

**POLITICO-ECONOMIC STRUCTURAL CONSTRAINTS AND
THEIR IMPACT ON REGIONAL INTEGRATION IN EAST
AFRICA: A CASE STUDY OF THE EAST AFRICAN
COMMUNITY (EAC) 1993 – 2003. //**

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**This dissertation is submitted in partial fulfilment for the
Degree of Master of Arts in International studies, at the
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University of Nairobi.**

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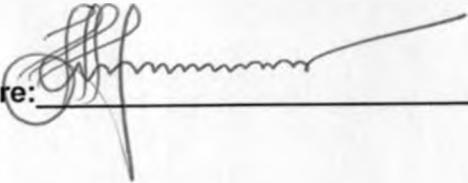


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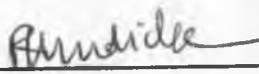
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MUDIDA ROBERT

DEDICATION

To my father Simon Motanya Magwaro, the hardworking peasant who tirelessly inculcated the value of education in his children.

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ABSTRACT

Regional integration has along history in East Africa. The main focus of this study was to investigate the impact of politico-economic structural constraints on regional integration in East Africa with specific reference to the East Africa Community (EAC) 1993 – 2003. The study too sought to establish the measures the East African countries have undertaken to address the above in EAC, outline policy options for regional integration in East Africa and to examine the process of development of regional integration in East Africa.

The study found out political and economic structures prevailing in East Africa cannot under gird a mutually beneficial cooperation. The East African countries are characterized by low income, predominantly agricultural economies, low productivity, and heavy dependence on a small number of primary commodities for export. In Tanzania and Uganda agriculture accounts for nearly 50% of the Gross Domestic Product. Only Kenya has a relatively diversified economy and as such has been in a position to exploit the opportunities offered by the East African market.

In political structures the post colonial East Africa state is characterized by centralization of power, reluctant move toward democratization, political instability in some (Northern Uganda). These in a nutshell affect the cause of regional integration.

The study recommends there is need to reorient the approach toward regional integration in East Africa for these countries to realize maximum benefit. The East African countries should construct common regional public goods; adopt common regional approaches, common foreign policies, infrastructural, and investment policies. Acknowledge the role of core states in regional integration.

CHAPTER ONE

1.1 Introduction

Regional integration has been a constant feature in East Africa for a long time. Indeed the region once boasted of the most sophisticated regional integration scheme (East African Community 1967 – 1977) in Africa with a common transport, communications and research services, common currency, university, and external tariff system.

However, this integration scheme collapsed in 1977 in the face of ideological differences, unequal levels of development, political instability in Uganda, lack of political commitment and institutional weaknesses¹.

The collapse of East African Community in 1977 did not signify the end of regional integration efforts in East Africa. In 1984, the East African countries signed the Mediation Agreement committing them to explore and identify future areas of cooperation.

In the early 1990s the East African Countries reignited the efforts towards regional integration with the establishment of the Permanent Tripartite Commission for Cooperation in 1993 responsible for coordination of economic, social, cultural, security and political issues among the three countries. The establishment of the secretariat soon followed in 1994 through the provision of the protocol on Establishment of a secretariat of the Permanent Tripartite Commission.

After the approval of the East African Cooperation Development Strategy 1997 – 2000 which focused on the development of a policy framework for regional cooperation, the three East African leaders directed the Permanent Tripartite Commission to embark on negotiations to upgrade the agreement establishing

¹ G. A Korwa & M. Ngunyi "The Politics of Integration in East Africa Since Independence" in W.O. Oyugi (ed) Politics and Administration in East Africa. (Nairobi : Masaki publishers, 1994) p.410

the tripartite commission into a treaty. A draft Treaty was ready for presentation to the commission in 1998.

The Treaty for the establishment of the East African community was signed in November 1999 after long drawn out negotiations and came into force on July 2000. The Treaty outlined the following institutions: - The Summit consisting of heads of state, the Council consisting of foreign affairs ministers, the Coordination Committee, Sectoral Committees, the East African Community Court, The East African Legislative Assembly, and the Secretariat.

The second East African Community Development Strategy 2001- 2005 focused on the implementation of the Treaty, paying attention to regional projects and programmes, and the establishment of EAC customs union, which is the entry point of the community.

Ever since independence in the early 1960s African states have constantly pursued policies of regional integration to promote socio-economic transformation and reduce external dependence². These included Mano River Union (MRU), Economic Community of West African States (ECOWAS), Customs Union of the States of Central Africa (UDEAC), Preferential Trade Area (PTA, now Common Market for Eastern and Southern Africa. COMESA), Southern Africa Development Coordination Conference (SADCC).

The efforts towards regional integration notwithstanding, the progress has been disappointing while some regional integration schemes collapsed [East African Community 1967-1977], others simply remained stagnated registering minimal success. Attempts have been made by various scholars to explain the slow process of regional integration in Africa. Adebayo allude this to the inability of the post colonial state to decolonize its political economy. He argues, as Africa marches towards the future with its colonial, mono-cultural, low productivity and

² M. Guy , “ African Regional Integration and Cooperation.; Achievements, Problems and Prospects” in Seidman Ann (ed) 21st century Africa: Toward a New Vision of self Sustainable Development.(Atlanta, African Studies Association,1992) p. 69

excessively dependent and open economy, Africa has ensured it has no dignified future³. A point echoed by Mazzeo and Hazlewood who maintain the nature of African economies militate against regional integration. These economies are characterized by heavy reliance on export of primary commodities, low levels of industrialization, low levels of intra regional trade, highly dependent on foreign trade largely with the former colonial metro poles, and lack integrated infrastructure.

The main factor explaining the low level of intra-regional trade is to be found in the economic structures of these countries. The economies are virtually oriented to the export of primary commodities and the import of manufactures, infrastructure for intra-African trade is equally lacking⁴. The analysis demonstrates that trade alone cannot serve as a driving force for integration in the African context because it is conducted on a very limited scale among the countries of the region.⁵

Instead of widespread and equitable sharing of benefits this approach polarizes the process through unequal gains (the most advanced states benefit disproportionately) leading to "dis - equalizing effects."

The fact that most African member states have not undergone structural transformation and economic diversification⁶, regional integration will be ineffective. There is need to overhaul the economic structures and the centrally structured and colonially inherited political power.

If this is the case, has the new East African Community learnt from the past experiences? How radically different is it from its predecessor? This study sought to investigate the impact of political and economic structural constraints on

³ A. Adedeji "From the LPA to NEPAD and From the Final Act of Lagos to the Constitutive Act: Whither Africa: in Nyong'o, P.A et al New partnership for Africa's Development (NEPAD) A New path? (Nairobi Heinrich Boll Foundation, 2002) p.38.

⁴ A. Hazlewood,(ed). African Integration & Disintegration.(London: Oxford University Press, 1967) p. 10

⁵ A.H.M Aly Ahmad Economic Cooperation in Africa.: In Search of Direction.(London: Lynne Publishers, 1994) p. 43

⁶ Ibid p. 31

regional integration in East Africa with specific reference to the East African Community for the period 1993 – 2003. The slow progress of implementation has demonstrated that the three East African countries have not sufficiently learnt from their past failures/ experiences.

In an attempt to demonstrate the impact of politico-economic structural constraints and their inhibition of a trade led approach to integration in East Africa, the study will also make an effort to give some alternative options.

Most African political systems are characterized by centralization of power and dominance of the executive. For example in West Africa civil strife within member states, political instability and state collapse have impeded the cause of regional integration. In Eastern Africa long running conflicts in Northern Uganda, state collapse in Somalia and insecurity in the Horn of Africa have proved to be obstacles to regional integration.

1.2 Definition of concepts

Regional Integration - refers to the process of creating new supranational institutions that design common policies aimed at reducing or removing barriers to mutual exchange of goods, services, capital and people.

Structural Economic constraints - refers to the impediments that arise from the composition of East African Economies. These structural economic constraints can be operationalised as:

- The percentage of agriculture, manufacturing, tourism and other sectors contribution to the GDP.
- What are the trading patterns? Intra regional trade vis a vis external trade.
- What is the composition of the EAC exports and imports?

Structural Political constraints - refers to the impediments that arise from how political institutions are organized in the East African countries, which can be operationalised as:

- What responsibilities are associated with each political institution?
- How do the various political institutions interact?
- How is the distribution of power?

1.3 Statement of the Problem

The centrality of regional integration to the East African countries socio-economic transformation cannot be underestimated. However despite the numerous efforts towards this stated goal of regional integration success has been limited.

The post-colonial political and economic structures of these countries have made regional integration ineffective. The centralized political power has refused to give way or cede some authority to the supranational institutions. The economies are oriented towards the export of primary commodities and highly dependent on foreign trade.

At the regional level, Tanzania and Uganda have minimal trade between themselves; their exports to Kenya are insignificant. In fact they constitute only one percent of Kenya's total imports. The long drawn out negotiations on the treaty establishing the EAC brought these fears to the fore; Tanzania and Uganda fearing Kenya's domination were not ready for zero tariff trade, and free movement of the factors of production.

The relatively developed Kenyan economy has been an obstacle rather than a catalyst for regional integration. These countries do not have the capacity in place to produce goods that could be tradable within the region.

Though Tanzania and Uganda resented Kenya's domination of the EAC trade in the colonial period it made no difference the beneficiary was one, Britain the colonial power. In the postcolonial period the calls to restructure and decolonize the political economy of East Africa had little support outside Tanzania.

However, as the three countries embark on regional integration with the ultimate goal of a political federation its imperative to ask what has fundamentally changed? There has not been any structural transformation of political economy of East Africa; Kenya still dominates the EAC trade with a surplus with Tanzania and Uganda having little trade among them, and with Kenya. Infrastructure is colonial, and they are highly dependent on foreign trade.

In such a situation a trade led integration will continue to favour the most developed economy in the region i.e. Kenya. This is bound to be resisted by Tanzania and Uganda and this will ultimately see the integration process achieve limited effectiveness.

This study seeks to argue to the extent the political economy of East Africa has not undergone any significant political and economic structural transformation, regional integration is bound to be ineffective.

1.4 Literature Review

Literature review has been divided into two parts. Part one, covers theoretical literature on regional economic integration while part two covers empirical literature on regional integration in Africa in general gradually narrowing down to the East African region in particular (this covers the pre and post independence periods).

Theoretical literature analyses the key arguments why states pursue regional integration, the conditions necessary to under gird a successful regional integration and factors that impact regional integration.

Empirical literature highlights how the process has been evolving in Africa. It brings out what the process has achieved and impediments it has faced. Based on these empirical experiences the study can be able to offer policy prescriptions on how to take the process forward in East Africa.

1.4.1 Theoretical literature on Regional Economic Integration

The 'traditional theory of customs unions' draws from the writings of Viner and Meade which analyses under static assumptions the circumstances under which a customs union leads to gain. The theory makes the same basic assumptions as the static theory of comparative advantage.

According to Viner,⁷ the criterion of gain from a customs union is based on the information whether it is trade creating or trade diverting. Trade would be 'created' and welfare increased when the removal of the tariff barriers inside the customs union results in the transfer of output from a high to a low cost source of supply within the union. Trade diversion results when the removal of the internal barriers leads to a switch from a low cost external source of supply to a high cost internal source. For Viner a customs union would result in trade creation if the economies involved are competitive, the greatest gains would result from a customs union formed by countries whose economies are similar or competitive rather than complementary.

Makover and Morton⁸ deconstructed this position, they argued if there is any trade creation, the gains will be greater, the more dissimilar the cost ratios in the integrating countries that is the greatest gains from the establishment of trade creating customs union arise when the economies of the participating countries are complementary, that is with dissimilar rather than similar cost ratios.

Meade⁹ posits in order to ascertain whether the formation of customs union represents on balance a net gain or loss, it is necessary to consider not only the total volume of trade on which costs have been lowered and the total volume on which costs have been increased but also the extent to which costs have been

⁷ J. Viner The Customs Issue (New York: Carnegie Endowment for International Peace, 1950)

⁸ H. Makover and G. Morton "A Contribution Towards a Theory of Customs Unions" in Economic Journal vol. 12 No. 249 March, 1953 pp 33-49

⁹ J.E Meade . The Theory of Customs Unions .(Amsterdam: North Holland Publishing Company, 1965) pp 34-36

raised or lowered on each units of created or diverted trade. The test becomes whether on balance "production" effects of integration are positive or negative.

Lipsey¹⁰ argues from a welfare viewpoint that the best kind of customs union is between countries which are competitive but which could produce widely different goods.

A second source of gain from integration which receives less attention in the traditional theory derives from economies of scale. Robson¹¹ contends the enlargement of the market has three effects. First, as the size of the market increases large plants may be built where costs can be lowered. Second, a widening of the market for particular products may make it possible to reduce the variety of products in individual plants and to lengthen production runs however in East Africa there is a lot of duplicity in industry. Lastly in a large market productive processes formerly integrated in a single plant can be separated in individual plants.

The traditional customs union theory was largely informed by the integrative experiences of Western Europe posing the critical question how relevant is it to the experiences of the developing countries?

Seers¹² maintain that in underdeveloped economies purely static propositions are mostly irrelevant if not misleading. One of the key goals for the developing countries is to foster structural transformation in their economies. It is argued there are more and serious obstacles to free trade other than trade barriers.

