Foreign Affairs* (July/August 2009).

important in ensuring that the region is peaceful so as to provide a conducive environment for sustainable development.

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

EAC member states have agreed to a harmonized classification for issuance of entry/work permits aiming at addressing problems of unemployment and poverty in the region. There have been some achievements in social indicator especially in education. However, there are still development disparities and income inequality in three EAC member states which need to be addressed.<sup>129</sup>

In implementing their monetary cooperation programmes, Regional Economic Communities (RECs) are at different stages of integration. COMESA has developed a Multilateral Fiscal Surveillance Framework – MFSF - adopted an Action Plan for Financial System Development and Stability and designed an assessment framework for financial system stability. The COMESA Monetary Institute was established in 2011 in Nairobi, Kenya, in order to undertake preparatory work for implementing all the stages of the COMESA Monetary Cooperation Programme. COMESA has also operationalized a

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<sup>129</sup> Park, Innwon and Park, Soonchan. *Reform-Creating Regional Trade Agreements and Foreign Direct Investment: Applications for East Asia*, Working Paper Series 2007-01, 2007.

Regional Payment and Settlement System. Preparatory work for the transition to an EAC monetary union is ongoing, and Negotiations for a protocol on the subject are at an advanced stage. A review of EAC macroeconomic convergence criteria is towards completion. According to a road map adopted by the ECOWAS, it is planned to launch a second monetary zone by 2015 and merge it with the CFA (Communauté Financière d'Afrique) zone to create a larger monetary zone by the year 2020.<sup>130</sup>

The realization of a successful monetary union among EAC partner states depends upon a sufficient degree of convergence of partners economies to established criteria. Gathering but scattered research has begun assessing the various benchmarks for this characteristic. This work integrates and synthesizes the various findings of literature with the view of providing a general perspective on how far the partner states have reached in meeting the macroeconomic convergence criteria and whether they have met the precondition for ascending the union. The review is done with anticipation of uncovering the challenges countries are encountering in aligning the economies to set criteria and what possible policy strategies exist to overcome these problems. Findings reveal that there has been very limited convergence. Generally countries remain behind the staged indicators. Progress to the monetary union is challenged by the highly demanding criteria, lack of exchange rate mechanism, obstacles to the common market, multiple memberships and many more. While countries might have the option of revising the benchmarks, efforts to strengthen national economic growth, build regional capacities, harmonize policies related to the monetary union, and correct constraints in

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<sup>130</sup> Robert Kirk and Matthew Stern (2005) "*The New Southern African Customs Union Agreement*", *African Economy*, pp. 169-190.

the common market will enhance deeper integration and contribute greatly to macro-economic convergence.<sup>131</sup>

The East African Community (EAC) re-emerged in 2000 after the ratification of the EAC treaty signed earlier in 1999 by member states of Kenya Uganda and Tanzania. Rwanda and Burundi joined the union in 2007. As by the treaty, the objectives of the EAC are to develop policies and programs aimed at widening and deepening co-operation among the Partner States in economic, social, cultural and political fields their mutual benefit. Within this framework partner countries also resolved to establish amongst themselves a customs union, a common market, subsequently a monetary union and ultimately a political federation to strengthen, regulate, and enhance an accelerated harmonious, equitable and sustained economic development<sup>132</sup>. This collaboration of efforts has so far yielded a customs union launched in 2005 and the common market established in 2010.

### **3.3 Challenges Facing Integration of the East African Community**

In spite of the above notable successes that have been achieved since the adoption of the Treaty for its establishment in November 1999, a number of shortcomings also broadly stand out. For example, the negotiations leading to the adoption of the Customs Union Protocol revealed serious negotiating capacity weaknesses within the EAC Partner States

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<sup>131</sup> European Central Bank (ECB). (2010). *Study on the establishment of a monetary union among the partner states of the East African Community*. ECB Staff Study

<sup>132</sup> East African Community (EAC). (2007). *Treaty for the establishment of the East African Community*. (As amended on 14<sup>th</sup> December, 2006 and 20<sup>th</sup> August, 2007). [http://www.eac.int/index.php/advisory-opinions/doc\\_details/158-amended-treaty-for-the-establishment-of-east-african-community.html](http://www.eac.int/index.php/advisory-opinions/doc_details/158-amended-treaty-for-the-establishment-of-east-african-community.html)

as well as in the EAC Secretariat in relation to the complexities of regional trade issues<sup>133</sup>. As the EAC engages on new negotiations for the establishment of a Common Market, slated for January 2010, the problems caused by negotiating capacity weaknesses within the EAC Partner States as well as in the EAC Secretariat are again emerging.

From a broader perspective, the EAC is yet to realize many of its grand objectives as outlined in its Treaty. For example, almost ten years since the adoption of the Treaty establishing the EAC, the EAC has yet to develop harmonized policies and laws in a number of areas most notably in negotiating as a bloc, establishing a Development Fund to support the promotion of infrastructure development, reducing reliance on donor funding, eradicating non-tariff barriers in order to make the Customs Union more effective, harmonizing domestic tax laws, implementing strategic infrastructure projects in the areas of roads, railways and energy, establishing a Civil Society forum, enhancing the role of women in development, development a robust statistical database that captures various economic indicators such as intra-EAC trade, to mention a few of the more important shortcomings.

Further, whereas one of the objectives of the EAC is the promotion of peace, security and stability with the EAC region, there seems to be a consensus in the print media and in normal social discourse that the EAC failed one of its most recent acid tests – the post election political crisis in Kenya in which more than 1200 people were killed and 350,000 others displaced from their homes over the disputed presidential election results. The EAC was outdone by the African Union (AU) and the United Nations (UN)

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<sup>133</sup> Chande, R. 2007. *Achievements and Challenges of the EAC Customs Union in Deepening East African Community (EAC) Integration*, H. Michael Stahl Ed., Arusha: GTZ-EABC. pp. 21-22

which quickly stepped in to find ways to end the violence and seek peace. The efforts of the two bodies culminated in the signing of a Power Sharing National Accord on February 28, 2008 which has resulted in relative peace returning to Kenya. It is important to note that efforts by then EAC Chairperson of the Summit, President Yoweri Museveni of Uganda did not bear fruit amid claims that Ugandan soldiers had helped Kenyan police to quell the violence near the common border<sup>134</sup>.

It is important to note that the unrest in Kenya did not just lead to violence; it also adversely affected Kenya's economy and those of other countries in the EAC region. For example in Uganda the price of petroleum products shot up because supplies could not reach the country. Tanzania reported a drastic fall in revenue collection at the Namanga border post. Rwanda too was adversely affected. Indeed, President Paul Kagame visited Dar-es-Salaam with a view to exploring an alternative route through which his country could import goods. Also affected were Burundi, Southern Sudan and Eastern Democratic Republic of Congo, after rail and road transport was partially paralysed by demonstrators who uprooted a section of the railway line in Nairobi while others barricaded roads in the Rift Valley. The crisis in Kenya resulted in a general economic decline not only in Kenya but in the other EAC Partner States as well as the wider East African region. It back-tracked gains made in economic development which is one of the objectives of the EAC.

Another specific and significant shortcoming is the multiplicity of memberships of the Partner States in RIIs. Four members of the EAC (Burundi, Kenya, Rwanda and Uganda) are members of COMESA while one, Tanzania, is a member of SADC. This is

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<sup>134</sup> Daily Nation. 2008. May 22: p.14.

one of the reasons why the EAC has failed to negotiate as a bloc and to garner a more concerted political will in support of EAC objectives. In this context, therefore, the EAC's integration process has suffered. And precisely because of some of these shortcomings, the EAC Summit of Heads of State that met in Nairobi in August 2004 raised concern that the EAC integration was proceeding at too slow a pace.

The highlighted EAC shortcomings and the concerns that have been raised are both indicative of the reality that the EAC, as an institution, is not effectively achieving the objectives mandated to it. Several scholars have attempted to analyse the reasons behind the EAC's ineffectiveness in achieving its objectives. Their findings can be broadly grouped into four main categories: economic, socio-cultural, political and geo-political factors. These are briefly discussed below.

The economic challenges facing East African integration are perhaps best captured in the Wako Committee Report<sup>135</sup>, which highlights some fears expressed by various stakeholders in the EAC region regarding integration. One such fear is the fear of loss of investment and employment whereby there is a dominant perception, especially in Tanzania, that the country faces potential loss of investment and employment with deepening East African integration through possibility of industries and other economic activities, clustering in Kenya which has better enabling environment for business in terms of better infrastructure, bigger middle class, stronger economy and is more self reliant versus Tanzania and Uganda that are more donor dependent; and potential that free movement of labour may negatively impact on employment, especially in Tanzania

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<sup>135</sup> Wako Committee (*Committee on Fast Tracking East African Federation*). 2004. Report of the *Committee on Fast Tracking East African Federation, Arusha: East African Community*. pp.82-84



where educational standards have not kept pace with skill needs particularly in the services and hospitality industries. There is thus the fear that jobs in these sectors will be taken up by Kenyans. These fears over economic imbalances have the potential of hindering the EAC's ability to achieve its objectives.

The Ministry of Trade, Tourism and East African Community Affairs - Kenya<sup>136</sup>, for example, notes that perceived economic imbalances between the EAC Partner States which, in reality, are at the same level of development dominate and often cripple negotiations under the EAC while the same issues take a back seat for these countries in negotiations under the wider arrangements like COMESA and SADC.

Another economic factor which acts as a drawback to EAC's effective achievement of goals is lack of adequate financial resources. Kamala<sup>137</sup>, notes that not only does the Partner States' contribution to the EAC budget arrive late, but the contributions also fall far short of EAC's demands. He further notes that even where there is donor funding for regional integration, contributions do not only come with strings attached but also take too long to access and are inflexible for short term requirements of the Community.

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<sup>136</sup> Ministry of East African Community-Kenya, 2005. *Preparation for Visit by Tanzania President 15th October 2005*, Available at: [http://www.meac.go.ke/index.php?option=com\\_content&task=view&id=20&Itemid=28](http://www.meac.go.ke/index.php?option=com_content&task=view&id=20&Itemid=28) (Accessed on 23 April 2013).

<sup>137</sup> D.B.Kamala, 2006. *The Achievements and Challenges of the New East African Community Co-operation*, Available at: <http://www.hull.ac.uk/hubs/05/research/memoranda/Memorandum%2058%20Kamala.pdf>

Some scholars felt that legal factors pose the greatest challenge to the EAC's ability to effectively achieve its objectives. Kaahwa<sup>138</sup>, for example argues that the EAC Partner States are obliged to ensure not only the ratification of the Treaty but also its domestication within their respective municipal laws as well as domestication of laws passed by the EALA. This, has however, been a challenge for the original three Partner States whose legal systems, though sharing a common source in received English law, are different. Harmonization of the law has thus so far been hampered by the sheer magnitude of the exercise, intricacies of conflict of laws, the differences in legal systems and (before the formal establishment of the East African Legislative Assembly) lack of legislative basis.

Another legal challenge identified is in the legal document (Treaty) establishing the EAC which some scholars felt gives no executive authority to the EAC Secretariat despite it being the executive organ of the Community thereby rendering it almost impossible for this "executive" organ to effectively implement decisions of the policy-making organs of the EAC.<sup>139</sup>

Socio-cultural factors are also seen to have great influence on the EAC's regional integration initiatives. According to Kibua and Tostensen<sup>140</sup>, the long history of collaboration between the original three East African states with its ups and downs has left a legacy – for good and bad. This legacy has a bearing on the contemporary

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<sup>138</sup> W.T.K. Kaahwa, 2003. *EAC Treaty and Challenges to the Community*, Arusha: East African Community.p.38-44

<sup>139</sup> Wako Committee (Committee on Fast Tracking East African Federation). 2004. *Report of the Committee on Fast Tracking East African Federation*, Arusha: East African Community. pp.82

<sup>140</sup> T.N Kibua, & Tostensen, A. 2005. *Fast-tracking East African Integration: Assessing the Feasibility of a Political Federation by 2010*, Nairobi: Institute of Policy Analysis and Research (Mimeo).

dynamics of collaboration in two respects: the processes and experiences leading up to the collapse of the Community in 1977 still linger in the minds of politicians and civil servants. Further, a certain amount of skepticism remains on the part of Tanzania and Uganda, vis-a-vis Kenya, on account of the widespread perception that Kenya benefited disproportionately from regional cooperation at the expense of the other partners. Whilst it does not matter much whether these perceptions reflect reality or whether they are a figment of the imagination of the individuals holding them, perceptions take on a reality of their own, on the basis of which people continue to think and act. To the extent that the perceptions are unfounded they impact negatively on the EAC's integration efforts and need to be dispelled through better confidence building measures.

The EAC's integration efforts are also viewed to bring about resistance, at the social-cultural level, by some stakeholders in the region who feel that the opening of borders will lead to social emigration. According to the Wako Committee<sup>141</sup>, people move with their lifestyles, ideas and values and this process can result in social conflict and cultural shocks affecting lifestyles, differences in social beliefs and value systems and consumption and saving habits among other social aspects. For example, there is fear in Tanzania, which is a relatively detribalized country with a low crime rate, that, once borders are opened the rampant tribalism and high crime rate prevalent in Kenya will find its way into their country. This is made worse by the fact that cases of violent robberies and murders involving Kenyans in Tanzania have increased over the past few years leading to mistrust between Tanzania authorities and Kenyans living and working in

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<sup>141</sup> Wako Committee (*Committee on Fast Tracking East African Federation*). 2004. *Report of the Committee on Fast Tracking East African Federation*, Arusha: East African Community. pp.86

Tanzania. The Tanzanian Internal Security Minister, Mr. Bakari Mwapachu is in fact on record as describing as worrying the increase of robberies by Kenyans in Tanzania saying it was a threat to the EAC <sup>142</sup>.

Straubhaar<sup>143</sup> cautions that if the cultural upheaval of integration becomes too great and if people begin to feel that their national identity is threatened, they may raise their mental defences and take refuge in negative defensive reflexes. Xenophobic organisations then become more prominent, foreigners are kept out and nationalist movements increase all of which are detrimental to integration. Further, Mwapachu<sup>144</sup> highlights the general ethos in Tanzania against the role of foreigners in the Tanzanian economy. He notes that there is a strong thrust about indigenization of the Tanzanian economy, namely empowering indigenous Tanzanians to become the major owners of the economy. This attitude, he asserts, has emerged from the opening up of the Tanzanian economy which has led to the economy being dominated by foreigners especially South Africans to the discomfort of many Tanzanians. The result has been a resentful attitude expressed towards South Africans. With the establishment of the EAC which proposes, among other things, to collapse borders between the East African States, the resentful attitude held by Tanzanians towards South Africans is now increasingly being directed at Kenyans which could prove detrimental to deepening the integration of the EAC.

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<sup>142</sup> *The Standard*. 2007a. 10 September: 9. p. 9

<sup>143</sup> T. Straubhaar. 2002. *Theoretical Expectations on Economic Integration in Dialogue on the Regional Integration in East Africa*, Arusha: EAC Secretariat in conjunction with the German Agency for Technical Co-operation (GTZ). p.37

<sup>144</sup> Juma Mwapachu. 2005. *Confronting New Realities: Reflections on Tanzania's Radical Transformation*, Dar-es-Salaam: E&D Limited.p. 76

Whereas expectation of economic gains and a distinctive way of life constitute the important conditions for integration, some scholars argue that it is the political aspect that forms the most important basis for integration. This is because any kind of integration requires a direct surrender of some powers to a central authority. Therefore, for any integration to be established and sustained there has to be a sense of political will, that is, a readiness to be joined in a supranational organization.

However, in East Africa there appears to be fear of loss of sovereignty by the political elite which has the potential to adversely influence integration initiatives. According to the Wako Committee<sup>145</sup>, there is a fear in the minds of some members of the political elite in East Africa that as a result of regional integration, the nation states would cease to have any meaningful powers and would be relegated to mere provinces within an integrated East Africa. This fear is manifested in a number of ways, including, among others: loss of power at political level; loss of decision making and loss of flexibility in exercising power at national level. The Ministry of Trade, Tourism and East African Community-Kenya<sup>146</sup>, blames the fear of loss of sovereignty on the mistrust and suspicion held by political elite in the EAC Partner States following the fall of the Community and the bitter circumstances surrounding it which left a whole mess of mistrust and suspicion among the three East African States. Each one of them was to lay blame on the other and propagandist machinery was used to connect that hatred at least for

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<sup>145</sup> Wako Committee (*Committee on Fast Tracking East African Federation*). 2004. *Report of the Committee on Fast Tracking East African Federation*, Arusha: East African Community. pp.81

<sup>146</sup> Ministry of East African Community-Kenya, 2005: 4. *Preparation for Visit by Tanzania President 15th October 2005*, Available at:  
[http://www.meac.go.ke/index.php?option=com\\_content&task=view&id=20&Itemid=28](http://www.meac.go.ke/index.php?option=com_content&task=view&id=20&Itemid=28)  
(Accessed on 23 April 2013).

the period up to the 1980s. Although suspicions among the three countries have rapidly diminished with time since the revival of the EAC, the Partner States are still yet to fully recover from uncertainties which have played part in the slow integration.

Another political factor identified is inadequate political will exemplified by slow decision making on critical issues which delays the integration process. Where decisions have been made and programmes and projects are adopted, implementation has been slow or non-existent in some cases. This, according to Ministry of EAC-Kenya, could be attributed to deficiencies in Partner States arising from either of the following: lack of commitment towards implementation of agreed decisions, failure of agreed decisions reaching stakeholders on the ground for timely implementation, lack of the necessary capacity to follow up the implementation and bureaucracies in Government institutions. The Ministry cites the Protocol on the establishment of the EAC Customs Union, during which Partner States agreed to remove with immediate effect all existing non-tariff barriers. However, as of now private sector and other citizens of East Africa are still reporting occurrences of non-tariff barriers.

Inadequate political will is also manifested in the multiple memberships of the EAC Partner States in regional integration institutes - RIIs. It is worth noting that the membership of a regional integration arrangement, although backed by economic, social, cultural and technological reasons, is ultimately a political choice of any one country. In the EAC region, four of the EAC Partner States are also Members of COMESA, one is also a Member of SADC and Burundi is a Member of three RIIs. Overlapping membership poses several difficulties such as having several RIIs pursuing essentially identical mandate and objectives, leading to wasteful duplication of effort and

counterproductive competition among countries and institutions. The overlap among RIIs also adds to the burdens of members states. A country belonging to two or more RII not only faces multiple financial obligations, but must cope with different meetings, policy decisions, instruments, procedures and schedules. Customs officials have to deal with different tariff reduction rates, rules of origin, trade documentation and statistical nomenclatures<sup>147</sup>.

The failure by the political elite to involve the ordinary people in the integration agenda has also been identified as a hindrance to regional integration in East Africa as it makes the implementation of integration which lacks grassroots support at the national level difficult. The Horn of Africa Democracy and Development International Lobby – HADDIL<sup>148</sup>, observes that in many African countries the idea of forming or joining a regional integration arrangement was not derived from the wishes of the people or in response to the felt needs of the leadership but rather from ideas instigated by a donor country or countries.

Whereas in the case of East Africa there was wide involvement of various stakeholders in the formation of the EAC Treaty, there is little involvement of the citizens of East Africa in what the Community is doing. Leaders have also failed to explain fully to the people the reasons for their participating in integration arrangements and the advantages which accrue to the majority. To the extent that cooperation arrangements are (or were) adopted and function without the full participation and

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<sup>147</sup> United Nations Economic Commission for Africa, 2006. *Assessing Regional Integration in Africa II Rationalizing Regional Economic Community*. Addis Ababa: Economic Commission for Africa.

<sup>148</sup> Horn of Africa Democracy and Development International Lobby, 2005:2. *Past Pitfalls of Integration*, Available at: [http://www.ak-sophiabooks.org/occasionalp2\\_12.htm](http://www.ak-sophiabooks.org/occasionalp2_12.htm) (Accessed on 23 April 2013).

knowledge of the population, their stability and success of implementation of programmes will be difficult to guarantee. *Kituo cha Katiba*<sup>149</sup>, supports this view by observing that whereas the establishment of the EAC was intended to be people-driven, whenever the people of East Africa are asked whether they are adequately involved in the formation of the EAC policies, the answer remains a resounding 'No'; instead the establishment and functioning of the EAC has largely been a top-down process involving the governments of the region, with the grassroots communities barely informed, educated or consulted about the process; or where they have been consulted, it has often been on issues they have not been adequately informed or educated about.