Balassa¹³, takes the view that traditional customs union theory will be of little usefulness for evaluating the desirability and possible consequences of integration among the less developed countries. He contends traditional

¹⁰ R.G Lipsey "Theory of Custom Union: A General Survey" in Economic Journal. Sept. 1960) pp 496-513

¹¹ P. Robinson , Economic Integration.(Evanston: North Western University press, 1968) p 30

¹² D. Seers ' The Limitation of The Special Case' in Bulletin of The Oxford Institute of Economics And Statistics (London, May 1963) P 83

¹³ B. Balasa , Economic Development and Integration.(Mexico; CEMLA, 1965) P 38

customs union theory was informed by the experiences of advanced market economies of Western Europe and as such it cannot capture the integrating experience of the developing countries most of which are predominantly agricultural.

Mikesell¹⁴ shares the same position by questioning the applicability of the generalizations of the theory of customs union, which relates to complementarities, competitiveness and trade patterns, to the potential gains from regional trade arrangements for countries.

Under a regional integration scheme trade creation is likely to result when external trade is little compared to intra-regional trade. To the extent that intra-regional trade is relatively small and the less developed countries depend largely on foreign trade then the immediate gains from integration are likely to be small.¹⁵

Salvatore¹⁶ contends a regional economic integration is likely to succeed; when the pre-union trade barriers of member countries is high then there is a greater possibility that formation of the customs union will create trade among members, the lower the customs union barrier on trade with the rest of the world this makes it less likely that formation of the customs union will not lead to costly trade diversion, the greater is the number of countries forming the customs union and the larger their size (in terms of population). The more competitive rather than complementary are the economies of member nations. The closer geographically are the members of the customs union then transportation cost will represent less of an obstacle to trade creation among members, and the greater is the pre-union trade and economic relationship among potential members.

¹⁴ R.F Mikesell " The Theory of Common Market as Applied to Regional Arrangements Among Developing Countries' in Harrod et al (eds) International Trade Theory in a Developing World.(London: Macmillan 1963) p 213

¹⁵ P. Robson. Economic Integration op cit p. 32

¹⁶ D. Salvatore, International Economics (2nd ed) (New York; Macmillan Publishing company, 1987) pp. 253-254

In East Africa the greatest impediments to trade arise from non-trade barriers this is especially true between Tanzania and Uganda that have poor infrastructural links. The three countries have a combined population of around 90 million with a GDP of 30 billion dollars. The East African countries are neither competitive nor complementary perhaps only Kenya that is considered to be competitive. Trade and economic relationships are huge with the developed market economies except for Kenya that exports nearly a third of her total exports to the EAC region.

However this does not imply regional integration is a lost cause for the EAC countries with effective governmental intervention (instead of relying purely on the market) the process can be taken forward. Even where phenomenal success has been recorded for instance in Western Europe governments were in the lead.

The critics of the traditional customs union theory posits that it is necessary to look beyond the existing patterns of production to what is likely to emerge in the future, when comparative advantage and trade patterns are likely to be different. Their concern being the contribution of integration to economic growth and to the structural transformation of the less developing countries.

Their approach is 'dynamic' in the sense that inputs of factors of production in particular capital and labour are variable, and the character and effectiveness of factors of production are assumed to be bound up with the character of production¹⁷.

Myrdal¹⁸, maintains that traditional trade theory should consider the existing economic structure, since it is contended that the problem is that of fostering structural transformation of these economies, disposition to interpret comparative

¹⁷ P. Robinson op cit p. 33

¹⁸ G. Myrdal, Economic Theory and Underdeveloped Regions (London: Duckworth, 1975)

advantage as something which is not only changing but which can be forcibly changed.

The traditional theory of customs union does not account of the way in which the potential benefits from regional integration may be distributed among member states.

Hirschman ¹⁹ posits "polarization effects" occurs after the formation of a customs union when the growth of income, industry, and employment tends to concentrate on one country. The process of polarization is bound with the determinants of locational decisions that is natural resources, nearness to markets, transportation costs and external economies.

The initial location of industry in any region is determined by a variety of historical and economic factors. Once it has started new industries tend to locate in the same area so as to enjoy the external economies provided by initial industrial development. In East Africa Nairobi is a major pole of development and preferred location of new industries serving the whole East Africa markets²⁰.

A customs union is likely to be negotiable for countries at a similar level of economic development. In such a situation membership is likely to afford a good chance of obtaining share in any increase in aggregate industrial production made possible by the union, and little chance of undue loss of individual production to other members, and partly because these circumstances are likely to facilitate agreement on the initial common tariff level.²¹

The polarization effects notwithstanding if regional integration can produce substantial potential productivity gains to the region as a whole, it should be

¹⁹ A. O. Hirschman., The Strategy of Economic Development (Newhaven: Yale University Press, 1958) pp 187-190

²⁰ P. Robinson op cit p. 43

²¹ Ibid p 44

possible to redistribute these in such a way that all members of the region are better off over a long run²².

Robson²³ argues for the case of joint investments in infrastructure for example communications, power and water; in these activities economies of scale, external economies and interdependence are likely to be large so that coordination may affect the viability of particular projects. Coordination of key projects may enable a group of projects to be undertaken profitably for the regional market if carried out simultaneously, whereas in isolation would not be feasible.

There seems to be no unanimity among the customs union theorists under what conditions it will succeed. Viner and Salvatore argue the customs union stands a higher chance of succeeding if on balance it is trade creating, and the economies involved are competitive or similar. The critics maintain a customs union will succeed the more dissimilar the economies involved are, point out inappropriateness of applying traditional customs union theory to the developing countries. The end goal of integration in the developing countries should be to foster structural transformation in these countries.

1.4.2 Empirical Literature on Regional Integration in East Africa.

Regional integration was touted as one of the ways African countries could achieve socio-economic transformation at the dawn of political independence. According to Todaro²⁴, integration provides an opportunity for industries that have not been established and those already in operation to take advantage of the economies of large-scale production through expanded markets. There is also the possibility of coordinated industrial planning especially in industries where economies of scale exist.

²² Ibid

²³ Ibid p. 56

²⁴ M.T Todaro Economic Development in the Third World (4th ed) (London: Longman 1993) p. 455

Bach²⁵, contends the inherited colonial structures have bogged down a commitment to regional integration in Africa. A majority of African states lacks political and financial internalization of regional integration, however this has not been acknowledged, and indeed most of them are confronted with severe "domestic" integration problems²⁶

South Africa Customs Union (SACU) has circumvented these structural constraints through a centralized management of tariffs and revenue distribution, use of a common external tariff to redistribute customs revenue, free movement of goods and services, and the use of the South African Rand as common currency.

Mazzeo²⁷, argues at independence the African states were torn between federalist and functionalist approaches to cooperation, this was compounded by absence of relevant infrastructure and low levels of industrialization. The colonially inherited structure of foreign trade, small unviable markets in most countries have proved to be major obstacles to the transformation of the continent's natural resources into diversified production.²⁸ There is need for structural readjustment upon which the long term benefits rest. However he does not point out how these African countries should go about structural readjustment.

In the 1960s & 70s Africa was full of integration schemes however it was the same period that saw the collapse of some of them. The defunct EAC was economically beneficial, but politically it failed because of national sovereignty and ideological incompatibility between the partner states. According to Nyong'o²⁹ flawed conception, defective policy formulation and haphazard execution of such policies explains the failure of regional integration schemes in Africa. It is

²⁵ C.D Bach. The Revival Regional Integration in Africa. (University of Ibadan: IFRA publication ,1999)p. 43

²⁶ Ibid p 52

²⁷ D. Mazzeo (ed) African Regional Organizations (London: Cambridge University Press, 1984) pp. 1-6

²⁸ Ibid p. 7

²⁹ P.A .Nyong'o (ed) Regional Integration in Africa: An Unfinished Agenda/ (Nairobi: Academy Science Publisher, 1990) P 17

imperative to understand a political economy of the region before a model of integration is adopted. For instance the level of economic development, trading patterns and competitive advantage.

He further argues the integration of the South economies to the "Economic North" leaves little substantial areas in which African economies can integrate. Nyong'o like Mazzeo underscores the importance of structural re-orientation to enhance mutual interdependence among African countries but has not given these alternatives.

In the face of steady deterioration of terms of trade, new protectionism and heavy conditionalities of external aid, regional integration has been seen as one way of reducing external dependence and increasing bargaining power in external economic relations. However, despite of spirited efforts by African leaders at regional integration the outcome has been disappointing.

The continent's external trade is heavily dependent on foreign markets, intra African trade is low and on the decline this spells doom for regional integration. The African economies and trade must be restructured to increase self-reliance because economic cooperation has become a matter of survival in the post cold war era³⁰.

Hazlewood³¹ contends the nature of economic structures of under developed countries and Africa in particular, makes the creation of a customs union unlikely to have important effects of the kind analyzed in the conventional theory³². The majority are exporters of primary commodities and importers of manufactured goods, infrastructure for intra African trade is lacking.

The unequal levels of development, where substantial inevitably leads to unequal distribution of gains resulting in dis-equalizing tendencies where the less

³⁰ A.H.M. Ahmad op cit p.3

³¹ A. Hazelwood op cit p. 16

³² Ibid p. 16

developed members do not or cannot produce goods which are demanded by the more developed, hence little "spill over" effect.

In the COMESA region for instance Ngeno³³ et al point out intra-COMESA trade remains very low as a percentage of total trade flows for the member countries. This percentage grew from 5.74% in 1980 to 6.81% in 1996; this trade is dominated by a few members notably Kenya, Zimbabwe and Mauritius. Intra-COMESA trade exhibits the member countries as exporters of similar manufactured goods indicative of the non-complementary nature of intra COMESA trade.

The Southern Africa Development Community (SADC) region is slightly different because of the sectoral approach it has adopted. Its primary role is to help define regional priorities, facilitate integration, assist in mobilizing resources and maximize the regional impact of projects. Each of the member states is allocated a sector to coordinate that is propose policies, strategies and priorities for it, processing projects for the sector, monitoring the progress and reporting to the Council of Ministers. The Council of Ministers approves sectoral projects and programmes before they are included in the SADC programme of Action.

Intra SADC trade increased from 22% in 1995 to 28% in 1997³⁴ perhaps SADC is the only relatively successful scheme in the continent because of its approach.

However as the Africa Analysis ³⁵ notes SADC has had its problems. The growing and overwhelming dominance of South Africa in regional trade is proving hindrance to greater integration within SADC. South Africa Institute for International Affairs pointed out that while South Africa has opened its markets to regional suppliers, its dominance has meant it now controls 80% of SADC trade. The economies of scale and the efficiency of capital-intensive industrialization

³³ N.K Ngeno et al Regional Integration of East Africa: The Case of Kenya (Nairobi, 2001) p. 21.

³⁴ Ibid p. 22

³⁵ "Facing up to the competitive conundrum" in Africa Analysis No. 457 October 2004

mean that the most advanced economy has more than a head start compared to any other competitor in the region.

The structural characteristics of African economies militate against the expansion of national as well as regional markets for products and factors of production. The removal of formal barriers to trade has minimal effects given the low levels of production of goods that would be tradable in African markets³⁶. According to Adebayo success in integration will entail construction of interstate roads and railways to boost interstate trade, joint exploitation of natural resources, interconnection of electricity grids, setting up of multinational joint ventures in key economic areas. Adebayo has pointed the way forward for African regional integration schemes but has only stressed economic factors paying scanty attention to political ones.

Indeed the persistence of the trade patterns inherited at independence has been a limiting factor to integrated infrastructure development. As long as Africa's trade pattern remains unchanged in form, content and direction the drive to alter the continents infrastructure systems will remain timid³⁷.

On the political front, the typical African political system is generally underdeveloped, weak and fragile³⁸, characterized by low level of institutionalization, lack of congruence between political structures and political culture, effective internal governments, proven institutional values and able leadership. These inadequacies are traceable to the colonial legacy, the African leaders at independence inherited political structures that were best suited for the colonial system but ill suited for post -colonial society³⁹.

³⁶ A. Adedeji "The Case of Remaking Africa" in R. Douglas (ed) Action in Africa . The Experience of People Involved in Government, Business and Aid .(London: Heinmann, 1993)p. 57

³⁷ A. Adedeji op cit p. 307

³⁸ M.W. Arnold "Africa in 1990s" The Fletcher Forum. 1991 p. 16

³⁹ P.O Nying'uro, " Peace and Security in Post Cold War Africa: Safe guarding the Future" in Africa in the Post Cold War Period.(Nairobi: African Association of Political Science, 1993) p. 123

According to Nabudere⁴⁰ the existing East African post- colonial state is based on politics of division in which leaders undermine the unity of their countries by playing on ethnic divisions in order to maintain centrally structured and colonially inherited political power.

The East African leaders are not effectively checked in their countries by the legislature and judiciary, the same tendencies are reflected in the EAC Treaty where ultimate authority rests with the Summit, for example removal of EAC court Judges.

Drawing from the experience of the old EAC a stable domestic economic and political order is critical to the sustainability of regional integration. There is need for predictability on the political behaviour of the participating units. Stable political systems with institutionalized competition for power, consensus on key principles such as democracy, rule of law, observance of human rights and social justice are critical for regional integration. In East Africa, Uganda has its brand of democracy, Kenya with its floundering brand of multi party politics. These are key sticking points⁴¹.

Mazzeo⁴² argues the political climate determines the participating units' commitment to regional goals at any given point in time as well as the institutions that embody these goals. The success or failure of regional integration is anchored in political and economic factors. The experience of the old EAC clearly illustrates the structural disequilibria that kept haunting it since its inception. Infact Tanzania and Uganda were uncomfortable with Kenya's perceived dominant position not even Kampala – Mbale Agreements of 1964/5 could mollify them. The historical structural conditions prevailing in the East African countries could not under gird a mutually beneficial cooperation.

⁴⁰ D.W Nabudere " Realizing the Dream of East African Unity" The Monitor, 4 September 2004

⁴¹ "The Point" Bulletin of Institute of Economic Affairs No. June 1999 p. 2

⁴² D.Mazzeo " The Experience of EAC; Implication for Theory and Practice of Regional Cooperation in Africa' in Mazzeo (ed) op cit p. 152.

The countries engaged in regional integration must make net gains for the process to survive. Due to deliberate colonial policy Kenya was the dominant economic power in East Africa. By 1950 out of the 474 Companies operating in East Africa only 70 were in Uganda and Tanzania with 404 in Kenya. This issue was not given sufficient attention in 1967.⁴³

A regional integration scheme will be successful if on balance it is "trade creating", this takes place when the integrating countries produce much the same range of products but differ in their comparative advantage for various products. Trade creation occurs when some domestic production in a nation that is a member of the customs union is replaced by lower cost imports from another member nation. This leads to increased welfare of member nations because it leads to greater specialization in production based on comparative advantage⁴⁴. Trade creation is also possible where there are high levels of inter country trade.⁴⁵

The East African region is still far from these conditions external trade is relatively large and intra union trade relatively small and heavily skewed in favour of Kenya.

The experience of the old EAC clearly demonstrates divergence, each state by virtue of diversity of its external trade commitments and investment opportunities engaged in transactions, which weakened rather than strengthened regional economic unity. There was no effort made to engage in regional economic planning despite its provision for it in the 1967 EAC treaty⁴⁶.

In a bid to woo foreign direct investments the East African countries were engaged in a cut throat competition. This had the impact of creating disparate

⁴³ G.A Korwa and M.Ngunyi op cit p. 412

⁴⁴ D. Salvatore op cit p. 248

⁴⁵ A. Hazlewood, Economic Integration: The East African Experience (. London; Heinemann, 1975) pp. 10-11

⁴⁶ J.G. Liebenow "The Quest for East African Unity" in Delancey D.W., Aspects of International Relations in Africa. (Bloomington: Indiana University Press, 1979)p.153

conditions in terms of tax incentives, patent laws, labour conditions and foreign exchange privileges⁴⁷ duplication of inefficient industries, these effectively undermined harmonization and coordination on investment in the region. Though the current EAC argues for the case of promoting the East Africa region as a common investment area this has not been effectively implemented. Each country offers a wide range of incentives to foreign investors.

While the EAC treaty gives a political federation as its ultimate goal, objectives of political cooperation evidently work against the realization of the East African federation. Instead of enhancing the steps towards a political federation they enhance consolidation of the nation state for instance the provision for non-interference in internal affairs, respect for each other's sovereignty. Nyong'o⁴⁸ reinforces the futility of non-interference in internal matters, this cannot serve as a viable principle in international relations of Africa where construction of the state has itself created conflicts which by their very nature cannot be settled within the borders of the state. Mukandala⁴⁹ questions the election of the members of the East Africa Legislative Assembly (EALA), which he considers a lost opportunity for the community to be known, its problems and prospects to be debated, appreciated and understood.

The EAC project is weakened by the continued great dependence on revenue from external trade, reluctance to cede sovereignty and regional rivalry between the three countries ⁵⁰Kenya seems to be the only direct beneficiary of the regional opening. Tanzania commitment towards southern Africa under SADC does not help the cause of the EAC. For Uganda it is motivated by its long-term strategy to free itself from its land locked status.

⁴⁷ O. Ojo "Regional Cooperation and Integration" in O.Ojo et al African International Relations (London: Longman group, 1985) pp.169-170.

⁴⁸ P.A Nyong'o "Political Conflicts and Political Integration in Africa; Some Lessons for East Africa" in J.M, Bahemuka et al East Africa in Transition: Images, Institution and Identities (Nairobi; University of Nairobi Press, 2004) p.38

⁴⁹ R. Mukandala " Political Cooperation" in Perspectives on Regional Integration and Cooperation in East Africa (Arusha ;EAC secretariat publication, Arusha 2001) p. 120

⁵⁰ The East African Community: Towards Integration by Default in Mambo (Newsletter of IFRA) Vol. 1 July – Sept. 2000

Ravenhill⁵¹ posits successful integration demands a considerable element of mutual trust among the units; otherwise there is little reason to believe in the future security of the arrangement. In the absence of well-founded expectations for future regional stability, African leaders have good reason for not investing their faith or scarce resources in regional arrangements that add to their economic vulnerability.

The impact of structural constraints on integration efforts in East Africa was clearly evident in the initial years of the EAC operation and indeed there were calls for reform.

Ann Seidman⁵² argued the East African experience after independence demonstrated unless the inherited institutional structure in each country was fundamentally altered economic reconstruction throughout the region was unlikely to take place.

Kennes⁵³ argues African leaders have recognized the importance of regional integration to help overcome some of the structural weakness of their countries. The small economic size prevents the operation of many industrial activities on an efficient scale; exports within Africa are hampered by the fragmentation of the economies and lack of transport and communications infrastructure. Focus should be put on economic and political aspects of integration are likely to increase when the political and economic benefits complements each other.

Takirambudde⁵⁴, highlights the centrality of political will in the process of integration. The ambitions and aims embodied in the founding documents have not been matched by determination and capacity at the national level to

⁵¹ J. Ravenhill "Collective Self Reliance or Collective Self Delusion: Is the Lagos Plan a Viable Alternative" in J. Ravenhill (ed) African Economic Crisis. (London: Macmillan 1986) p. 101.

⁵² A. Sedman . Comparative Development in East Africa.(Nairobi: East Africa Publishing House, 1972)p. 292

⁵³ W. Kennes "Africa Regional Economic Integration and the EU' in C D Bach (ed) Regionalization in Africa: Integration and Disintegration.(Indianapolis: Indiana University Press, 1999) pp. 27-31.

⁵⁴ P.Takirambudde " The Rival Strategies of SADC and COMESA in Southern Africa" in C D Bach (ed) Ibid p. 155

implement joint decisions. The lack of political will has been reinforced by the non-emergence of a regional identity. The building of a community requires the creation of a sense of solidarity among the people concerned. Takirambudde has not pointed out how the various regional integration schemes should go about creating this regional identity.

Musonda⁵⁵ et al considers the low level of intra regional trade in Africa as a critical challenge. Official intra regional trade is between 5-10% of total trade. The challenge is to stimulate growth of the other areas of cooperation such as joint infrastructural undertakings, joint research in education and health fields.

According to Sesay⁵⁶ the post independence integration projects in West Africa especially those initiated in the late 1960's and 1970's including ECOWAS were inspired largely by the success of European economic integration. In ECOWAS despite over two decades of integration it has not had any significant impact on trade between and among partner states which are still largely token. The factors for this range from the competitive nature of their economies to the low political commitment, failure to integrate production systems, and high reliance on external foreign direct investment.

The economies of the member states have remained separate with very little coordination among them. Politically member states have remained as distant as ever. For Sesay sub regional economic integration is merely a wish list that is yet to be translated into economic and political reality.

Wangwe⁵⁷ contends building the productive capacity of EAC countries should be the key goal. The EAC countries have relatively weak productive capacity; the

⁵⁵ F. Musonda et al "Regional Cooperation in Trade and Investment" in Dialogue on Regional Integration in East Africa. Proceedings of an EAC Seminar in Arusha, March 19-20 2001 p. 184

⁵⁶ A Sesay "Regional Integration in West Africa: Experiences From the Past and Lessons Learned From EU for ECOWAS" in Dialogue on Regional Integration in East Africa. Proceedings of an EAC Seminar in Arusha, March 19-20 2001 pp. 219-229

⁵⁷ S.M Wangwe "Proposal to Address Economic and Social Disparities in EAC" in Dialogue on Regional Integration in East Africa. (Proceedings of an EAC seminar in Arusha, March 19-20,2001) p. 179

EAC should adopt development integration than trade led integration. This implies putting emphasis on conditions which are conducive to enhancing exploitation of development potential and developing the capacity to supply competitively.

Kimenyi⁵⁸ points out the unwillingness of governments to cede authority to regional bodies due to the fact that many African countries are still dealing with sovereignty issues, and are still unwilling to reduce certain powers of the state.

Lack of institutional development threatens the existence of any union. Weak institutional support leads to bad governance, economic and political instability, factors that impede formation of a successful integration scheme. Many institutions in Kenya, Tanzania and Uganda lack credibility due to various factors. Kimenyi has eloquently pointed out the potential benefits of regional integration in East Africa and impediments these countries face but has not illustrated how to surmount these impediments before they can reap the benefits of integration.

Migliorisi and Kibiriti⁵⁹ maintain support for regional integration is not uniform across East Africa. Kenyan enterprises seem enthusiastic about integration and see it as an opportunity in both the short and long term. While Uganda and Tanzania firms seem worried about the short-term impact of integration. Underlying these opposite views is the dominance that Kenya has in the regional trade. Historically Kenya has been a major source of both Uganda and Tanzania imports (nearly a third of Kenya's exports go to the East African region). The East African region has a low per capita income, Tanzania and Uganda are heavily dependent on aid and have less developed infrastructure, Kenya is the best positioned to compete⁶⁰.

⁵⁸ S.M Kimenyi "Expectations of East African Regional Integration" in Dialogue on Regional Integration in East Africa. (Proceedings of an EAC seminar in Arusha, March 19-20,2001) pp 10-15

⁵⁹ S. Migliorisi and P. Kibiriti " East African Competitive Strategy" in Dialogue on The East African Private Sector Development Strategy. (EAC Workshop in Zanzibar, June 22 – 23 2000) pp. 28 – 29

⁶⁰ . Ibid p. 37

Atingo – Ego⁶¹ et al posits effective integration requires more than just reducing tariffs and quotas; it means that structural impediments to the free flow of goods, services, investment and ideas have to be addressed. Multiple membership in integration schemes leads to conflict of loyalty. The implementation of more than one customs union is rendered complex since one may take precedence over the other.

It also makes the process of agreeing on common external tariff difficult. Limited market access, problems with infrastructure and utilities, different levels of industrial and economic development, political problems directed to the past history of EAC⁶² are some of the daunting tasks the new EAC faces.

Ngeno⁶³ et al do concur the past efforts to form regional integration schemes in Africa failed because of political and economic factors which did not favour the sustainability of the schemes. There have been no noticeable changes in the composition of trade that would suggest that integration has led to any significant structural changes in the economies of the countries.

McCarthy⁶⁴ argues that many regional integration arrangements including the former EAC can trace their failure to the skewed distribution of benefits. The skewedness can be ascribed to the substantial differences in the economic size and the levels of development of participating countries. Size differences leads to agglomeration and polarized development with the largest and the most developed members being perceived to gain more than others. McCarthy does not address the challenges of making integrating units' net gainers.

⁶¹ . M. Atingo – Ego et al Regional Integration Study of East Africa : The Uganda Country Report Kampala 2001 p. 5

⁶² Ibid pp. 52 – 54

⁶³ N.K Ngeno et al Regional Integration Study of East Africa: The Case of Kenya. (Nairobi November 2001) p.2

⁶⁴ C. McCarthy “ A Common External Tariff For The EAC)” First Draft of a Report Prepared for a Meeting of The High Level Task Force, January 2001

Rajaram ⁶⁵ points out for the new EAC compensation is a thorny issue since Kenya dominates intra-regional trade because of its larger and more diversified manufacturing sector. The EAC integration cannot work out without appropriate safeguards to address trade imbalances. From empirical literature Alemayehu and Kibret⁶⁶ concludes that regional integration in the continent has failed to achieve its objectives of expanding intra regional trade and policy coordination. None of the regional groupings has achieved the eventual objective of the formation of a common market or even a well functioning customs union.

Aryeetey and Odura ⁶⁷ see the multiple memberships in regional integration schemes as a major hindrance for the East African countries. Tanzania was a member of EAC, Common Border Initiative (CBI,) COMESA and SADC, before quitting COMESA in 2000. Kenya and Uganda are members of CBI, EAC, Inter Governmental Authority on Development (IGAD) and COMESA. Multiple memberships hinder integration because of duplication of effort, human and financial costs, lack of harmony in such policies as rules of origin and customs procedure, information gaps and changing political positions. For instance the possibilities of free trade within the SADC region creates potential problems for industries in Kenya and Uganda as South African goods will find way into the EAC through Tanzania⁶⁸. This will require excessively expensive policing of rules of origin costs that Kenya and Uganda can do without incurring.

From the empirical literature reviewed its evident that political and economic structural constraints have made regional integration ineffective in East Africa. The various scholars seem to put great emphasis on economic impediments while paying scanty attention to political impediments. At the same time few have offered alternative options on how to surmount these economic and political structural impediments.

⁶⁵ . A. Rajaram et al “ Putting The Horse Before The Cart: On The Appropriate To An East African Custom Union” A Report Prepared For The East African Cooperation (EAC Secretariat April 1999)

⁶⁶ G. Alemayehu & H. Kibret “ Regional Economic Integration in Africa: a Review of the Problems and Prospects With a Case Study of COMESA” First Draft of Addis Ababa University working paper 2000

⁶⁷ E. Arteetry & A.Oduro “ Regional Integration Efforts in Africa : An Overview” in J.J Tennissen ed) Regionalism and the Global Economy: The Case of Africa (The Hague , FONDAD 1999)p.130

⁶⁸ Ibid

This study seeks to bridge this gap by considering both economic and political impediments to regional integration in East Africa, and will give some alternative options for regional integration.