The geopolitical environment is also seen as likely to impact on the EAC's regional integration efforts. There is concern over the likely reaction of the rest of the world to a federation of East Africa, which is the ultimate aim of the EAC. According to the Wako Committee<sup>150</sup>, the potential fear on the part of the rest of the world was classified into three: first, the fear of the political impact of an East African Federation – EAF - where it was felt that the political federation of East Africa will increase her power and influence in the world affairs and reduce the power of bigger nations to manipulate the East African region to serve their own interests.

Second, fear of economic impact where it was felt that some industrial countries might see it as an attempt to reduce their economic exploitation and influence and third, fear of

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<sup>149</sup> Kituo cha Katiba, 2000. *Constitutionalism: The East African Community and the Struggle for Challenges and Prospects*, Available at: <http://www.kituoachakatiba.co.ug/EAC2000.htm> (Accessed on 23 April 2013).

<sup>150</sup> Wako Committee (*Committee on Fast Tracking East African Federation*). 2004. *Report of the Committee on Fast Tracking East African Federation*, Arusha: East African Community. pp.87-88



the geopolitical impact where it was felt that the creation of a new and bigger African nation of about 100 million people is likely to have military implications. The balance of power, at least on the African continent and possibly beyond is almost certain to change. In terms of population, this new nation would now fall among the top nations in the world and would be second only to Nigeria in Africa. It would have a surface area of 1,778,547 square kilometres with 116,647 square kilometres of fresh water including the 2nd largest reservoir of fresh water in the world, Lake Victoria.

With the immense natural resources at its disposal, the new bloc's military strength may be seen by some as a real or future threat<sup>151</sup>. It was felt that if such fears actually surface they may lead to external interference in the processes towards the EAC's integration efforts which may take many forms such as funding of political parties, non-governmental organisations, media groups and individuals to campaign against and ridicule the idea of East African Federation as an impractical and hapless dream.

### **3.4 Conclusions**

Some of these challenges are historic in nature; others are the consequence of loosely drafted instruments, while yet others are implementation-related. The primary historical challenge facing trade liberalisation in the eastern and southern African region – and which has manifested itself in the proliferation of overlapping regional trade agreements – is the lack of a coherent, realistic policy to guide the process. Though the 1980 Lagos

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<sup>151</sup> Wako Committee (*Committee on Fast Tracking East African Federation*). 2004. *Report of the Committee on Fast Tracking East African Federation*, Arusha: East African Community. pp.87-88

Plan of Action and the 1991 Treaty Establishing the African Economic Community set out an overall vision of a united Africa, they inadvertently laid the groundwork for the proliferation of regional trade agreements: with all the bodies having the same overall goal, there was no disincentive to joining as many as were available in the name of 'solidarity' with one's neighbours. Once this had been done, however, the challenges posed by sovereignty and parochial interests have proved to be an obstacle to actual liberalisation. The most recent effort – in the form of the tripartite COMESA–EAC–SADC negotiations – to harmonise the trade regimes of these different bodies is promising; but, given the different objectives of the three bodies, such negotiations do not offer much hope of a short-term solution.

The challenge to integration posed by the nature of the constitutive instruments is that, from a legal perspective, the parties concerned will not find it easy to comply with the obligations contained therein. For example, some of the language setting out the obligations is ambiguous, and the time frames required to comply with them are unrealistic. Moreover, many provisions contain overambitious targets together with lavish exceptions that totally undermine the objective of creating rules-based organisations. The implementation-related challenges primarily revolve around capacity – or, to be more precise, the lack thereof. Capacity limitations have proved to be a hindrance to regional integration both at the national and the regional level. Lack of capacity manifests itself in a number of ways, including financial and human resources.

The EAC integration process faces formidable challenges. However, if well handled, an inclusive, optimal integration has the potential to deliver significant opportunities to improving the welfare and livelihoods of EAC citizens and lift many in the region out of

abject poverty. This synthesis paper, based on case study research findings has highlighted some of these key challenges broadly categorised as: (a) inadequate political will to effectively implement the goals of EAC treaty; (b) slow ceding of sovereignty to the EAC supranational authority; (c) fragmented public policy making/ formulation within the member states; (d) limited public (citizens, non-state actors) participation and ownership of the integration processes; (e) structural and capacity constraints to implement EAC treaty; and (f) inadequate arrangements for equitable and proportionate sharing of benefits (and burdens) among member states. The efforts in regional integration offer significant opportunities for promoting economic and social development in the EAC region. However, a wide range of challenges, many of which proved to be stumbling blocks in the previous effort to establish the EAC, still remain. Successfully tackling these challenges require a wide range of actions and cooperation across the region. Engaging citizens in the policy dialogue and implementation process so that action responds to their needs and attracts the ownership required to be politically sustainable is a prominent action in this context.

## CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

### 4.1 Introduction

The purpose of this chapter is to analyze the variables involved in the study and estimate the model already described earlier on. Data collected was both qualitative and quantitative. Data was analyzed using descriptive statistics such as mean and standard deviation, and inferential statistics such as correlation and regression. Data is also presented using tables, graphs and charts.

### 4.2. Response Rate

A total of 169 questionnaires were given out 26 East Africa Community employees, 120 Traders at border point and 23 Customs officials. The table 4.1 shows the response rate.

Table 4.1: Response Rate

169	163	96.2%

A 50% response rate is adequate, 60% good and above 70% rated very good<sup>152</sup>. Based on this assertion the response rate for this study can be said to be very good at 96.2%.

Although the results may be interpreted to indicate a good response rate, a failure of 3.8% to report may be explained by lack of knowledge in East Africa integration by respondents and time constraints due to detailed returns of the data collection tools.

<sup>152</sup> Mugenda, M.O. & Mugenda, G.A.(1999)*Research Methods: quantitative methods qualitative approaches*. Nairobi: Act press.

#### 4.1.1 Reliability analysis

The value of the Cronbach's alpha coefficient ranges from zero to one and is used to describe the reliability of factors extracted from questions with two possible answers and/or multi-point formatted questionnaires or scales. A higher value; close to one, shows a more reliable generated scale. Kothari indicated 0.7 as an acceptable reliability coefficient. Table 4.2 illustrates the results of the reliability analysis. It involved questionnaires from respondents.

**Table 4.2 Reliability Analysis**

Variable	Cronbach's alpha	No of items
Management practices in SMEs	.899	10
Organization Structure in SMEs	.872	10
Resources within SMEs	.821	10
Government regulation in SMEs	.796	10

The Alpha coefficients were all greater than 0.7 indicating an acceptable reliability of the instruments. The instrument therefore was appropriate for the study.

#### 4.1.2 Validity of Results

Validity of qualitative research is determining whether the research truly measures that which it was intended to measure or how truthful the results are<sup>153</sup>. It is the degree to which results obtained from the analysis of the data actually represent the phenomenon

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<sup>153</sup> Paton, M.Q (2001). *Qualitative Research and Evaluation Methods (3<sup>rd</sup> Edition)*. London: Sage Publications.

under study. Content validity of this study was determined by first discussing the items in the instrument with the supervisor, one other lecturer and a research expert - they indicated against items (with a rating scale of 1-4) in the questionnaire whether it measured what it was meant to measure or not in relation to the research objectives. Content validity index of 0.802 was computed. A content validity index of above 0.7, is recommended, indicating that the validity of the instrument was acceptable<sup>154</sup>.

#### **4.1.3 Demographic Information**

From the study results most of the respondents 51.9% were male, 48.1% female, and most of the aged above 26 years, 50.6% were married, 69.9% have worked in the same organization for between 5-10 years but 25.6% have a diploma, 34.6% degree and 35.6% have a degree as shown in table 4.2. in the next page.

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<sup>154</sup> Neuman, W. L. (2000). *Social Research Methods: Qualitative and Quantitative Approaches. Fourth Edition.* Boston.

**Table 4.3: Demographic Information**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	88	51.9
Female	81	48.1
<b>Total</b>	<b>169</b>	<b>100.0</b>
<b>Age bracket</b>		
Below 25 yrs	15	8.6
26-30yrs	55	32.7
31-40 yrs	59	35.0
Above 40 yrs	40	23.7
<b>Total</b>	<b>169</b>	<b>100.0</b>
<b>Marital status</b>		
Single	67	39.5
Married	102	60.5
<b>Total</b>	<b>169</b>	<b>100.0</b>
<b>Years of experience</b>		
Less than 5 years	4	2.3
5-10 years	118	69.9
Above 10 years	47	27.8
<b>Total</b>	<b>169</b>	<b>100.0</b>
<b>Highest level of formal education</b>		
Certificate	8	4.5
Diploma	43	25.6
University first degree	58	34.6
Post graduate	60	35.3
<b>Total</b>	<b>169</b>	<b>100.0</b>

It can be said that most of the respondents were male, aged above 26 years, were married most of them and most of them either had diploma, degree or a post graduate degree which means that most of them were educated and exposed.

#### **4.3 Role of Language**

The East African region has many languages, and can be defined as heavily multi-lingual. Tanzania alone has 100 indigenous languages, Uganda has nearly as many as Tanzania and Kenya has more than 40 languages. These various languages represent and express multifaceted cultures with varying divides. The classification of languages is complicated by problems of distinguishing between a language and a dialect<sup>155</sup>. The entry of Rwanda and Burundi to the EAC complicates the language issue further, as it introduces three additional languages: Kinyarwanda, Kirundi and French. Kiswahili has often been proposed as the best candidate for a regional language in the EAC, as it is spoken and understood in varying extent in all member states.