1.5 Hypotheses

This study is based on the following four working hypotheses.

1. Structural economic constraints hinder regional integration in East Africa.
2. Structural political constraints impede regional integration in East Africa.
3. Unequal levels of development hinder regional integration in East Africa.
4. An alternative approach is necessary to take regional integration forward in East Africa.

1.6 Objectives of the study

This study will be guided by the following objectives.

Overall objective.

- i) To investigate the impact of politico-economic structural constraints on regional integration in East Africa.

Sub-objectives.

- i) To establish the measures/ actions the East African countries have undertaken to address the above in EAC.
- ii) To outline policy options for regional integration in East Africa.
- iii) To examine the process of the development of regional integration in East Africa.

1.7 Justification of the Study.

This study has both academic and policy justification.

Academic Justification.

Regional integration is a critical area in international economic policy, especially so in the post – cold war period. Previous scholarly works have tended to focus on the economic aspects of regional integration indeed the process has been

state and economic driven. But considering regional integration is a political and economic process it is quite in order to focus on the two aspects. This study illustrates the impact of political and economic structural constraints on regional integration. This study will also contribute to the literature available on political and economic impediments to regional integration in East Africa, and how to take the process forward and will also consider the interplay of the two aspects.

Policy Justification.

Regional integration is still crucial to the interests of the East African countries, it is critical that the problems faced should be understood and confronted through informed policy actions. This study will contribute to this end by offering alternative options of how pursue the process more effectively.

1.8 Theoretical framework

This study will be guided by: neo-functionalism and the customs Union theory to explain the process of regional integration in East Africa.

Neo functionalism is a revised functionalism in addition to the central tenets of functionalism (the determining nature of the economic, social and technological environment, economic welfare and cooperation, utilitarian factors in community building, a liberal pluralism) it adds two features. First is the role of loyalty in the integration process. Loyalty can either be as a result of certain political and cultural homogeneity that under girds integration process or itself a product of successful supranational institutions. This forms the basis of avoiding conflict.

Second, is the concept of spill over, functions successfully performed by governments in one area result in cooperation in other areas leading eventually to integration⁶⁹.

The neo functionalists, Nye⁷⁰ and Haas⁷¹ identify factors that foster integration, those that limit integration and conditions likely to characterize the integration

⁶⁹ J. Senghor , “ Theoretical Foundations in Africa: An overview’ in P.A Nyongo (ed) Regional Integration In Africa: Unfinished Agenda (Nairobi: Academy Science Publishers, 1990 p. 20

process overtime. Among the factors likely to foster integration include; the economic equality of the integrating units, this is evident from indicators such as trade and per capita income. Elite value complementarity's, that is the extent to which elites within integrating units think a like the more likely the prospects of sustained impetus towards integration. The existence of pluralism that is the greater the level of pluralism in the integrating units the better the conditions for the integration process, its absence makes the perception of integration narrow among the elites. The capacity of member states to adapt and respond, they posit the higher the level of political domestic stability the greater the capacity of policy makers to respond to demands within their respective political units and the more likely to respond and effectively participate within the larger political integrative unit.

The following factors limit the integration process, political leadership, its maturity and vision, maturity in the level of policy and vision of leaders for the country that is the ability to identify and articulate the country's interests.

Elites and interest groups, these may initially benefit from the earlier stages of integration but decline to take extra integrative steps when economic growth declines. The decline in economic growth rates leads to the rise of protectionism as national governments consider the adverse effects of unemployment, inflation and balance of payments. The rise of nationalist sentiments, groups may become averse to the integration process when it threatens national identity.

The process of integration is likely to be characterized by: distribution of benefits, central to the integrative process is the question of distribution of benefits with differentiation, the crucial issue in this process is facing of changes in status, power and economic benefits within integrating units. Politicization this refers to

⁷⁰ J.J Nye "Comparing Common Markets: a Revised Neo functional Model' in L. Lindberg and S. Scheingold (eds) Regional Integration: Theory and Research. (Massachusetts: Harvard University Press, 1971) pp. 28-70.

⁷¹ E.B Haas " The Study of Regional Integration: Reflections on the Joy and Anguish of Pre Theorizing" in L. Lindberg and S. Schein gold (eds) Regional Integration: Theory and Research.(Massachusetts: Harvard University Press, 1979) pp. 71-90

the means through which problems are solved and competing interests reconciled. The extent to which the resultant benefits of integration are wide spread to ensure widening and deepening support for the process of integration. Externalization of the integration process, the extent to which members find it necessary to develop a common position on certain issues in relation to the rest of the World. The redistribution of alternatives that no alternative should exist to the integration process that is pulling out is impossible because of ramifications on the national economy. In East Africa the issue of benefit distribution has not been dealt with conclusively there is the perception that Kenya is way ahead of the rest and therefore benefits more than Tanzania and Uganda. Still the EAC countries have not developed the culture of having common positions on issues of common interest such as trade. The existence of other regional integration schemes such as SADC poses competition to the EAC.

The customs union theory⁷² posits a regional economic integration scheme is likely to succeed when: the pre-union trade barriers of member countries are high then formation of customs union can create more trade. The lower the pre-customs union barriers on trade with the rest of World then it is less likely the formation of customs union will lead to costly trade diversion. The greater is the number of countries forming the customs union and the larger their size (in terms of population). The competitive rather than complementary are economies of member nations. The closer geographically are the members of customs union then transportation costs will represent less of an obstacle to trade creation among members. The greater the pre-union trade and economic relationships among potential members.

The customs union theory has been criticized as failing to look beyond the existing patterns of production to what is likely to emerge in the future when comparative advantage and trade patterns are likely to be different. The concern being the contribution of integration to economic growth and structural transformation of developing countries.

⁷² D. Salvatore. International Economics (2nd ed) op cit pp. 253 - 254

The relevance of neo functionalism to the research problem draws from the primacy it accords to economic and political variables in the integration process. The customs union theory is relevant to the study because the EAC is in the process of being transformed into a customs union which it points out as the entry point of the community.

1.9 Methodology

This study draws from both primary and secondary sources.

(i) Secondary sources

Secondary data was collected through library research from sources such as academic papers, scholarly journals, books, Newspapers, documents from the EAC secretariat since its inception such as reports from conferences and seminars.

(ii) Primary sources

This was collected through interviews with government technocrats in the Ministries of East Africa and Regional Cooperation, Trade and Industry. Embassy officials from Tanzania and Uganda Embassies in Kenya.

CHAPTER TWO: OVERVIEW OF REGIONAL INTEGRATION IN EAST AFRICA. 1895- 2003

2.1 Introduction

This chapter gives a brief overview of regional integration efforts in East Africa in pre and immediate post independence periods. With the main focus in the 1990's this being the major concern of this study.

At the outset of this study it has been mentioned that regional integration has along history in East Africa. The current EAC cannot be analysed in isolation of this experience if anything the current process is informed by past experiences. It will consider how the process has dealt with politico-economic structural constraints.

Regional integration in East Africa has developed over along period of time. When Kenya and Uganda were British colonies, Britain found it expedient to coordinate services in the two territories. The organization of inter- territorial services in these two countries began in 1902 with the construction of the railway through Kenya to Uganda. From 1902 the railway was run by a common administration. The East African currency Board was set up in 1905 to issue bank notes for the two territories and in 1911 a postal union was established between Kenya and Uganda to coordinate the postal services.

During the colonial period Kenya was at a great advantage in manufacturing (as a result of deliberate colonial policy in favour of the white settlers) and a significant part of the market of Kenya's manufacturing output was Tanzania and Uganda. Kenya the most developed of the three countries got most of the benefits that arose from regional integration in East Africa. Tanzania and Uganda complained about the unequal distribution of benefits which led to the establishment of the Distributable Pool Fund to address the imbalances. A Distributable Pool Fund was set up into which a fixed percentage of customs and

excise duties as well as corporate income taxes collected by each territory were paid. One half of the proceeds were retained by the Authority to operate the common services and the remaining balance was shared equally among the member states. Kenya as a dominant economy obviously contributed a huge share of the proceeds, the distributive formula clearly put the other two territories at an advantage partially redressing the inequity about which the previously complained⁷³.

The following figures illustrate;

Table 1

Receipts of Distributable Pool Fund (1961).

	£ 000
Kenya	1,735
Tanganyika	775
Uganda	700
Total receipts	3,210

Source: *East Africa; Report of Economic and Fiscal Commission*

Table 2: Distribution of Distributable Pool Fund (1961).

	£000
1/2 to High Commission	1,605
1/6 ,Kenya	535
1/6 Tanganyika	535
1/6 Uganda	535
Total Payments from Distributable Pool Fund	3,210

Source: *East Africa: Report of Economic and Fiscal Commission 1961 pp. 82-83*

⁷³ O.Ojo "Regional Cooperation and Integration" in O.Ojo et al *African International Relations* (London :Longman Group, 1985) p. 157

The question of unequal distribution of benefits and costs is central to the sustainability of any regional integration scheme. Appropriate mechanisms must be in place to address the imbalances. In East Africa Kenya was the region's linchpin and got most of the benefits. It seemed quite in order in the eyes of Tanzania and Uganda that Kenya should equally shoulder a bigger share of the cost of running the EAHC in proportion of the benefits accrued to it. Indeed from the tables' 1 & 2 Kenya's contribution was much higher than Tanzania and Uganda combined. It is notable that unequal distribution of benefits and costs has been a major impediment in many integration schemes including the well known case of the collapse of the former East African Community.

However, as the three countries moved to independence in the early 1960's the rationale of the lopsided way of East Africa integration was questioned. Whereas in the colonial period Tanzania and Uganda were ready markets for Kenyan goods the latter was the regional industrial and commercial giant with most EACSO bodies' located in Nairobi. In the post-independence period Tanzania and Uganda were not ready to accept the continuation of this colonial arrangement, they too wanted to industrialize and increase the economic welfare of their people. The Common External Tariff (CET) had the net effect of protecting Kenyan industries against competition from outside the Community and guaranteed it a ready market in Uganda and Tanzania. The two could not compete with Kenya because they had fewer and less efficient industries. Equally foreign companies that wanted to set up base in East Africa preferred Kenya which had already a large manufacturing sector and better infrastructure⁷⁴. The concerns about inequalities within the common market led to Kampala-Mbale Agreements of 1964, it set out five ways to right imbalances in inter territorial trade. These were; an arrangement to a shift in the territorial distribution of production by a number of firms which operated in two or more countries (for example East African Breweries, East African Tobacco Company, Bata Shoe Company), allocation of certain major industries between the countries (for instance tyre, bicycle parts, fertilizer manufactures were to be

⁷⁴ Ibid p 159

exclusively located in Tanzania or Uganda), instituting quotas on inter territorial trade, to increase sales from a country in deficit in inter territorial trade to a country with a surplus, and to devise a system of inducements and allocations of industry to secure an equitable distribution of industrial development between the three countries.⁷⁵ Kenya failed to ratify these Agreements and proceeded to establish a tyre factory on its territory prompting retaliation from Tanzania, which imposed unilateral import quotas on Kenyan products. The Treaty of 1967 that saw the establishment of the East African Community by the East African post colonial governments was just a continuation of the efforts started by British colonial authorities to foster regional integration in East Africa⁷⁶.

However the post-colonial efforts at regional integration in East Africa did not last long. The EAC was dissolved in 1977 after being in operation for only ten years. The East African countries have never completely given up the idea of regional integration. In the early 1990's the East African countries revived the East African cooperation in the face of increasing economic marginalization in the international system.

It is discernible that even during the colonial period regional integration was problematic. Kenya as a result of a deliberate colonial policy that favoured her white settlers came to be the most developed in the region. It has continued to dominate regional trade ever since. Tanzania and Uganda had fewer and less efficient industries and ended up to serve as ready markets for the Kenyan goods. The same tendencies are reflected in the current EAC where Kenya dominates regional trade with Uganda and Tanzania running negative trade balances in EAC trade⁷⁷.

⁷⁵ A. Hazelwood African Integration and Disintegration (London: Oxford University press, 1967) p. 96

⁷⁶ O.Ojo " Regional Cooperation and Integration" in O.Ojo et al African International Relations (London: Longman Group, 1985) p.157

⁷⁷ See chapter 3 (Tables 21, 22 & 23 illustrating trends on Intra EAC trade)

2.2 East Africa Regional Integration in the Pre Independence Period

After the end of the First World War defeated Germany, the colonial power in Tanganyika ceded Tanganyika to Britain under the Peace Treaty of Versailles of 1919. Whereas integration between Kenya and Uganda had started with the construction of Uganda Railway in 1897 it was not until the 1920's that Tanganyika joined the two.

In 1924 the Orsmby - Gore Commission was sent to East Africa to establish the viability of setting up a unified policy in the area. The commission recommended the establishment of a mechanism for co-ordination of research, a customs union of the East African countries, and harmonization of commercial laws on companies, bankruptcy, patents, design and trade marks⁷⁸. The push for federation was rejected by the Kabaka of Buganda and his Lukiko fearing such ties could whittle down their position under the 1900 Agreement with the British, the governor of Tanganyika and the Africans.

However the idea of federation was never completely abandoned. The Hilton Young commission of 1928 - 1929 had as its terms of reference to consider whether either by federation or some other form of closer union, how the different governments in East Africa could co-operate effectively. The Hilton-Young commission concluded time was not ripe for the formation of the federation in East Africa because there were widespread differences of view between various territories) and also within each territory as to what form cooperation should take⁷⁹ instead it recommended the foundation of the institutionalization of the common services this could enable the East African countries to act as one economic and commercial unit⁸⁰.

An organizational framework for running the common services was agreed with the establishment of the East African High Commission (EAHC) consisting of

⁷⁸ D.D Doimi. The East African Community and Common Market.(London: Longman Group, 1970) p.21

⁷⁹ Ibid p. 23

⁸⁰ Ibid p. 24

governors in 1948. It enacted laws putting into operation the East African Railways and Harbours, a mechanism for revenue collection, the East African Post and Telegraph, the East African income tax management, and the Makerere College⁸¹.

The EAHC main organs were the High Commission and the Central Legislative Assembly. The High Commission consisted of the governors of Kenya, Tanganyika, and Uganda as the executive body it was given power "to legislate upon the advice and consent of the Assembly, without the Assembly if this were expedient in the interest of public orders or good government". The High Commission had the powers to enact laws with the advice and consent of the territorial legislatures.⁸² This was necessary because the central legislature had limited jurisdiction that is its authority over regional institutions was limited. It could be overruled by the High Commission, it also lacked legislative competence over significant areas of regional activity such as regional planning or fixing of tariffs and customs rates.⁸³

The High Commission remained the supreme organ of the EAHC, having comprised of the governors of the three territories who exercised executive power. The role of the Legislative Assembly was centered on the "consideration of East Africa legislation before it became law by the assent of the High Commission"⁸⁴. These laws were enforced within the three territories. In 1960 the Raisman commission was appointed to study the activities of the EAHC. It recommended among other issues the need for EAHC to have an independent revenue source⁸⁵. During the operation of EAHC it did not have an independent revenue source; it relied on contributions from the three East African governments. On its transformation to a common services organization it was

⁸¹ G.A Korwa and M. Ngunyi "The Politics of Regional Integration in East Africa since Independence" in W.O. Oyugi (ed) Politics and Administration in East Africa. (Nairobi: Masaki Publishers, 1994) p.397

⁸² D.D.Doimi op cit p.28

⁸³ O.Ojo op cit p.157

⁸⁴ D.D Doimi op cit p. 29

⁸⁵ AJ Hughes East Africa: The Search for Unity: Kenya, Tanganyika, Uganda and Zanzibar. (Baltimore; Penguin Books, 1963) p 225.

prudent for it to have an independent revenue source for it to be in a position to render the common services for example customs, railways instead of relying on the goodwill of territorial governments to pay up their shares to run the newly created East Africa Common Services Organization (EACSO). It is notable that the current EAC is hampered in its activities because of lack of finances that is it has no independent revenue source. It relies on national government contributions that are all in arrears. By the end of May 2004 Uganda owed 1,038,690, Kenya 588,640 and Tanzania 588,249 dollars to the EAC Secretariat. Each partner state was scheduled to contribute 1,523,292 million dollars towards the EAC budget⁸⁶. The Raisman report recommended an equitable distribution of profits within East Africa through a formula in favour of Uganda and Tanganyika in consideration of the fact that Kenya enjoyed an unfair advantage over the two. This saw the creation of the Distributable Pool Fund explained earlier in the chapter.

The impending Tanganyika independence in 1961 saw the disbandment of EAHC and in place the East Africa Common Services Organization was created. This was necessary as the three territories were moving into independence and it was thought prudent to continue with the common services provided by the High Commission into the post independence period hence EACSO. By the time the three East African countries acquired their independence; external trade, fiscal and monetary policy, transport and communications infrastructure, and University education were all operated within the framework of the EACSO⁸⁷.

The EACSO consisted of the East African Authority, the Central Legislative Assembly, the Triumvirates, and Court of Appeal for East Africa. The East African Authority initially consisted of the president of Tanganyika, and the governors of Kenya and Uganda who carried decisions unanimously. For purposes of legislative functions the Central Legislative Assembly was the central

⁸⁶ S. Chatbar "EAC Partner States Owe Secretariat \$ 2.2 M" in The East African May 31-June 6, 2004 p. 18

⁸⁷ A. Sagal " The Integration of Developing Countries: Some Thoughts on East Africa and Central America" in the Journal of Common Market Studies 1964 p. 264.

organ. The Triumvirates comprising of five ministerial committees was to assist the Authority in various fields these were communications, finance, commercial and industrial, social and research, and labour.

During this period it is discernible that distribution of benefits was a key issue to the three countries especially Tanzania and Uganda. Having economies that were primarily agricultural with insignificant manufacturing they had little to export to the rest of East Africa while Kenya's economy though predominantly agricultural had a sizeable manufacturing capacity and was able to export significantly to the East African market. The economic structures characterized by the predominance of primary exports provided a difficult terrain for regional integration in East Africa hence the frequent complaints about Kenya's lopsided benefits.

2.3 Regional Integration in the immediate post independence period 1967-1977

By the time the treaty establishing the East African Community was signed in 1967, the EASCO had started drifting apart. After the failure of the federation talks tensions started to arise between the East African countries. Kenya had failed to ratify the Kampala Agreement of 1964 that was concerned with distribution of industries in East Africa, Kenya held the view that her two neighbours were keen on down sizing her rather than ensuring equitable distribution of industries.

The treaty placed the common market and the common services within one framework. It also came up with a mechanism to address the distribution of costs and benefits, organs to co-ordinate activities and provide executive direction⁸⁸.

The Treaty provided for a transfer tax system which was designed to protect certain industries in Tanzania and Uganda against similar ones in Kenya. For up to 15 years the transfer tax system provided that taxes could be levied against

⁸⁸ O.Ojo op cit p.158

Kenyan products to encourage industrial development in the deficit states. Although restrictions were imposed on the use of transfer taxes this severely limited the concept of East African free trade. For these industries, the encouraging of duplication was the main purpose of the system. This would allow Tanzania and Uganda to temporarily protect their industries from Kenya's competitive industries, which could operate efficiently on a scale provided by their national markets⁸⁹. From the perspective of infant industry argument a tariff may be used to restrict imports of goods from more efficient foreign firms thereby stimulating learning effects within an industry to cause an increase in productivity which, in time may allow domestic firms to compete with foreign firms even without continued protection. These learning effects in organizational methods, in management techniques, in cost cutting procedures might in turn spill over to other sectors in the economy stimulating efficiency improvements in many other industries. All together the infant industry argument may cause substantial increase in the growth of Gross Domestic Product (GDP) relative to what might have occurred otherwise and thus act to improve national welfare. However, experience has shown the industries protected do not outgrow the tariff barriers. In Africa for instance in the 1960s and 70s most countries pursued the import substitution strategies, which largely failed. The industries could not compete effectively without assistance from the state for example subsidies. The import substitution strategies with the dismal performance were abandoned in favour of the market forces.

The East African Development Bank (EADB) was also provided for in the treaty, this was designed to enhance distribution of EAC initiated investments within East Africa. Its major role was to provide loans and guarantees for complementary industrial development rather than undertake a major part of industrial development itself.⁹⁰

Another mechanism was the relocation of headquarters of various corporations

⁸⁹ A. Hazelwood, "The End of the EAC: What are the Lessons for Regional Integration Schemes" in R.I Onwuka and A.Sesay (eds) The Future of Regionalism in Africa. (London; Macmillan, 1985) p.176

⁹⁰ Ibid.

from Kenya. Within the framework of the treaty Kenya became the headquarters of East Africa Railways and East Africa Airways, Tanzania took the East Africa Harbours and EAC Secretariat. Uganda housed the EADB and East Africa telecommunications. These practical efforts did not erode Kenya's advantage, most economic activities relating to the common services continued to be in Kenya⁹¹. For example Kenya took 57% of investment made in East Africa, 80% of the activities of the Airways Corporation were estimated in 1977 to originate and terminate in Kenya⁹².

The control of the Community as well as ensuring its efficient and effective operations was bestowed on the Authority comprising of the Heads of state. The success of the EAC was therefore dependent on a harmonious relationship of the three presidents. The Authority as the supreme decision making body provided the necessary direction for EAC institution thus any malfunctioning of the Authority automatically affected the running of the EAC. For example, personalization of power in the Authority increased the danger of instability and of transforming personal rivalries into national and intra regional conflicts. Personalization of power and the decision making process enabled each head of state by an act of his own individual whim and caprice to determine the fate of the community. For instance President Julius Nyerere's refusal to convene a meeting of the Authority because of his dislike for President Idi Amin can only be explained in these terms and would be almost impossible in conditions of institutionalized power.⁹³

By 1977 the common services had collapsed, Kenya - Tanzania border was closed halting all inter country trade, Tanzania was engaged in border clashes with Uganda culminating in a full scale war in 1978 - 1979⁹⁴.

⁹¹ .G.Liebenow "The Quest for East Africa Unity: One Step Forward. Two Steps Backwards" in M.W Delancey (ed) Aspects of International Relations in Africa.(Bloomington: Indiana University Press, 1979) p.151,

⁹² O.Ojo "Regional Integration and Cooperation" in O. ojo et al African International Relations op cit p. 163

⁹³ Ibid p 167

⁹⁴ Ibid

An adequate account of EAC dissolution is through a multi factor analysis that is a series of inter - related institutional, political and economic factors. Notable among these was the unequal levels of development. Due to deliberate colonial policy Kenya had become the industrial power among the EAC states. The development among the EAC was unevenly distributed not only in the industrial sector but also in the services sector and trade. This asymmetry in levels of development predates political independence in the three EAC states. This was a sticking, issue in the Ormsby - Gore Commission of 1925, and the Hilton –Young Commission of 1929. As the East African countries established the EAC in 1967 the issue was still unresolved, for instance between, 1969 - 1978 Kenya continued to witness a steady rise in her exports to the EAC and controlled close to half of total intra EAC trade⁹⁵. As illustrated by the table below.

⁹⁵ G.A Korwa and M .Ngunyi "The Politics of Integration in East Africa Since Independence " in W.O Oyugi (ed) Politics and Administration in East Africa op cit pp. 412- 414

Table 3: East African Trade - Kenya

K £'000

YEAR	TANZANIA			UGANDA			BALANCE
	Exports to	Imports from	Balance	Exports to	Imports from	Balance	TANZANIA UGANDA
1967	11,382	3,288	8,094	14,794	10,165	4,631	12,725
1968	13,486	3,742	9,744	13,756	9,137	4,619	14,363
1969	12,845	4,018	8,830	15,949	7,803	8,147	16,977
1970	14,252	5,938	8,314	16,698	10,048	6,650	14,964
1971	14,743	7,932	6,811	19,150	8,026	11,124	17,935
1972	16,286	5,887	10,399	16,507	7,583	8,924	19,323
1973	16,854	7,627	9,229	21,898	4,668	17,230	26,459
1974	19,049	9,568	9,481	29,287	3,766	25,521	35,002
1975	28,540	9,166	19,374	32,910	1,486	31,424	50,798
1976	33,442	12,406	21,036	33,162	818	32,344	53,380
1977	9,822	1,622	8,200	51,992	581	51,411	59,611
1978	2,757	353	2,404	38,429	1,977	36,442	38,856

Sources; East Africa Customs and Excise department and East Africa statistical department ,Economic survey 1975 ,Economic survey 1979

From table 3 it is evident with the formation of the EAC Kenya witnessed increased exports to both Uganda and Tanzania. It is notable too that Tanzania's exports to Kenya witnessed an upward trend however this alone could not mollify Tanzania as Kenya was enjoying (and still does in current EAC) a positive balance between the two. While Uganda represents the classic case of what political instability poses to regional integration schemes and lends credence to the assertion that political stability is key to the success of regional integration.

Kenya's exports to Uganda witnessed a phenomenal rise from Kenya pounds 14,794 in 1967 to 51,992 in 1977 while Uganda's exports to Kenya rose between 1967 – 1970 before declining to Kenya pounds 581 by 1977. Idi Amin, expulsion of the Asian community in 1972 who played a key role in the country's industry, can explain this from the political instability that Uganda was undergoing with a coup in 1971.

While corrective measures could be put in place to address skewed benefit distribution the political will to enforce this was lacking because of suspicions among the political leaders in the three countries.

Lack of political commitment saw the progress of the EAC bogged down the dominance of Kenya was an issue that was addressed in the Philip Commission that established the EAC. When the corrective measures instituted in the EAC failed to redistribute these benefits as envisaged by the Treaty, it became evident to Tanzania and Uganda that the community was an extension of the pre - independence cooperation⁹⁶. For example the East African Development Bank whose main goal was to promote balanced industrial development in the area through loans and guarantees failed to meet expectations. Its initial capital of 120 million shillings (contributed equally by the three EAC states) reached only 238 million shillings by early 1973, raised by selling equity shares to foreign banks and by raising loans from the World Bank and the Swedish International Development Authority. These modest assets' limited the scale of the banks activities⁹⁷. The transfer tax system was abused by member states particularly Tanzania and Uganda which imposed a transfer tax against members and benefited as a result, for example Tanzania got from it 221 million shillings in revenue between 1968 and 1974 while Uganda accumulated 231.5 shillings during the same period. This severely impeded the principle of free movement of goods within the region and the aim of discouraging duplication of inefficient industries so as to realize economies of scale was also partially lost. The

⁹⁶ Ibid p. 415

⁹⁷ O. Ojo "Regional Integration and Cooperation" in O.Ojo et al African International Relations op cit p. 163

industrial licensing system equally failed to promote the growth of efficient regional industries and it lapsed in 1973. As for the harmonization of fiscal incentives, no final agreements were ever reached on the subject and the widening gap in income tax policy among the partners negatively affected interstate cooperation, leading to the break up of the East African income tax department in 1973⁹⁸. The colonial economic set-up had Kenya as the region's linchpin while Tanzania and Uganda continued to be economic vassals of Kenya. All the key industries were in Kenya mostly in Nairobi. These included Bata Shoe Company, East African Breweries and East Africa Tobacco Company. Tanzania and Uganda were ready markets for companies based in Kenya owned by foreigners. This was unacceptable particularly to socialist Tanzania.