Geographical proximity, cultural, historical, and ideological similarities, competitive or complementary economic linkages, and a common language among the Partner States are importantly required for effective economic integration. These advantages provide them with a unique framework for regional co-operation and integration. Within this situation, the EAC offers many benefits to its Partner States including: increased trade, expanded markets, attraction of Foreign Direct Investment (FDI), increased bargaining power, strengthened security and conflict resolution in the

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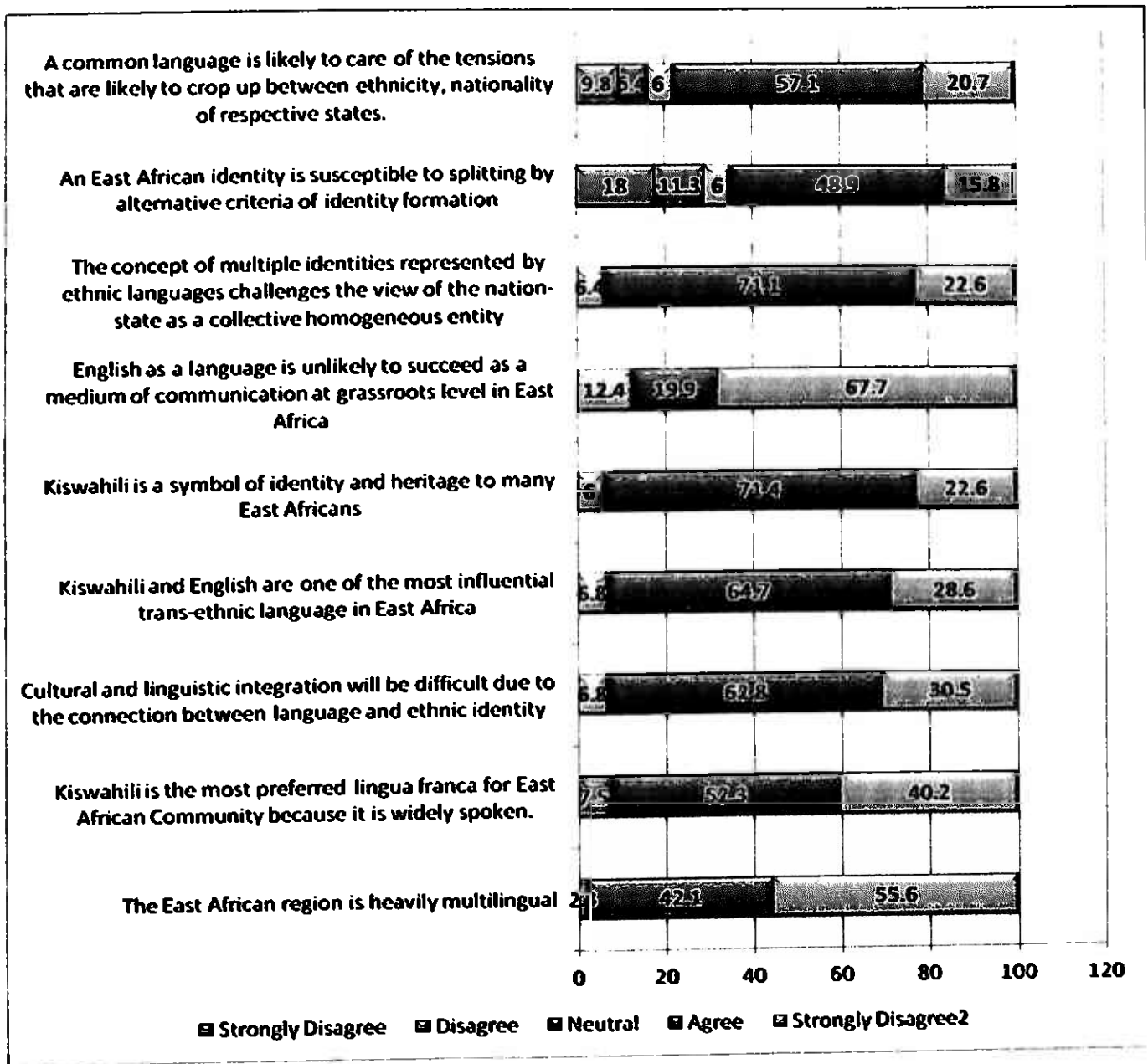
<sup>155</sup> Chimera, R. 1998. *Kiswahili: Past, present and future horizons*. Nairobi: Nairobi University Press.



region, and the free movement of people across the region. Regional Economic Integration (REI) refers to the commercial policy of discriminatively reducing or eliminating trade barriers only between the states joining together. Hereby, the lowest level of collaboration involves trade while a deeper integration goes beyond trade. Furthermore, EAC Member Countries undertake several projects together including; transport and communication projects, collective employment and poverty reduction, joint environmental conservation especially on Lake Victoria, and joint tourism promotion.

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

**Figure 4.1: Role of Language in East Africa Integration**



According to 57.1% of the respondents a common language is likely to care of tensions that are likely to crop between ethnic groups of certain states, 48.9% strongly believe that east African identity is susceptible to slitting by alternative criteria of identity, 71.1% agree that agreed that concept of multiple identities represented by ethnic languages is a

challenge because they view state as homogenous. The concept of multiple identities represented by ethnic languages challenges the view of the nation-state as a collective homogeneous entity. This continues to be a problem in East African states. An East African identity, just like a national identity, is susceptible to splitting by alternative criteria of identity formation (for example, religion and language). This is particularly prevalent in Kenya and Uganda, where peoples, groups and tribes in each nation-state steadfastly hold on to ethnic identity, and express it through language<sup>156</sup>.

According to 67.7% strongly believe that English as language is unlikely to succeed as a medium of communication at grassroots level of east Africa. Although English is an official language in Kenya, and it spoken widely in Uganda and to some degree in Tanzania, it is considered the language of an elite minority, and although it is taught in schools in these three countries, and it is widely spoken internationally, it is unlikely to succeed as a medium of communication at grassroots level in East Africa. Furthermore, Rwanda and Burundi use French as an official language, and so they are likely to resist English, although Rwandese government communications are becoming increasingly trilingual (in Kinyarwanda, French and English).

According to 71.4% of respondents they agree that Kiswahili is a symbol of identity and heritage to many East Africans, 64.7% agree that Kiswahili and English are most influential trans-ethnic languages in East Africa, 62.8% agree that cultural and linguistic integration will be difficult in East Africa due to the connection between

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<sup>156</sup> Osaghae, E. E. 1996. *Competing ethnicities and contested citizenship in contemporary Africa*. Paper presented at the Conference organized by The Nordic Africa Institute, Sweden and The Institute of Diplomacy and International Studies, University of Nairobi on Constitutionalism and Citizenship in Contemporary Africa, Naivasha, Kenya, 13-15 December, pp. 4- 5.

language and ethnicity, 52.3% agree that Kiswahili is the most preferred lingua franca in East Africa because it is spoken by many while 55.6% of them respondents strongly believe that East Africa region is diversely multi-lingual as shown in figure 4.1. Kiswahili and English are the most influential trans-ethnic languages in East Africa<sup>157</sup>. Indeed, Kiswahili is a symbol of identity and heritage to many East Africans. It symbolizes cultural liberation from the Western world<sup>158</sup>. However, it does not enjoy the same status in Uganda, Rwanda and Burundi as it does in Tanzania and Kenya. In Kenya Kiswahili is a compulsory subject up to secondary school<sup>159</sup>. However, Kiswahili faces stiff competition from major ethnic languages like *Kikuyu, Luo, and Kamba* besides English and other foreign languages. Although Kiswahili is used as a national language, ethnic languages are important for local communication, such as in forming political blocs which are later used in political bargaining for power.

Ethnic relations in Tanzania have been controlled and minimized by the development and use of Kiswahili as a national language, and the absence of relatively strong and privileged ethnic groups<sup>160</sup>. However migration under the EAC may change this scenario, as ethnic groups from other EAC states come into contact (and potentially conflict) with Tanzanians. As these ethnic groups do not share the Tanzanian esteem for Kiswahili, it is likely that they will not seek to integrate with Tanzanians, and vice versa.

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<sup>157</sup> Mazrui and Mazrui, 1998: *The Power of Babel: Language and Governance in the African Experience*. (Oxford and Chicago and University of Chicago Press).

<sup>158</sup> Ndung'u, N.S. (2000). "Regional integration experiences in the Eastern African region". Paper presented during Workshop on New Forms of Integration in Emerging Africa. Geneva: OECD Development Centre.

<sup>159</sup> Chimera, R. 1998. *Kiswahili: Past, present and future horizons*. Nairobi: Nairobi University Press.

<sup>160</sup> Mpangala, G. 1998. *Inter-ethnic relations in Tanzania*, in O. Nnoli (Ed.) *Ethnic conflicts in Africa*. Senegal: CODESRIA, pp. 311-27.

Similarly, Kasfir<sup>161</sup> notes the extraordinary importance placed on ethnic concerns by both political leaders and followers in Uganda, where a territory is presumed to belong to particular people by virtue of their objective ethnic characteristics, including language. Mamdani<sup>162</sup> argues that to resolve these issues, what is required is a form of citizenship that is capable of negotiating both rights-based and ethnic identities. This would likely take care of the tensions that are likely to crop up between ethnicity, nationality of respective states and an East African identity. These can manifest themselves in situations of unequal economic development, particularly where the 'alien other' is doing comparably better than the national citizens. As Kymlicka and Norman<sup>163</sup> have phrased it, there is need to seek a new basis of citizenship that will supersede rival ethnic identities.

#### 4.4. Role of Currency

The theory of economic integration can be regarded as the commercial policy of discriminatively reducing or eliminating trade barriers (technical and non-technical barriers) only between the states joining together<sup>164</sup>. The main inspiration is the political and economic preferences among the members. Regional economic groups eliminate or reduce trade tariffs (and other trade barriers) among the Partner States while maintaining tariffs or barriers for the rest of the world (non-member countries).

The lowest level of collaboration in regional arrangements by and large involves at least trade, but deeper integration goes further and covers issues other than trade. "In

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<sup>161</sup> Kasfir, N. 1996. *The Shrinking political arena: Participation and ethnicity in African politics, with a case study of Uganda*. Berkeley, CA: University of California Press.

<sup>162</sup> Mamdani. 2006. *Citizen and subject*. Princeton, NJ: Princeton University Press.

<sup>163</sup> Kymlicka, W. & Norman, W. 1995. *Return of the citizen: a survey of recent work on citizenship theory*. In R. Beiner (Ed.), *Theorizing citizenship*. Albany, NY: State University of New York Press, pp. 283-322.

<sup>164</sup> Salvatore, Dominic. *International Economics*, 8Ed, Willey International Edition, USA, 2006.

some aspects, the United States is the perfect example of economic integration-the largest economy comprised of fifty states in the continental United States plus Alaska and Hawaii, a common currency, and a perfect labor and capital mobility and however it is just a one country”<sup>165</sup>

Regional economic integration in Africa has a long history, but indeed, it has not been so effective and it faces some challenges including overlapping memberships due to the multiplicity of its economic communities. In reality, geographical proximity, cultural, historical and ideological similarities, competitive or complementary economic linkages, and a common language among the Partner States are among the desirable conditions for effective economic integration. The similarity and smallness of the African countries together with the competition between each other in the global market for the same agricultural products are among the reasons responsible for the past lack of success in the economic integration in the continent. Regional Economic Integration offers many benefits to the participating member countries. However, these benefits are not pre-determined and they depend among other things on the internal design of the integration including the degree of political commitments by the Member States.