Institutional weaknesses also beset the EAC regional institutions which could not play a dynamic and mediatory role in harmonizing partner states national interests⁹⁹, because they lacked autonomous decision making power. This is critical to the success of any regional integration scheme as the integrating units expectations must be clear from the start.

The resting of ultimate power in the Authority (consisting of Heads of state) was a limiting factor; a deadlock in the Authority had ramifications in the entire scheme as explained earlier in the chapter.

The politico- ideological conflicts partly account for the failure of the EAC. In East Africa Tanzania pursued socialism, Uganda was moving towards socialism (through the issue of the Common Man's Charter in 1969) but this was interrupted by the military coup of 1971 and the subsequent economic decay reflected no distinct ideology, Kenya was on the path of capitalism. Capitalism and socialism as ideologies are diametrically opposed (while capitalism emphasizes the role of the market and places economic activity in private hands

⁹⁸ Ibid.

⁹⁹ D. Mazzeo "The Experience of EAC: Implications for Theory and Practice of Regional Cooperation In Africa" in D. Mazzeo (ed) African Regional Organization(London: Cambridge Press, 1984) p. 154

socialism insists on the role of the state and discourages individual ownership) no wonder Kenya and Tanzania found themselves often taking opposite stands on regional issues. While Kenya had stressed the role of foreign investment in her development process as evidenced in sessional paper No.10 on Africa socialism and its application to planning in Kenya, Tanzania's Arusha Declaration of 1967 de-emphasized the role of foreign investments in her economic development. The effect was un-proportional capital inflow especially in the manufacturing sector between Tanzania and Kenya with the latter benefiting the most. With most investors opting for Kenya it was able to exploit the opportunities the EAC offered unlike Tanzania which investors were reluctant to invest in.

Ojo et al argue given the preponderance Kenya had in intra EAC trade and the ever increasing economic gap, economic nationalism of the partners reinforced the ideological differences other than the ideological differences per se giving rise to disagreement. It was economic nationalism and competition among the three EAC states, which intensified and hardened attitudes towards ideological differences and not the other way round¹⁰⁰.

The East African countries external dependence had them pulling in different directions. They made efforts to diversify their foreign economic and political relations; this was done to reduce dependence through a more balanced system of external relations. The uncoordinated diversification of the foreign policies of states caused strains among them¹⁰¹. For instance competition to attract foreign investment and secure markets had consequences. First, disparate conditions were created in terms of tax incentives, patent laws, labour conditions and foreign exchange privileges these impeded the coordination and harmonization of national development plans with respect to external resource procurement. Second, intra EAC competition for foreign investment led to the duplication of inefficient industries in the community. This undermines the realization of economies of scale, which is one of the key justifications for the creation of the

¹⁰⁰ O.Ojo. "Regional Integration and Cooperation" in Ojo et al African International Relations op cit p. 169

¹⁰¹ Ibid

customs union.

The entire regional integration process was primarily anchored on how the economic benefits of the EAC could be shared. The justified perception was that structurally Kenya has the best economic advantage of integration and that the mechanisms of compensation or sharing of responsibilities between the three countries were inadequate to compensate for this disequilibrium¹⁰².

2.4 East Africa Cooperation in the 1980's

The demise of the EAC had disastrous consequences on Kenya, which experienced declining trade levels especially with Tanzania (see table 3) and was unable to access Zambia and Malawi markets as a result of closure of her border with Tanzania. The relations between the three countries were at their lowest especially Kenya- Tanzania relations and Kenya-Uganda relations (especially after the coming to power of National Resistance Movement [NRM] in 1986).

The East Africa region has continued to serve as a tunnel through which Kenya offsets her trade imbalances with the rest of the world. Kenya runs a positive trade balance in the East African region but negative trade balance with Europe and Asia this has made Kenya keen to maintain a stranglehold in East Africa to improve her balance of trade. The collapse of the EAC disrupted the flow of Kenya's trade with the southern Africa states necessitated by the closure of the Kenya- Tanzania border. Kenya had the difficult of accessing Zambia and Malawian markets. Kenya and Tanzania became engaged in unnecessary competition in regional supremacy diverting vital resources to this end.

In 1979 Tanzania invaded Uganda leading to the overthrow of Idi Amin's regime. Kenya was opposed to this invasion but was equally affected by the advent of -

¹⁰² The East African Community; Towards an Integration by Default? in MAMBO (The Newsletter of IFRA) Vol. I No. 1. July - Sept 2000

political instability in Uganda that disrupted Kenya's trade with Rwanda, Burundi, DRC (then Zaire) and Southern Sudan ¹⁰³

Uganda has traditionally served as a market for Kenya's manufactured goods since the colonial days and with the economic decay during Idi Amin's regime Kenya's preponderance in the Ugandan market was even more consolidated (see table 3). However, this trend was set to change with the coming to power of National Resistance Movement. The NRM government began to resuscitate Uganda's assembly lines beginning with such consumer industries that used to churn out sugar, beer, soap, etc while restricting imports from Kenya through tariffs. The NRM government reasoned the nascent industries needed protection from Kenya's more competitive industries to grow and be able to compete.

The relations between Kenya and Uganda deteriorated to the extent that their armed forces were engaged in brief border skirmishes for over three days in December 1987¹⁰⁴. This prompted Kenya to close the common border leading to fuel rationing in Uganda and food shortages on both sides of the border. The two-week conflict only came to an end after the two heads of state (Moi of Kenya, Museveni of Uganda) met to resolve the conflict.

Given the icy relations between Kenya and Uganda during this period the latter decided to shift its reliance on the Mombasa port to the ports of Dares-salaam and Tanga. By 1988 over 20% of Ugandan goods were using the Dares-salaam and Tanga ports¹⁰⁵. However in the early 1990's Kenya - Uganda relations begun to stabilize as the former struggled to reclaim her traditional market for consumer goods in Uganda. This perhaps explains her concerted efforts to revive the East African cooperation to put checks on South African goods.

¹⁰³ M. Katumanga "Politics of Regime Consolidation and Entrenchment: Moi's Foreign Policy 1978-1994" Working Paper (IFRA), 1995. p. 16

¹⁰⁴ Ibid p. 20

¹⁰⁵ Weekly Review 8/02/1991

Evidence indicates that Kenya will be a key beneficiary from a successful East Africa integration being a core state in the region, it has not made contributions that reflect its stature. This will contribute to the EAC success and convince the weak partners to go along. Borrowing from the experience of South Africa Customs Union, South Africa as the regional economic powerhouse agreed to play a bigger role vis-à-vis small states like Swaziland, Lesotho which are comfortable with South Africa leading the way.

After the dissolution of EAC Tanzania turned its focus southwards. Tanzania saw her future to be safe by supporting ideologically like minded states/ groups in the region. By establishing ties and supporting the liberation movements in Southern Africa if and when they came to power the ties would expand to economic areas. Tanzania offered training grounds for various guerilla movements for example African National Congress (ANC), Zimbabwe African National Union (ZANU), South West African Peoples Organization (SWAPO) it also offered her troops in defence of Mozambique.

The Kenya - Tanzania rivalry continued unabated, for instance when Tanzania offered her troops in defense of Mozambique Kenya too offered and stepped up its support for the rebel movement fighting the FRELIMO government¹⁰⁶.

However the creation of PTA revived the politics of integration in the East African countries. The bone of contention was whether or not the multinationals operating in the sub-region would enjoy the preferential arrangement accorded by the PTA. Both Tanzania and Uganda afraid of a possible replay of the EAC in PTA argued for limiting of foreign firms from taking part in PTA trade. While Kenya on the other hand argued for inclusion of foreign firms in PTA trade otherwise her exporters would be locked out and PTA would lose its meaning for Kenya¹⁰⁷. The PTA treaty had a protocol on the rules of origin it stated only firms

¹⁰⁶ Ibid p. 25

¹⁰⁷ G.A Korwa & M. Ngunyi "The Politics of Integration in East Africa Since Independence" in W.O

that were 51% locally owned could have their products given preferential treatment in the PTA.

Tanzania did not sign the treaty until March 1985 this was due to her cold relations with Kenya and her inclination to Southern Africa. Development Coordination Conference especially after the demise of EAC, a nine member country regional cooperation structure set up in April 1980 among the frontline states. It is alleged president Nyerere (then Tanzania head of state) prevailed on a number of countries notably Angola, Madagascar, Mozambique and Seychelles to refrain from the signing of PTA Treaty. These uncertainties notwithstanding, the PTA treaty came into force in September 1983 and fully operational on July 1 1984.

Tanzania's reluctance about PTA and her campaign against it could be seen from her active role in SADC for her the Kenya fronted PTA was a rival to SADC. Though Tanzania eventually signed the treaty in March 1985 and joined PTA she withdrew from it in 2000 citing little benefits from the body. It can be argued that the 1980's were a lost decade for the three East African countries as regards to economic cooperation¹⁰⁸. Starting with the closure of Tanzania-Kenya border halting all inter country trade, Tanzania's 1978 invasion of Uganda that led to the fall of Idi Amin's regime and the subsequent rivalry between Kenya and Tanzania vying for supremacy in Uganda point to a poisoned politico-economic environment that could not under gird any meaningful cooperation.

Kenya and Tanzania pursued diametrically opposed policies in the region for instance, they took different sides in Mozambique civil war, and Kenya fronted PTA as the vehicle for cooperation in Eastern and Southern regions in the 1980 while Tanzania fronted SADCC. While Uganda was mired in political chaos to effectively take part in regional initiatives.

Oyugi (ed) Politics and Administration in East Africa. op cit p. 417

¹⁰⁸ M. Katumanga "Politics of Regime Consolidation and Entrenchment: Moi's Foreign Policy 1978 – 1994" op cit p. 21

2.5 Regional integration in the 1990's (1993 - 2003)

In November 1993, the Heads of state of the three East African countries signed a transitional agreement to establish a Permanent Tripartite Commission for East African Cooperation. The goal was to promote cooperation in political, economic, social, cultural and security fields for the mutual benefit of the three states. The secretariat was established in November 1994 through provision of the Protocol on Establishment of a Secretariat of the Permanent Tripartite Commission. In March 1996 the secretariat for East African Cooperation was established in Arusha, Tanzania. With the secretariat in place it initiated measures to advance East Africa Cooperation. This saw the evolution and development of an East African Cooperation development strategy 1997- 2000, the development of a draft treaty for the establishment of the East African Community, it emphasized sectoral cooperation in monetary and fiscal policies, military and police cooperation, infrastructure development for example East Africa Digital Telecommunication transmission project and East Africa road network, tourism and wildlife, and environmental protection¹⁰⁹.

To realize progress in the stated areas of cooperation, the commission launched the East African Co-operation Development Strategy (1997 - 2000), which focused on the development of a policy framework for regional co-operation. After the approval of the East African Development Strategy (1997 - 2000), the Heads of state directed the Permanent Tripartite Commission to embark on negotiations to upgrade the Agreement establishing the Tripartite Commission into a Treaty.

While the draft Treaty was ready for presentation to the commission in 1998 it was not until November 1999 that the Treaty for the establishment of the East African Community was signed and come into force on July 2000.