The benefits which developing countries in Africa can get from effective and well designed economic integration can better be understood by using East Africa Community (EAC) as a case study. The EAC is the regional intergovernmental organization of the Republics of Kenya, Uganda, Tanzania, Rwanda and Burundi, with its headquarters

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<sup>165</sup> Daniels, John D, Radebaugh, H. Lee, Sullivan, P. Daniel. , (2004) *International Business "Environments and Operations."* 10th Ed, Pearson Education: Upper Saddle River, New Jersey, United States.

located in Arusha, Tanzania. The people of EAC share a common history, language, culture and infrastructure. These advantages provide the Partner States with a unique framework for regional co-operation and integration. The regional co-operation and integration envisaged in the EAC is broad based, covering trade, investments and industrial development; monetary and fiscal affairs; infrastructure and services; human resources, science and technology; agriculture and food security; environment and natural resources management; tourism and wildlife management; and health, social and cultural activities<sup>166</sup>.

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<sup>166</sup> East African Community. *The Treaty for the Establishment of the East African Community*, EAC: 2002 xiv, EAC Publication, No 1, Arusha, Tanzania, 2002.

**Table 4.4: Role of Currency in Integration**

	Mean	Std. Deviation
It is a harder task to reduce inflation in all member states to single digits in the short term.	4.5677	.49633
it is difficult to harmonize currency in the short term, especially due to inflation	4.4662	.49979
Moving towards sustainable fiscal deficits that exclude external grant financing is more difficult to achieve, given the relatively high donor dependence	4.4662	.49979
Formation of a monetary union will facilitate a faster integration of the East African Community	4.3195	.58225
A single East African Community currency will facilitate trade	4.3045	.57735
Regional integration can foster competition, subsidiarity and access to wider market	4.2293	.55969
Economies will lose economic supremacy as a result of merging currencies	3.4436	1.53900
Merging of currencies may cause havoc with import and export markets hence unsuitable	1.5538	.49805

The analysis indicates that majority of the respondents agreed currency will influence integration in East Africa mean (~4.5677) and a standard deviation (~1) implying that majority of the respondents were of the opinion that it is hard task to reduce inflation in all member states to single digits in the short term. They also believe that it is difficult to harmonize currency in short term especially due to inflation mean (~4.4662) and standard deviation (~1). It is also hard to achieve movement towards sustainable fiscal deficits that external grant financing due to relatively high donor dependence (~4.4662) and standard deviation (~1). It was also revealed that most of the respondents were in



agreement that formation of monetary union will facilitate a faster integration of East Africa Community (~4.3195) and standard deviation (~1).

The formation of single East African Community currency is supported to facilitate trade (~4.3045) and standard deviation (~1). The people also believe that the regional integration can foster competition, subsidiary and access to wider market (~4.2293) and standard deviation (~1). Regional economic communities are formed because of the expected benefits from them. According to Iyoha<sup>167</sup>, an important feature of the higher levels of economic integration is free trade among members and this free trade is expected to lead to a rapid increase of trade which in turn is likely to lead to rapid economic growth.

These gains result from the dynamic effects of integration which are cumulative in nature and lead to growth. Indeed, the dynamic effects of integration are often described as the long-run consequences of economic growth of member states as a result of increased market size and exploitation of economies of scale, increased competition and learning by doing, and increased investment<sup>168</sup>. This increased investment according to Salvatore<sup>169</sup>, is due to the fact that economic integration is likely to encourage multinational corporations to invest and produce within the integrated economies to avoid trade restrictions imposed on nonmember states. Among these dynamic effects of economic integration, Salvatore<sup>170</sup> argues that, increased competition is the greatest one

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<sup>167</sup> Iyoha, A. Milton. *Enhancing Africa's Trade: From Marginalization to an Export-Led Approach to Development*, African Development Bank, Economic Research :Working Paper Series (77), 2005.

<sup>168</sup> Iyoha, A. Milton. *Enhancing Africa's Trade: From Marginalization to an Export-Led Approach to Development*, African Development Bank, Economic Research:Working Paper Series (77), 2005.

<sup>169</sup> Salvatore, Dominic. *International Economics*, 8Ed, Willey International Edition, USA, 2006.

<sup>170</sup> Salvatore, Dominic. *International Economics*, 8Ed, Willey International Edition, USA, 2006.

as it motivates producers to become more efficient in order to be able to compete with other producers, to merge or to be forced out of the business.

The respondents also believed that due to integration, economies will lose economic supremacy as a result of merging currencies (~3.4436) and standard deviation (~1). Baldwin and Venables<sup>171</sup> pointed out economic integration can help to ensure that production is located according to comparative advantage in each member states which in turn will lead to specialization which will further lead to increased output and services thus making the whole region better off as a result of such specialization scheme. However they disagreed when asked if merging of currencies may cause havoc with import and export markets hence unsuitable (~1.5538) and standard deviation (~1) as shown in table 4.4. this is supported by past studies some economic communities and in particular the European Economic Community (EEC) have shown that the larger the integration (in terms of the size) the more likely it is to lead to growth since the larger the integration, the larger the market created and so on. Also, the stronger the potential economies of scale are, and the more rapid the autonomous productivity advances, the more likely the integration will lead to growth. Thus, and as Iyoha<sup>172</sup> argues, the contribution of regional economic integration to economic growth will be greater if the exploitation of scale economies, made possible by increased market size, takes place at the same time as learning by doing.

he supremacy of a few countries and the huge difference in size among members of regional integration raise a question about the distribution of benefits and most regions

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<sup>171</sup> Baldwin, E. Richard and Venables, J. Anthony. *Regional Economic Integration*, London School of Economics, 2004.

<sup>172</sup> Iyoha, A. Milton. *Enhancing Africa's Trade: From Marginalization to an Export-Led Approach to Development*, African Development Bank, Economic Research: Working Paper Series (77), 2005.

have found it difficult to address the equitable distribution of gains and losses from integration<sup>173</sup>. According to Hoekman<sup>174</sup>. East Africa Community collapsed in 1977 due to this problem because Kenya had a more developed manufacturing sector than Tanzania and Uganda resulting in large income transfer from the other two members to Kenya. Mechanisms to provide compensation to the less developed members of groupings have been either absent or ineffective in most of regional economic communities in Africa. But this depends on how the economic integration was designed from the very beginning.

#### **4.5 Effects of Factor Mobility**

As a result of the EAC, citizens of member countries are now moving freely across the border by the use of East African Passports which are issued in all member countries. To facilitate more the movement of people in the region, EAC member countries have agreed to remove visa requirements for their citizens. Free movement of people is very important because it eases cross border trade and it also creates a sense of unity and community through increased interaction of the citizens of the member states. East African citizens can easily move from one country to another and do their business activities there. This is a good step towards the deeper integration including the East African Common Market of which negotiations have already been launched by the member states.

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<sup>173</sup> Matthew Lockwood, *The State They're In: An Agenda for International Action on Poverty in Africa*, London: ITDG Publishing, 2005.

<sup>174</sup> Hoekman, Bernard, Matoo Aaditya and English Philip. *Development, Trade and the WTO*, The World Bank, 2002.

**Table 4.5: Effects of Factor Mobility on Integration**

	Mean	Std. Deviation
Tariff, non-tariff and border barriers increases transaction cost of doing business	4.0902	.94736
In East Africa many road, air, and rail networks remain unconnected hence low factor mobility	4.3759	.74329
An important objective of regional integration is to reduce the transaction costs of trade	4.6090	.48889
Time consuming and inefficient border procedures inhibit intra-regional trade	4.3797	4.6245
Multiple border crossings for goods to reach land-locked countries add significantly to the transaction costs of intra-regional trade	4.3158	.46571
Lack of harmonization of the region's labour laws and regulations within member states hinders integration	4.3534	.47892
Informal Cross-Border Trade (ICBT) poses a serious challenge to EAC integration	4.3835	.48715
ICBT is a means of tax evasion and hence affects the regional business environment	4.3195	.46718
Open borders would mean full integration (the stated goal of member governments) and the end of revenue collection at border points for all traders	4.3383	.47404
Informal Cross Border Trade is that it harms integration by denying the member states revenue,	3.8195	1.2992
The EAC member states have disparate political systems, and unifying them in one political entity is a daunting challenge	4.7406	.43913

The results from analysis indicates that majority of the respondents were of the opinion that tariff, non-tariff and border barriers increases transaction cost of doing business mean (~4.0902) and a standard deviation (~1) implying that majority of the respondents believed that boarder barriers should be scrapped. The results indicate that East Africa many road, air, and rail networks remain unconnected hence low factor mobility mean (~4.2759) and a standard deviation (~1) implying that means of transport was paramount to trade in the region Several attempts of regional economic integration in Africa have

been put into place over time but according to Yang and Gupta<sup>175</sup> they have been ineffective in promoting trade and attracting Foreign Direct Investment (FDI) in the continent. Relatively high external trade barriers and low resource complementarity between Partner States limit internal and external regional trade. Small market size, poor transport facilities and high trading costs make it difficult for African countries to reap the potential benefits of economic integration<sup>176</sup>.

The results also indicate that the most important objective to trade is reduction of transaction costs mean (~4.397) and a standard deviation (~1) this shows that transaction costs should be cut in the region; the multiple border crossing for landlocked countries and thus integration will reduce the costs. Economic effects of regional integration according to Hoekman<sup>177</sup> include trade creation, trade diversion and transfers. According to Todaro and Smith<sup>178</sup>, trade creation occurs when common external trade policy and internal free trade lead to a shift in production from high to the low cost Partner State in the community. Trade diversion on the other hand arises when imports from the rest of the world are replaced by more expensive imports from the partner country. "Trade diversion is normally considered undesirable because both the world and member states are perceived to be worse off as a result of diversion of production from efficient foreign

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<sup>175</sup> Yang, Y. & Gupta S. 2005. *Regional trade arrangements in Africa: Past performance and the way forward*. IMF Working Paper 05/36. IMF: Washington D.C, 2005.

<sup>176</sup> Yang, Y. & Gupta S. 2005. *Regional trade arrangements in Africa: Past performance and the way forward*. IMF Working Paper 05/36. IMF: Washington D.C, 2005.

<sup>177</sup> Hoekman, Bernard, Matoo Aaditya and English Philip. *Development, Trade and the WTO*, The World Bank, 2002.

<sup>178</sup> Todaro, M.P and Smith, S. Steven. *Economic Development, 9th Ed*, Pearson Education: Upper Saddle River, New Jersey, United States, 2006.

suppliers to the less efficient domestic industries of member states”<sup>179</sup>. The overall gain depends on whether trade creation is larger than trade diversion.

Labour laws also contribute to region not being integrated mean (~4.3534) and a standard deviation (~1) this implies that for successful integration in the region the labour laws need to be harmonized. This is supported by past studies where it was revealed that to sustain trade liberalisation in African countries, policy should make it possible to free the movement of labour. Freeing labour flows within the region would improve growth prospects. Migration, transfers of skilled personnel and returning workers from abroad all contribute to the diffusion of technology. In the United Kingdom (UK) in the 19<sup>th</sup> century, there were legal barriers to the emigration of workers and the export of machinery. However, after these restrictions were removed (in 1825 and 1842 respectively), British investors and workers helped to develop railways and coal mining in Europe and elsewhere. In the period after the Second World War, large numbers of foreign students received science and engineering training in the United States and then returned home to use and spread their knowledge.

Labour mobility provides other benefits. It is another avenue for reducing the disparity in incomes worldwide. Apart from the potential to improve welfare, immigration also helps to relieve pressure in labour-scarce regions. That is why in recent years the migration of skilled workers who cannot find work in their own countries has increased within East Africa. Such migrants are making important contributions to innovation and entrepreneurial activity, especially in the informal sector. Therefore,

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<sup>179</sup> Todaro, M.P and Smith, S. Steven. *Economic Development*, 9th Ed, Pearson Education: Upper Saddle River, New Jersey, United States, 2006.

looser immigration and emigration policies in Southern Africa are likely to lead to regional gains in welfare.

However, loose immigration and emigration policies in the region can have their own costs. Foremost are criminal and drug syndicates, which are creating effective financial and drug smuggling networks to advance their interests in a world anxious to do away with economic and political barriers. These syndicates have shown that they are capable of undermining key institutions, even in established democracies. And the deadly commodities that they market debilitate even the strongest societies through the staggering health and crime costs, lost productivity, or squandered education for its youth that are associated with rising levels of drug abuse. International drug trafficking organisations and emerging crime syndicates those specialising in stolen automobiles and light weapons, money laundering, and counterfeiting pose non-traditional security challenges for East Africa. There is therefore a need for the countries of the region to act together to attack them in innovative ways.

The Informal Cross-Border Trade (ICBT) poses a serious challenge to EAC integration mean (~4.3835) and a standard deviation (~1) there is need to formalize all the cross-border trading in the region because Informal Cross-Border Trade is a means of tax evasion and hence affects the regional business environment mean (~4.3195) and a standard deviation (~1) also the Informal Cross Border Trade is that it harms integration by denying the member states revenue as shown by Informal Cross Border Trade is that it harms integration by denying the member states revenue mean (~3.8195) and a standard deviation (~1). Open borders would mean full integration (and the end of revenue collection at border points for all traders mean (~4.3383) and a standard deviation (~1).

Also due to that fact that EAC member states have disparate political systems, unifying them in one political entity is a daunting challenge (~4.7406) and a standard deviation (~1). Under economic aspects, Hoekman<sup>180</sup> pointed out that, the development impacts of economic integration for membership depend importantly on the countries that are involved, the type of agreement, and its substantive coverage. Recent research has suggested that of particular importance to developing countries are whether large industrial countries are members of the agreement, the extent of sectoral exclusions, and the degree to which the regional economic integration involves deeper integration that it extends beyond preferential elimination of barriers to trade in goods<sup>181</sup>.

#### **4.6 Effects of Political Systems**

African leaders have always accorded high priority to regional co-operation and integration. It was a central theme of the 1980 Lagos Plan of Action, the special United Nations (UN) session on Africa in 1986, and numerous other high-level statements and reports on African policy and development strategy. Regional integration is particularly important for landlocked countries; Africa has more of these than any other continent, and this is viewed as a formidable constraint on development.

Many institutions for regional integration and co-operation were created, often without much planning or preparation, soon after countries gained their independence. In Africa there are more than 200 organisations for regional cooperation, and the Lagos Plan

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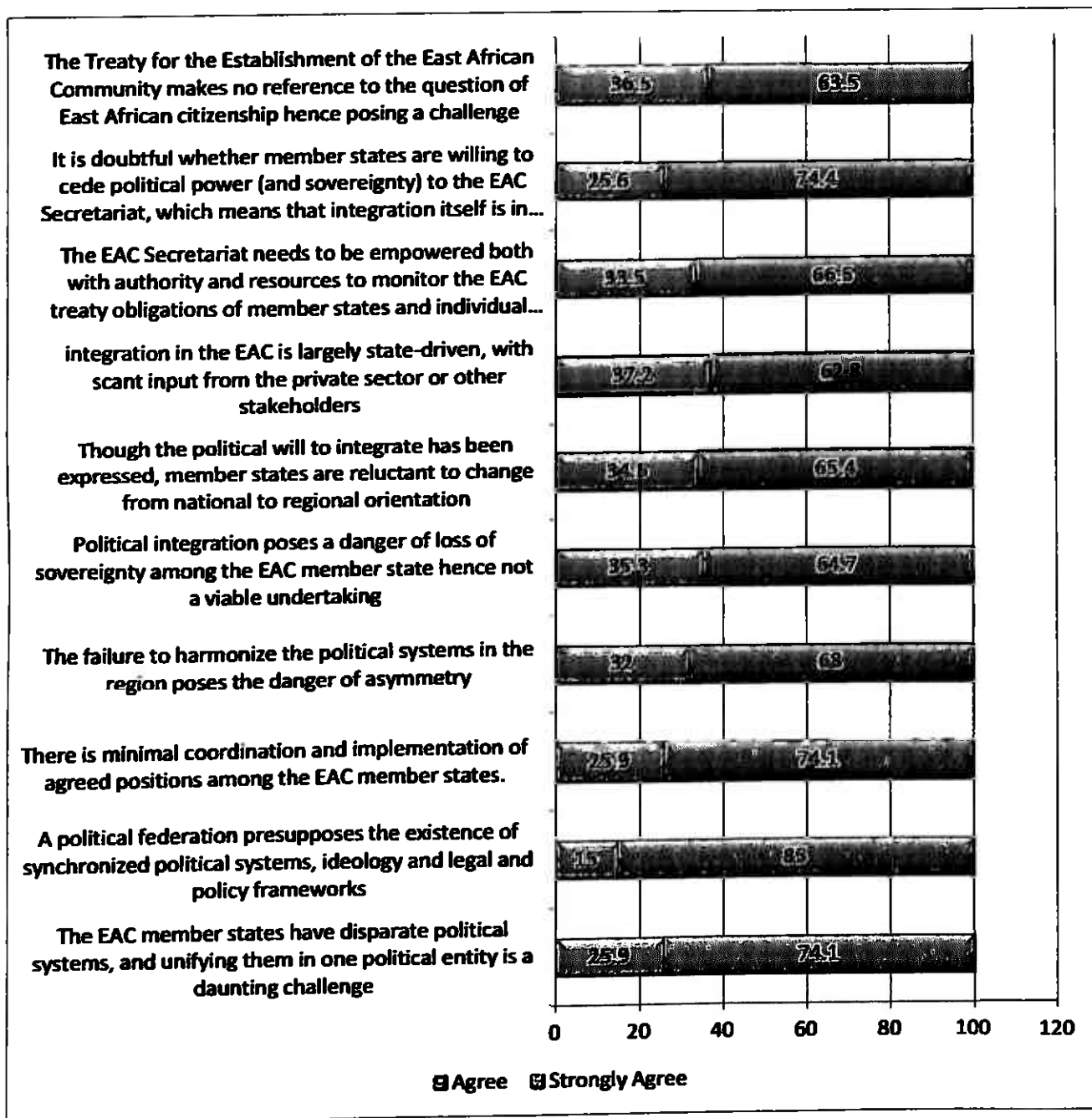
<sup>180</sup> Hoekman, Bernard, Matoo Aaditya and English Philip. *Development, Trade and the WTO*, The World Bank, 2002.

<sup>181</sup> Hoekman, Bernard, Matoo Aaditya and English Philip. *Development, Trade and the WTO*, The World Bank, 2002.



of Action is widely seen to have provided a conceptual and planning framework for economic integration. But progress toward market integration has been disappointing; with the share of intra-regional trade still at the level it was 20 or more years ago.

**Figure 4.2: Effects of Political Systems on Integration**



The effects of political systems on regional integration in the East African community are myriad and from the study results 63.5% the respondents strongly believe

that treaty of the establishment of East African community makes question of East African citizenship and thus becomes a challenge. It was also strongly supported by 74.4% of the respondents that it is doubtful whether member states are willing to cede political power (and sovereignty) to the EAC Secretariat, which means that integration itself is in doubt, 65.5% of the respondents strongly believe that the EAC Secretariat needs to be empowered both with authority and resources to monitor the EAC treaty obligations of member states and individual entities. According to Salvatore<sup>182</sup> difficulties facing many of the developing nations in Africa are not willing to give up part of their sovereignty to a supranational community body, as is required for successful economic integration.

For example, during the integration process of the EU, member states agreed to set up a supranational body which is independent from the government of the member states. As pointed out earlier, this is one of the requirements for effective economic integration. Due to the fear of losing their sovereignty, most of economic communities in Africa are intergovernmental institutions. Other difficulties are due to poor transportation and communication systems among the member states, often the greatest distance separating members, and the basically complementary nature of their economies and competition among themselves for agricultural export in the global market<sup>183</sup>. The problems mentioned above, combined with others therefore limit the benefits of regional economic integration to the participating member countries and mostly to the developing

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<sup>182</sup> Salvatore, Dominic. *International Economics*, 8Ed, Willey International Edition, USA, 2006.

<sup>183</sup> Salvatore, Dominic. *International Economics*, 8Ed, Willey International Edition, USA, 2006.

countries in Africa. Maruping<sup>184</sup>, further supports that that limited national and regional capacities and specifically the lack of mechanisms and resources for effective planning, coordination, implementation, monitoring and pragmatic adjustment of programmes on the ground have been another constraint to regional integration in Africa.