¹⁰⁹ S. Tulya – Muhika “Revival of the East African Cooperation and its Institutional Framework” in Perspectives on Regional Integration and Cooperation in East Africa. (Arusha : EAC Publication, March 1999) pp. 24 - 27

The Treaty had the following institutions:

- (i) The Summit comprising of the Heads of state of the partner states,
- (ii) The Council of the community consisting of the ministers responsible for regional co-operation of each partner state,
- (iii) The Coordination Committee consists of permanent secretaries for regional co operation of each partner state,
- (iv) The Sectoral Committee,
- (v) The East African Community Court as the judicial body to ensure adherence to law in the interpretation and application of the Treaty,
- (vi) The East African Legislative Assembly [EALA] and
- (vii) The Secretariat.

i) The Summit

The Summit consisting of Heads of state or government exercises ultimate authority. Its functions include; giving general directions and impetus as to the development and achievement of the objectives of the community¹¹⁰. Reviewing the annual progress reports and such other reports submitted to it by the Council as provided for by the Treaty. Reviewing the state of peace, security and good governance within the community and the progress achieved towards the establishment of a political federation of the partner states for instance the summit appointed the Fast Track Committee on Federation in 2004 to look into mechanisms on how EAC states will realize a political federation faster. The summit may delegate the exercise of any of its functions, subject to any conditions, which it may think fit to impose, to a member of Summit, to the counsellor, to the Secretary General¹¹¹. An act of the community may provide for the delegation of any powers including legislative powers, conferred on the Summit by the treaty or by any Act of the community, to the Secretary General. Subject to the provisions of any act of the community, the acts and decision of

¹¹⁰ The Treaty for the Establishment of East African Community (Arusha: EAC Publication 1999) Article

10

¹¹¹ Ibid

the Summit may be signified under the hand of the Secretary General or of any officer in the service of the community authorized in that behalf by the Summit. The Summit shall cause all rules and orders made by it under the treaty to be published in the Gazette, and any such rules or orders shall come into force on the date of publication unless otherwise provided in the rule or order. Others include appointing judges to the East African Court of Justice, the admission of new members and granting of observing status to foreign countries and assent bills¹¹².

ii) The Council

The Council consists of the minister's responsible for regional cooperation of each partner state and such other ministers of the partner state as each partner state may determine¹¹³. Its functions include; serves as the policy organ of the community. The council promotes monitors and keeps under constant review the implementation of the programs of the community and ensures proper functioning of the treaty. As the policy organ of the community the council shall; make policy decisions for the efficient and harmonious functioning and development of the community, initiate and submit bills to the Assembly, give directions to the partner states and to all other organs and institutions of the community other than the Summit, Court and Assembly. Make regulations, issue directives, take decisions, make recommendations and give opinions in accordance with the provisions of the treaty. Consider the subject of the community, measures to be taken by partner states in order to promote the attainment of objectives of the community, make staff rules and regulations, financial rules and regulations of the community, submit annual progress reports to the summit establish the sectoral committees provided in the treaty, implement the decisions and directives of the Summit as may be addressed to it. Endeavor to resolve matters that may be referred to it, exercise such other powers and perform such other functions as are vested in or centered in it by the treaty. The Council may request advisory opinions from the Court in accordance with the

¹¹² Ibid

¹¹³ Ibid, Articles 11-12

treaty. The Council shall cause all regulations and directives made or given by it under the treaty to be published in the Gazette, and such regulations or directives shall come into force on the date of publication unless otherwise provided therein.

iii) The Coordination Committee

The Coordination Committee consists of the permanent secretaries responsible for regional cooperation in each partner state and such other Permanent secretaries as the state may determine¹¹⁴. Its functions include; implementing the decisions of the Council as the Council may direct. Submit from time to time, reports and recommendations to the Council either on its own initiative or upon the request of the Council on the implementation of the treaty. Receive and consider reports of the Sectoral Committee and coordinate their activities. Requesting a Sectoral Committee to investigate any particular matter. Perform other functions as are conferred upon it by the Treaty.

iv) The Sectoral Committee

The Sectoral Committee its composition is determined by the recommendations of the Coordination Committee to the Council on the establishment, composition and functions of the Sectoral Committee as may be necessary for the achievement of objectives of the Treaty¹¹⁵. Subject to any directions the Council may give, the Sectoral Committee shall be responsible for the preparation of a comprehensive implementation programme and the setting out of profiles with respect to its sector. Monitor and keep under constant review the implementation of the programmes of the community with respect to its sector submit from time to time, reports and recommendations to the coordination committee either on its own initiative or upon the request of the coordination committee concerning the implementation of the provision of the treaty that affect its sector. Other functions as may be conferred on it by under the Treaty.

¹¹⁴ Ibid Article 14

¹¹⁵ Ibid, Articles 15 - 16

v) **The East Africa Court**

The East Africa Court of Justice; consists of six judges. It is the juridical body, which ensures adherence to law in the interpretation and application of and compliance with the treaty¹¹⁶. The court has other original, appellate, human rights and other jurisdiction as will be determined by the council at a suitable subsequent date. The constitutions of the three East African states proclaim their supremacy in their countries declaring as null and void any other law that inconsistent with those national constitutions. To facilitate the EAC Treaty (and thereby its institutions such as East African Court of Justice) to function and operate in the manner that it envisages may require an amendment to the national constitutions to make them subordinate to the Treaty.

vi) **The East Africa Legislative Assembly**

The East Africa Legislative Assembly (EALA) consists of 27 elected members, 5 ex officio members comprising of the ministers responsible for regional cooperation from each partner state, the Secretary General and the Counsel to the community¹¹⁷. Its functions include; serves as the legislative organ of the community. The assembly shall; liaise with the National Assemblies of the partner states on matters relating to the community, shall debate and approve the budget of the community, consider annual reports on the activities of the community, audit annual reports of the Audit commission and any other reports to it by the Council, shall discuss all matters pertaining to the community and make recommendations to the Council as it may be necessary for the implementation of the treaty, establish any committee(s) for such purposes it deems necessary, recommend to the council the appointment of the clerk and other officers of the Assembly, make its rules of procedure and those of its committees perform any other functions as are conferred upon it by the Treaty. The mode of election to the National Assembly is that each partner state elects not from its member's nine representatives who represent the diversity of the National Assembly in accordance with such procedure as the National Assembly

¹¹⁶ Ibid, Article 17

¹¹⁷ Ibid, Article 46

of each partner state may determine in consistent with those national constitutions.

vii) The Secretariat

This is the executive organ of the community. Consists of the Secretary General, two deputy Secretaries General, counsel to the community and any other officer as may be deemed by the Council¹¹⁸. The secretariat is responsible for: initiating, receiving and submitting recommendations to the council and forwarding of Bills to the Assembly through the coordination committee. The initiation of studies and research related to and implementation of programmes for the most appropriate, expeditious and efficient ways of achieving the objectives of the community¹¹⁹ for instance the study on Athi River- Namanga- Arusha road is done under the auspices of the secretariat. Strategic planning, management and monitoring of programmes for the development of the community. The undertaking either on its own initiative or otherwise, of such investigations, collection of information or verification of matters relating to any matter affecting the community that appears to it to merit examination. The coordination and harmonization of the policies and strategies relating to the development of the community through the coordination committee for instance the establishment of the East Africa Lake Victoria Basin Commission (to be based in Kisumu) to manage Lake Victoria for the benefit of the three countries. The general promotion and dissemination of information on the community to the stakeholders, the general public and the international community. The submission of reports on the activities of the community to the Council through the Coordination Committee¹²⁰. The mobilization of funds from development partners and other sources for the implementation of projects of the community, to this end the secretariat has been able to secure a grant from the German government for the construction of the new EAC headquarters in Arusha. Subject to the provision of the treaty, the submission of the budget of the community to the council for its consideration. Proposing draft agenda for the meetings of the organs of the community other than the court and the Assembly.

¹¹⁸ Ibid, Articles 63-65

¹¹⁹ Ibid

¹²⁰ Ibid

The organization and the keeping of records of meetings of the institutions of the community other than those of the court and the Assembly. The custody of the property of the community. The establishment of practical working relations with the Court and the Assembly and such other matters that may be provided for under the Treaty.

The Secretary General in regard of the above shall where he / she thinks appropriate act on behalf of the secretariat. The deputy secretaries General shall assist the secretary General in the discharge of his functions. The counsel to the community shall be the provincial legal adviser to the community in connection with matters pertaining to the treaty and the community and he shall by virtue of this paragraph be entitled to appear in the courts of the partner states in respect of matters pertaining to the community and the Treaty.

It is evident that within the EAC structure certain institutions such as the Summit and the Council have more power while those that represent the people for instance the EALA play minimal roles. The treaty still stresses the principle of unanimity in decision making in the Summit this gives the Summit the leeway to perpetually paralyze the operations of the Community. The removal of the judges is the exclusive decision of the Summit this need not necessarily be so.

The EALA does not play a role commensurate to its stature. The Community Assembly should be given more powers as it is allegedly made up of people's representatives and it should operate on an independent timetable different from those of National Assemblies of the member countries. For example the EALA should be able to determine its calendar / workings days. Presently it sits for only 60 days in a full year. EALA has been arguing for the days to be increased but has been resisted by the Council which has power to decide when and where the Assembly meets. In the view of the Council and the Secretariat increasing the number of days for the Assembly would be too expensive¹²¹. The EALA should

¹²¹ J. Kisero "EALA Protests at stance by Council of Ministers" in The East African. April 4 – 10-2005 p.

have power to initiate and submit bills, currently this lies with the Council which hampers the Assembly's work because of it's (the council) in frequent meetings. Where private members motions have been tabled, the Council has taken over the Bills and stalled them. Four such Bills remain in limbo they are; Inter University Council of East Africa Bill, the East Africa Joint Negotiations and Privileges Bill, and the East Africa Community Budget Bill. A Competition Bill which had been introduced by a member of the Assembly did not go through the second reading¹²².

Currently the power relations between the Summit, Council and Assembly are unclear. While in ideal situation the Council could be answerable to the legislative Assembly the opposite holds. Under Article 51 of the treaty it is the Council that has power to determine when and where the Assembly should hold its meetings.

As the new EAC was being established one of the major overriding concerns was the practical benefits of the new body given the underdevelopment in the region and the unequal levels of development. The commercial balances of the three partner states are or even more unstable as they were in 1977¹²³.

2.6 The Past Haunts the Present Integration Process

This was clearly discernible during the negotiations leading to the signing of the Treaty. In July 30 1999 the signing of the Treaty was postponed as Tanzania disagreed over trade provisions especially concerning the proposed zero tariffs trade regime and free movement of factors of production. Tanzania was opposed to the zero tariff regime arguing it will be unfair to treat the three countries equally as if they were at the same level of economic development. It was equally opposed to free movement of factors of production especially labour and right of establishment in the community arguing if these were free Kenyans could flock into Tanzania in search of land and job opportunities that Tanzanians themselves need.

¹²² Ibid.

¹²³ Ibid

Tanzania wanted the principle of economic asymmetry acknowledged in the EAC treaty. The recognition that the three countries were at various levels of economic development and should not be treated uniformly especially when it came to application of tariffs. According to the EAC report (July 15 1999) fourteen issues were inconclusive these included: the title of the Treaty, the number of members of the East Africa Legislative Assembly, the removal of tenure of executive secretary, the date for the cessation of imposition of new tariffs, the period relating to claim to duty drawback, the right of establishment under the common market, the easing and granting of air traffic rights. Equally contentious was the free movement of labour and capital, the right of establishment and residence within the community, the establishment of the political federation, legal and judicial affairs, and the source of the EAC budget.

Tanzania was in favour of a 'step by step' approach to integration. Keen to avoid the pitfalls of the past a Tanzanian official observed "the first step must be to agree on a framework of the Treaty that identifies areas of cooperation, thereafter negotiate one area after another and sign individual protocols accordingly¹²⁴. Uganda stood with Tanzania on this position while Kenya preferred a delay until more of contentious details had been agreed upon. While Kenya was in favour of wholesale freeing of factors of production and a zero tariff regime Tanzania felt Kenya with better infrastructural advantages, high-income level would benefit most reducing them (Tanzania and Uganda) into mere markets for her manufactures. Instead Tanzania wanted incremental approach based on common economic interests.

Tanzania wanted the issue of trade imbalances recognized in the Treaty and mechanisms to correct it. Kenya's perceived dominance in the EAC trade has been a sticking issue for a long time. The major concern was coming up with an acceptable formula of sharing the gains; in tourism for instance Kenya's status as

¹²⁴ O.H. Morara "Regional Co-operation and Integration in East Africa: The Case of East African Co-operation 1993 – 1999, unpublished M.A. Thesis, IDIS UON, 2001 p. 52

a regional hub has worked for the disadvantage of the two other states in that tourists use more of Kenyan facilities including airlines and other services clearly putting Uganda and Tanzania at a disadvantage. Determined to reap benefits from their own market, the sister countries have introduced measures to guard against unfair trade practices from Kenya, whereby tourist operators cross the two countries with vehicles and guides. Tanzania now requires that tourists crossing the border from Kenya use vehicles registered in Tanzania and Tanzanian guides. They are also required to cross only through the Arusha entry point, which has raised the cost of travel for tourists who previously crossed from the Maasai Mara game reserve¹²⁵. The opposition to the establishment of a common market arose from the fears of Kenya domination, whose products would swamp the markets of Tanzania and Uganda. A look at Kenya's export trade patterns reveals that exports to East African have been growing steadily.

Table 4: Kenyan exports 1993- 2003

Kshs. Million

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
73,565	85,642.6	97,339	118,200	120,445.2	121,180	122,559	134,527	147,590	169,283	183,153

Source: Economic Surveys 1999, 2000, 2004

¹²⁵ J. Kariuki "Why East Africa Should be one Tourist Circuit" in The East African November 18 – 25 2004

Table 5: Kenya's Trade statistics

Year	Exports to EAC	Imports from EAC	Kshs.000
1993	11,929,200	808,400	
1994	999,050	1,216,600	
1995	27,954,480	782,640	
1996	34,228,600	957,680	
1997	34,656,000	1,331,780	
1998	35,582,700	669,780	
1999	34,955,653	787,062	
2000	35,278,198	1,443,126	
2001	43,550,853	1,268,220	
2002	45,460,610	1,467,086	
2003	45,256,074	2,405,211	

Source: Central Bureau of statistics, Economic surveys 1997, 2000, 2004

From table 5 nearly one third of Kenyan exports are to the East African region it is in Kenya's economic interests to actively ensure the realization of the objective of the¹²⁶ integration of the East African region. However it must dawn upon Kenya that this goal must be sensitive to the interests of the rest of the East African partner states who will only support the arrangement if they see themselves benefiting from it¹²⁷. From table 5 Kenya's imports from the region increased only marginally making Tanzania and Uganda partners in the process.

The old EAC collapsed because of the perception that Kenya was the net gainer at the expense of others, among other factors.

¹²⁶ Debating Regional Integration "in The Point bulletin of the Institute of Economic Affairs. Issue No. 29 June 1999 p. 1

¹²⁷ Ibid p.2

Taking cognizance of this fact Tanzania demanded for a mechanism for redistribution of benefits of trade in the common market while ensuring losses in terms of customs levies for their government were cushioned and infant industries protected. For Tanzania it saw the Treaty emphasizing trade at the expense of basic developmental issues like infrastructure¹²⁸. It instead wanted a principle of asymmetry that accommodates variations. As the Treaty was signed in November 30th 1999 the contentious 14 issues were left out of the final draft, in fact the Tanzanian position had carried the day.