It was clear as strongly supported by 62.8% of respondents that integration in the EAC is largely state-driven, with scant input from the private sector or other stakeholders, regional economic integration can serve a useful economic purpose beyond the direct gains from trade liberalization, by reducing uncertainties and improving credibility and thus making it easier for the private sector to plan and invest. Indeed, reducing uncertainty may be vital for realizing gains from liberalization. Whether economies benefit from a particular regional trade agreement depends on the scope and coverage of its provisions, the nature of the enforcement mechanism and the circumstances in which the agreement can be modified<sup>185</sup>

To the extent that implementation of the treaties requires the understanding, conviction, and confidence of the private sector, an active involvement of this sector in particular and the general public at large are crucial. This aspect of the regional integration process in Africa has been singled out as one of the major weaknesses of the initiative<sup>186</sup>. Mistry<sup>187</sup> pointed out, the political commitments to African integration have

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<sup>184</sup> Maruping, Mothae. *Africa in the World Economy-The National, Regional and International Challenges*, FONDAD, The Hague, 2005.

<sup>185</sup> Aryeetey, E (2000) 'Regional Integration in West Africa' (Paper Presented at A Policy Workshop organized by the FOECD Development Center at the Graduate Institute of International Studies, Geneva 13 October 2000).

<sup>186</sup> Aryeetey, E (2000) 'Regional Integration in West Africa' (Paper Presented at A Policy Workshop organized by the FOECD Development Center at the Graduate Institute of International Studies, Geneva 13 October 2000).

been restricted to a small group of political leaders and senior technocrats and hence the implementation, costs, benefits and opportunities of integration were neither fully understood nor supported by all levels of government nor by an adequately wide range of public opinion. According to Matthews<sup>188</sup> the institutional weaknesses, including the existence of too many regional communities, a tendency towards top-heavy structures with too many political appointments, failures by governments to meet their financial obligations to regional organizations, poor preparation before meetings, and lack of follow up by Sectoral Ministries on decisions taken at regional meetings by Head of States has contributed to the past failure of the economic integration in Africa. Also as Iyoha<sup>189</sup> insisted, the overlapping memberships in regional communities can cause complications and inconsistencies due to conflicting obligations and divided loyalties.

According 65.4% of respondents they strongly believe although the political will to integrate has been expressed, member states are reluctant to change from national to regional orientation. The benefits of regional economic integration depend on the level of *economic integration and the deeper the integration, the greater the benefits to the participating Partner States*. However, the degree of integration depends upon the willingness and commitment of independent sovereign states to share their sovereignty. Driving forces and motivations for economic integration are diverse. Pangestu and

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<sup>187</sup> Mistry, S. Percy. *Africa's Record of Regional Cooperation and Integration*, African Affairs, 2000.

<sup>188</sup> Matthews, Alan. *Regional Integration and Food Security in Developing Countries*, Food and Agriculture Organization of the United Nations, FAO, Rome, 2003.

<sup>189</sup> Iyoha, A. Milton. *Enhancing Africa's Trade: From Marginalization to an Export-Led Approach to Development*, African Development Bank, Economic Research: Working Paper Series (77), 2005.

Scollay<sup>190</sup> identified trade, development and political and security as the main motives for economic integration in developing countries. Hoekman<sup>191</sup> pointed out economic aspects and political aspects as the main motives of economic integration.

It was also strongly echoed by 64.7% of the respondents that political integration poses a danger of loss of sovereignty among the EAC member state hence not a viable undertaking, most of the respondents 68% strongly agree that the failure to harmonize the political systems in the region poses the danger of asymmetry, also majority 74.1% believe strongly that there is minimal coordination and implementation of agreed positions among the EAC member states. As strongly echoed by majority 85% a political federation presupposes the existence of synchronized political systems, ideology and legal and policy frameworks and also due to the EAC member states have disparate political systems, and unifying them in one political entity is a daunting challenge as supported by 74.1% as shown in figure 4.2. In relation to political aspects, Hoekman<sup>192</sup> pointed out that many regional economic communities have been driven by political rather than economic goals. These political objectives include among others security, governance, democracy, and human rights. A good example is the European integration whose founding fathers sought to create a framework within which Franco-German wars would no longer be possible.

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<sup>190</sup> Pangestu, Mari and Scollay, Robert. *Regional Trading Arrangements: Stocktake and Next Steps*, Trade Policy Forum, Bangkok, Thailand, 2001.

<sup>191</sup> Hoekman, Bernard, Matoo Aaditya and English Philip. *Development, Trade and the WTO*, The World Bank, 2002.

<sup>192</sup> Hoekman, Bernard, Matoo Aaditya and English Philip. *Development, Trade and the WTO*, The World Bank, 2002.

Hoekman<sup>193</sup> argue that regional economic integration can enhance security because it increases the level of trade between member countries and, in so doing, increases familiarity between the people of the member countries and lessens the degree of misconception. It can also be a means through which democracy and governance objectives can be pursued and to lock in changes in political institutions. But generally, although economic integration can create political and security benefits (if these were parts of the objectives), it may also worsen security and this is likely to happen where the distribution of transfers is asymmetric between the member states.

#### **4.6.1 East Africa Community Commitment to Integration Agenda**

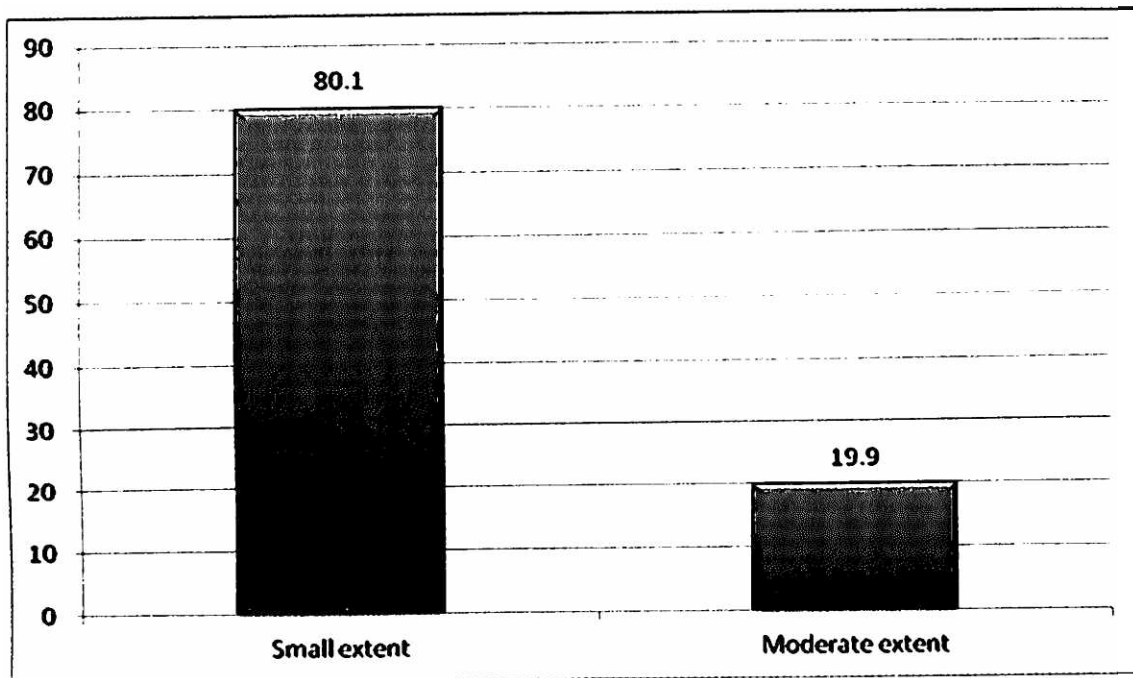
The study sought to establish the level of commitment by the East African community and from the results majority 80.1% of the respondents revealed that the community is committed to a very small extent as shown in figure 4.3. In Africa, however, there are several regional economic communities with a long history of existence but in most cases they are not very effective and the benefits from them are limited. Resources similarities and overlapping memberships are among the main problems for the limited benefits. Overlapping membership makes it difficult for the Member States to implement competing strategies of different economic groupings. Apart from overlapping membership, the integration arrangements are not characterized by strong supranational bodies and virtually all integration institutions are intergovernmental. This is because

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<sup>193</sup> Hoekman, Bernard, Matoo Aaditya and English Philip. *Development, Trade and the WTO*, The World Bank, 2002.

many developing nations are not willing to relinquish their sovereignty to a supranational community body, as is required for successful economic integration<sup>194</sup>.

**Figure 4.3: East Africa Community Commitment to Integration Agenda**



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

<sup>194</sup> Salvatore, Dominic. *International Economics, 8Ed*, Wiley International Edition, USA, 2006.



## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The data was analyzed and presented in form of tables and charts. The relationship between the factors (factors of integration) and the integration (dependent variable) was analysed. The policy implications and recommendations from the findings and areas for further research are also presented. The study recommended to East African community and individual governments various requirements that will ensure integration objectives to be achieved. Areas for further study have also been presented.

### **5.2 Summary of Findings**

#### **5.2.1 Role of Language**

In conclusion the study results shows that a common language is likely to care of tensions that are likely to crop between ethnic groups of certain states, the respondents also believe that east African identity is susceptible to slitting by alternative criteria of identity and also, the concept of multiple identities represented by ethnic languages is a challenge because they view state as homogenous. English as language is unlikely to succeed as a medium of communication at grassroots level of east Africa but Kiswahili is viewed as a symbol of identity and heritage to many East Africans. However they feel that Kiswahili and English are most influential trans-ethnic languages in East Africa. The cultural and linguistic integration will be difficult in East Africa due to the connection between language and ethnicity but Kiswahili is the most preferred lingua franca in East Africa

because it is spoken by many. Integration may not succeed because East Africa region is diversely multi-lingual.

### **5.2.2 Role of Currency**

Currency plays a greater role in the integration of East Africa region and from the study the currency cannot be easily merged because it is hard task to reduce inflation in all member states to single digits in the short term and also currency cannot be harmonized currency in short term especially due to inflation . It is also hard to achieve movement towards sustainable fiscal deficits that external grant financing due to relatively high donor dependence. However the people feel that formation of monetary union will facilitate a faster integration of East Africa Community. The formation of single East African Community currency is supported to facilitate trade because it will foster competition, subsidiary and access to wider market. However, it was revealed that due to integration economies will lose economic supremacy as a result of merging currencies. But results also show that integration of currency will not cause havoc with import and export markets hence suitable.

### **5.2.3 Effects of Factor Mobility**

Due to mobility majority of the respondents believed that boarder barriers should be scrapped. The results indicate that East Africa many road, air, and rail networks remain unconnected hence low factor mobility implying that means of transport was paramount to trade in the region. The transaction costs should be cut in the region which is very high as result of multiple borders crossing for landlocked countries and thus increasing the cost of trading in the region, it is expected that integration will reduce the costs. For

successful integration in the region the labour laws need to be harmonized. And the informal Cross-Border Trade (ICBT) which poses a serious challenge to EAC integration be formalized for all the cross-border trading in the region because Informal Cross-Border Trade is a means of tax evasion and hence affects the regional business environment and also because the Informal Cross Border Trade is that it harms integration by denying the member states revenue. Open borders would mean full integration, however due to that fact that EAC member states have disparate political systems, unifying them in one political entity is a daunting challenge.

#### **5.2.4 Effects of Political Systems**

Integration of East Africa faces political challenges this is because the member states have diverse political interest. The study shows that the issue of East Africa citizenship casts a doubt to minds of the citizens, the member states are not willing to concede power and sovereignty to the secretariat which means that integration itself is in doubt and due to the fact that secretariat does not have any authority or resources to monitor the EAC treaty obligations integration remains to be an uphill task to the community. The East Africa integration is largely state-driven, with scant input from the private sector or other stakeholders and also the political will to integrate has been expressed, member states are reluctant to change from national to regional orientation. It was also strongly echoed by respondents that political integration poses a danger of loss of sovereignty among the EAC member state hence not a viable undertaking.

The failure to harmonize the political systems in the region poses the danger of asymmetry and there is minimal coordination and implementation of agreed positions

among the EAC member states. As strongly echoed by majority a political federation presupposes the existence of synchronized political systems, ideology and legal and policy frameworks and also due to the EAC member states have disparate political systems, and unifying them in one political entity is a daunting challenge.

### **5.3 Conclusions**

It is clear that East African integration is already extensively practiced through informal trade and migration of people, which were features of economic and social life before colonisation. Openness to trade has always improved resource allocation, increased competition and product specialisation, and provided a broad avenue for technology transfer. Ironically, greater competition and a more integrated world have also resulted in a global system which is now at a critical juncture.

The issue of difference in language, supremacy, identity, lack of common language and political disparities has continued to slow down the East Africa integration. There are myriad of benefits that east Africa can benefit from the integration. Opening up of the domestic economies to competition from member countries of the EAC has resulted in increased efficiency in some sectors, increased product varieties and the introduction of new and modern methods of doing business in the region. This is due to increased competition from other member states in which local companies are forced to adjust themselves in offering better services for fear of being left behind or kicked out of the business. Increased competition may lead to efficiencies, but in the short run the firms which stand to gain most are those that are already competitive.

Regional cooperation in the EAC through the customs union is expected to play a great role in enabling private sector operators based in the region with cross-border business operations to exploit the comparative and competitive advantages offered by regional business locations, without having to factor in the differences in tariff protection rates, and added business transaction costs arising from customs clearance formalities. The regionally based enterprises will also get better protection, as enforcement of the common external tariff is done at the regional level.

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

#### **5.4 Recommendations**

East Africa is generally a multi-lingual region with so many ethnic groups and due to variety of languages they feel that if the nations were to integrate they will lose their identity. It was also revealed that English should not be adopted as East African language because it will not succeed in the grassroots but Kiswahili should be adopted since it is widely used in East African region and can easy be accepted in the grassroots. For integration of currency to be a success there is need to find a way of reducing inflation in

the countries into a single digit and set a period of standardising the currency so that the inflation margin can be reduced. The countries should also harmonize their level of donor dependence; they also need to create a monetary union. Although some nations will lose their economic supremacy there is high benefits since trade since their export power will be higher.

The boarders tariffs, non-tariffs and border should be scrapped since it increase the cost of doing business among the countries, the means of transport linking the East Africa countries needs to be improved to link the countries and for easy transportation. Since the main objective of integration is to cut the costs there is need for the member countries to formalize cross-border trading for collection of revenue and also ensure smooth flow of good across borders since the time taken in boarders costs more to landlocked countries where goods have to cross several boarders before reaching its destination.

There is need to sensitize the East Africa citizens on the benefits of integration is the undertaking is to bear any fruits since the citizens have more negative believes than the positive benefits. There is need to clarify the issue of citizenship, the mode of ruling the community parallel to the existing government structures and power, the secretariat needs to be empowered and given resources to undertake the community objectives of integration. The nations need to involve the private sector in the integration process since they need to understand how their investments will be safe and since the control most of the state economy and earnings. The issue of sovereignty needs to be clarified and measures be established on how some more developed nations can benefit from integration so that it should not be to the benefit of the less developed nations. The

political system needs to be uniform that can be accepted by all members of the community. The East African Communities needs to be fully committed to the to the integration agenda since the results shows that they are committed to a very small extent.

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## APPENDICES

### APPENDIX 1: QUESTIONNAIRE

This questionnaire is to collect data for purely academic purposes. This research seeks to investigate the challenges of regional integration with specific reference to the East Africa Community. Your responses will be strictly anonymous. Do not put any name or identification on this questionnaire. Your responses are greatly appreciated.

*Answer all questions as indicated by either filling in the blank or ticking the option that applies*

#### SECTION ONE: GENERAL INFORMATION

1. Name of the organization.....

2. Position of the person filling the questionnaire.....

3. What is your gender?

Male  Female

4. Please indicate your age bracket

Below 25 yrs

26-30yrs

31-40 yrs

Above 40 yrs

5. Please indicate your marital status

Single  Married  Divorced  Widowed

6. For how long have you worked in this organization?

Less than 5 years  5-10 years  above 10 years

7. Please indicate your highest level of formal education

Certificate  Diploma  University first degree  Post graduate

**SECTION TWO: ROLE OF LANGUAGE**

8. The statements below are concerned with the role of language on regional integration in East African community. Please tick the one that best describes your opinion. Be sure to use the following scale;

**1-strongly agree, 2- agree, 3- neutral, 4-disagree and 5- strongly disagree**

Statement	1	2	3	4	5
The East African region is heavily multilingual					
Kiswahili is the most preferred lingua franca for East African Community because it is widely spoken.					
Cultural and linguistic integration will be difficult due to the connection between language and ethnic identity					
Kiswahili and English are one of the most influential trans-ethnic language in East Africa					
Kiswahili is a symbol of identity and heritage to many East Africans					
English as a language is unlikely to succeed as a medium of communication at grassroots level in East Africa					
The concept of multiple identities represented by ethnic languages challenges the view of the nation-state as a collective homogeneous entity					
An East African identity is susceptible to splitting by alternative criteria of identity formation					
A common language is likely to care of the tensions that are likely to crop up between ethnicity, nationality of respective states.					

9. In your own view, what are the other roles of language on regional integration in the East African community?

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### SECTION THREE: ROLE OF CURRENCY

10. The statements below are concerned with the effect of currency on regional integration in East African community. Please tick the one that best describes your opinion. Be sure to use the following scale;

Statement	1	2	3	4	5
Regional integration can foster competition, subsidiarity and access to wider market					
A single East African Community currency will facilitate trade					
Formation of a monetary union will facilitate a faster integration of the East African Community					
Merging of currencies may cause havoc with import and export markets hence unsuitable					
it is difficult to harmonize currency in the short term, especially due to inflation					
It is a harder task to reduce inflation in all member states to single digits in the short term.					
Moving towards sustainable fiscal deficits that exclude external grant financing is more difficult to achieve, given the relatively high donor dependence					
Economies will lose economic supremacy as a result of merging currencies					

1-strongly agree, 2- agree, 3- neutral, 4-disagree and 5- strongly disagree

11. In your own view kindly indicate the other effects of currencies on integration of the East African Community.

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## SECTION FOUR: EFFECTS OF FACTOR MOBILITY

12. The statements below are concerned with the effect of restricted movement of people and goods on regional integration in the East African community. Please tick the one that best describes your opinion. Be sure to use the following scale;

Statement	1	2	3	4	5
Tariff, non-tariff and border barriers increases transaction cost of doing business					
In East Africa many road, air, and rail networks remain unconnected hence low factor mobility					
An important objective of regional integration is to reduce the transaction costs of trade					
Time consuming and inefficient border procedures inhibit intra-regional trade					
Multiple border crossings for goods to reach land-locked countries add significantly to the transaction costs of intra-regional trade					
Lack of harmonization of the region's labour laws and regulations within member states hinders integration					
Informal Cross-Border Trade (ICBT) poses a serious challenge to EAC integration					
ICBT is a means of tax evasion and hence affects the regional business environment					
Open borders would mean full integration (the stated goal of member governments) and the end of revenue collection at border points for all traders					
Informal Cross Border Trade is that it harms integration by denying the member states revenue,					

**1-strongly agree, 2- agree, 3- neutral, 4-disagree and 5- strongly disagree**

**SECTION FIVE: EFFECTS OF POLITICAL SYSTEMS**

13. The statements below are concerned with The statements below are concerned with the effects of political systems on regional integration in the East African community. Please tick the one that best describes your opinion. Be sure to use the following scale;

**1-strongly agree, 2- agree, 3- neutral, 4-disagree and 5- strongly disagree**

14. In your own opinion to what extent do you think the EAC member states are

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The EAC member states have disparate political systems, and unifying them in one political entity is a daunting challenge					
A political federation presupposes the existence of synchronized political systems, ideology and legal and policy frameworks					
There is minimal coordination and implementation of agreed positions among the EAC member states.					
The failure to harmonize the political systems in the region poses the danger of asymmetry					
Political integration poses a danger of loss of sovereignty among the EAC member state hence not a viable undertaking					
Though the political will to integrate has been expressed, member states are reluctant to change from national to regional orientation					
integration in the EAC is largely state-driven, with scant input from the private sector or other stakeholders					
The EAC Secretariat needs to be empowered both with authority and resources to monitor the EAC treaty obligations of member states and individual entities					
It is doubtful whether member states are willing to cede political power (and sovereignty) to the EAC Secretariat, which means that integration itself is in doubt					
The Treaty for the Establishment of the East African Community makes no reference to the question of East African citizenship hence posing a challenge					

committed to the EAC integration agenda?

Small extent

Moderate extent

large extent

Very large extent

15. List the political challenges that are likely to face the EAC regional integration?

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16. In general what other challenges face the regional integration of the East African Community?

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