The second East African Community Development Strategy (2001 - 2005) focused on the implementation of the Treaty. This involved implementation of regional projects and programmes, and the establishment of the EAC customs union as the entry point of the community. The progress towards this end has been slow the closest the EAC has come to the implementation of a regional project is the ongoing study on the construction of Arusha Namanga - Athi River road¹²⁹. The earlier plans to privatize the three East African railway firms as a single network under one operator failed when Tanzania privatized separately citing legal obligations to the investor. This goes against the spirit of the EAC. The three networks were all part of the defunct East African railway corporation until 1977. The granting of East African railway to one operator made economic sense and more attractive for investors¹³⁰. The ratification of the various EAC protocols has been slow. Uganda has not ratified a single protocol of the EAC, Kenya and Tanzania have only ratified two (on combating drug trafficking, and on the tripartite road transport agreement) of the nine protocols that have been concluded and approved by the EAC Heads of State summit since the coming into force of the EAC treaty.

¹²⁸ O. H. Morara "Regional Cooperation and Integration in East Africa. The case of East Africa Cooperation 1993 - 1999" op. cit p.53

¹²⁹ K. Chelgut "Fast track: Toward a United States of East Africa" in The East African November 1 - 7 2004 p. 14

¹³⁰ G. Kamuze "Kenya, Uganda sign MOU on Joint Railway concessioning" in The East African October 25-31 2004 p. 27

The ratifications of these protocols by Tanzania and Kenya have no effect unless the third partner, Uganda ratifies them too¹³¹. Setting realistic deadlines and sticking to deadlines helps the credibility of the integration process once it has become a habit it helps increase the impetus.

The nine protocols that have been concluded are; agreement for the avoidance of double taxation, decision making by the council, combating drug trafficking and agreement on standardization, quality assurance, meteorology and testing. Others are the tripartite agreement on inland water-way transport, establishment of the inter university Council for East Africa, search and rescue agreement, sustainable development of Lake Victoria and protocol on the establishment of the EAC customs union. The non-ratification of the protocols is contrary to Article 8 of the Treaty and Article 143. Article 8 stresses implementation of the protocols whereas Article 143 states that a partner state which defaults in meeting its financial and other obligations under the Treaty, shall be subject to sanctions.

The East African Court of Justice became operational on November 30, 2001 but not even a single case has been before the court¹³². The six judges of the court operate from their home countries. This is a major weakness for the community in forming a regional identity and outlook.

2.7 Conclusion

The key test to the successful implementation of the Treaty will be adequate provisions for successful implementation of the economic aspects of the community since the common market is the 'heartbeat' of all economic integration. A regional economic integration scheme has costs. The biggest price is sovereignty. Others include trade, balance of payments, and revenue impacts¹³³.

¹³¹ "Uganda Yet to Ratify a Single EAC Protocol: The East African July 5 – 11 2004 p. 9

¹³² "E. A. Court of Justice Remains a Mystery" The East African June 7 – 13 2004, p. 17.

¹³³ S. Tulya – Muhika "Revival of the East African Co-operation and its Institutional Framework" in Perspectives on Regional Integration and Cooperation in East Africa EAC ministerial seminar, Arusha March 25 – 26 1999 pp. 28 - 29

The East African countries continue to a great extent to depend on revenue from external trade, persistent refusal to renounce sovereignty and the regional rivalry between the three states weakens the EAC project.

The EAC countries are implementing an integration mimicry following a worldwide trend to avoid double marginalization; already these countries were marginalized in the global economy by an international specialization, which did not favour them. This marginalization is evident in the export of primary products of little value, absence of significant industrial network, conditional access to international financing, persistence of bilateral neo colonial relationships and weak monetarization of exchanges¹³⁴.

From the overview in this chapter the EAC project will progress only with equitable distribution of gains in the region otherwise a backlash is expected from losers.

The issue of benefit distribution has been long running in East Africa integration. During the colonial period the dissatisfaction of Tanzania and Uganda led to the establishment of the Distributable Pool Fund to remedy this. In the EAC (1967 - 1977) the transfer tax system, East Africa Development Bank, and re- allocation of the EAC corporations across East Africa were some of the measures taken to address the imbalances. In the post 1990 integration it is different because of the increasing role of the market and private sector; industries cannot be allocated on a regional basis. The EAC needs to reorient its approach from a purely trade led integration.

Regional integration in East Africa has been dogged by the problem of benefit distribution given the structure of the economies that are basically similar and non complementary. The countries involved with the exception of Kenya are not able to exploit the opportunities offered by the enlarged market. Kenya's

¹³⁴ A. Leon "The Overlapping of Regional Integration Zones in Eastern Africa" in MAMBO (The Newsletter IFRA) Vol 3. No. 2 2002 p. 3

relatively diversified economy has been in a position to exploit the East African market while Tanzania and Uganda have limited products to offer the EAC market. This is compounded further by their dependence on foreign markets usually the developed market economies of Europe. They put more premium on these markets than perhaps intra-regional trade.

It is an acknowledged fact that regional integration is a political process much as its benefits are economic. This presupposes that the political leadership in the EAC countries share the vision, however the political leadership has been moving grudgingly on the regional project. This stems from the political structures of the East African post colonial state that is characterized by centralized political power that has stood in the way of creating regional institutions with real authority. Some countries like Uganda have raging conflicts that are yet to be resolved.

CHAPTER THREE: STRUCTURAL ECONOMIC CONSTRAINTS AND THE EAST AFRICAN COMMUNITY

3.1 Introduction

It has been argued that the economic structures of the African countries cannot foster economic co-operation among themselves. Indeed after over four decades of repeated efforts at integration (regional or continental) progress has been minimal. The economies of the African countries are oriented towards the export of primary commodities and the import of manufactures from non- African sources. However regional differences do exist for instance in South Africa in southern Africa export extensively to the region but much of their imports come from outside Africa.

This North - bound orientation of the African economy has made effective intra-African economic cooperation difficult. A majority of African states are conditioned by a strong attachment to pre- independence economic ties this has inevitably militated against the formulation of policies and instruments crucial in fostering effective intra African economic cooperation¹³⁵. In fact the structure of production is largely what it was during the colonial days; a lot of resources are devoted for production for export rather than regional markets because that was the colonial economic order¹³⁶. For example Ugandan exports have been largely raw since the colonial days.

The steady economic decline in Africa is linked with its economic structure and trade patterns. It has not significantly industrialized nor reduced its initial dependence on primary commodities for exports in contrast to the rest of the developing world.

The lack of structural diversification of the African economies have rendered them less useful to one another, what they produce is not largely in demand in

¹³⁵ A. Adedeji "Development and Economic Growth in Africa in the Year 2000. Alternative Projections and Policies in shaw T. M. Alternative Futures for Africa (Boulder: West View Press, 1982)p 281

¹³⁶ Ibid p. 282

the neighboring countries, and lack of integrated infrastructure has hindered inter country trade. The freeing up of regional trade ends having minimal effect on levels of intra regional trade. In regions with relatively advanced economies for instance Kenya in Eastern Africa, South Africa in Southern Africa the less developed economies are reluctant to push forward with regional integration because of minimal benefits that accrue to them.

This chapter seeks to investigate the economic structure of the East African countries, their trade patterns, and most fundamental what these portend for the EAC regional integration project.

3.2 Economic structure of the East African countries

The East African countries just like the rest in Sub-Saharan Africa are characterized with low income, predominantly agrarian economies, low productivity, and heavy dependence on a small number of primary commodities. In East Africa a notable exception is Kenya, which has a relatively diversified economy unlike Tanzania and Uganda.

Kenya

In the Eastern Africa region, Kenya has relatively the most advanced economy and this is attributable to the deliberate colonial policy that had Nairobi as the main economic and commercial centre in the region. Kenya has been seeking to diversify its export base by encouraging non-traditional exports such as textiles, agro processing, and electronics. To woo foreign investors the government in 1990 enacted a bill to create trade zones known as Export Processing Zones (EPZ), these receive concessions on custom duties, tariffs among other incentives¹³⁷.

Kenya has about 900 major manufacturers with over 200 multinational companies in the country from the United Kingdom, France, United States and Germany. Agriculture remains the largest sector of Kenyan economy providing a

¹³⁷ "Triple Business Opportunities Survey" in The Standard November 23 2004 p. 4

livelihood for approximately 75% of the population and accounting for an average of 25% of the Gross Domestic Product (GDP) while generating 60% of foreign exchange earning¹³⁸. Tourism is the second largest foreign exchange earner accounting for approximately 20%.

Table 6: GDP and average sector share (1994- 2003)

Main sectors	shares in GDP (%)
Agriculture	26.0
Manufacturing	13.2
Government Services	14.8
Trade, restaurant and hotels	12.3
Business services	10.5
Transport, storage and communication	6.2
Ownership of dwellings	5.7
Others	11.3

Source: Central Bureau of Statistics

From table 6 agriculture is the most important sector of the Kenyan economy accounting approximately for 25% of the country's GDP. Manufacturing is second accounting for 13.2% of the GDP and this partly explains Kenya's ability to export extensively to the Eastern Africa region compared to its counterparts whose manufacturing capacity is small compared to Kenya.

Kenya's major exports include tea, horticulture, coffee, fish and fish preparations, iron and steel, petroleum products, tobacco and tobacco manufactures, articles of plastic, essential oils, animal vegetable oils, sodium carbonates among others.

¹³⁸ Ibid p. 4

Table 7: Principal exports (% of total exports) 1994-2003

Tea	24.5
Horticultural	14.3
Coffee	11.3
Fish and fish preparations	2.5
Iron and steel	2.5
Petroleum products	7
Tobacco and tobacco manufacturers	1.5
Articles of plastic	1.3
Essentials oils	1.6
Sodium carbonates	1.2
Others	29.3

Source: EAC Statistics Database

Kenya's export trade is dominated by a few export products namely tea, horticulture, coffee, petroleum products and cement which account for over two thirds of total foreign earnings (table 7). The key challenge is to diversify the exports to the range of non-traditional exports.

Table 8: Main destination of Exports (% of total Exports 1994-2003)

Uganda	16.4
United Kingdom	12
Tanzania	11
Netherlands	5
Pakistan	4.5
Egypt	4.0
DRC	2
Somalia	2
Germany	5.4
Rwanda	3

USA	2
Sudan	2
Others	30

Source EAC statistics database

From table 8 African countries especially Uganda and Tanzania continue to be a major destination of Kenya's exports. On the part of Kenya this reflects relatively low market diversification. However this is lopsided trade because Kenya's imports from African countries are quite low and largely dominated by South Africa. The following tables will illustrate;

Table 9: Principal imports (% of total imports) 1994-2003

Industrial machinery	15.2
Crude petroleum	10.2
Petroleum products	7.4
Road motor vehicles	5.8
Animal vegetables fat oils	4.3
Iron and steel	4.8
Plastics in primary & non primary forms	3.8
Medicinal & pharmaceutical products	3
Wheat, unmilled	2.5
Chemical fertilizers	2.3
Organic and inorganic chemicals	1.7
Others	39

Source: EAC Statistics database

Table 10: Main sources of imports (% of total imports) 1994-2003

United Arab Emirates	11.4
United Kingdom	11
Japan	7.4
USA	5.8

India	4.6
Saudi Arabia	5
Indonesia	2
Germany	5.5
Sweden	1
Belgium	2.6
South Africa	7.2
China	2
Netherlands	2.6
Italy	2.9
Others	28.5

Source: EAC statistics Database.

An analysis of the composition of Kenya's trade patterns represents that of a typical developing country. The exports are predominantly primary goods and imports principally capital equipment. Kenya trades with developed and developing countries, the latter especially because of the country's strategic position as a regional industrial and commercial hub with access to the sea¹³⁹.

The European Union is the leading source of imports for Kenya, followed by the Middle East, the Far East and rest of Africa (primarily from South Africa). The EAC is a relatively insignificant source of imports for Kenya, the imports from Tanzania and Uganda since 1990 do not exceed 1 % of Kenya's total imports¹⁴⁰.

This presents a major challenge to the integration process in East Africa which is anchored primarily in trade. The customs union theory posits a regional integration scheme is likely to succeed when the pre -union trade and economic relationships among potential members is high. This is not the case when it comes to Tanzania and Uganda's trade with Kenya.

¹³⁹ N.K. Ngeno at al Regional Integration Study of East Africa; The Case of Kenya, Nairobi. November 2001 p.29

¹⁴⁰ Ibid p. 30

Tanzania

According to the United Nations Industrial Development Organization (UNIDO) Report 2003, Tanzania is endowed with a wide range of resources which provides immense business opportunities. Tanzania has nearly 90 million hectares of arable land, which is suitable for agricultural purposes, but only 17% of this is utilized¹⁴¹. Agriculture is the leading economic sector. It accounts for about 50% of GDP, 75% of merchandise export and is the source of food and provides employment to about 80% of Tanzania¹⁴².

Tanzania's economy is heavily dependent on agriculture, a common feature of Uganda and Kenya, this sector accounts for at least half of the GDP.

Table 11: Origin of Gross Domestic Product (% of GDP) 1994-2003

Agriculture	49
Manufacturing	8.2
Financial and business services	10.3
Trade, restaurant and hotels	16
Mining and quarrying	2
Transport and communication	5.3
Government services	7.9
Construction	4.4
Electricity and water	1.6

Source: EAC statistics database

Table 12: Principal Exports (% of total Exports) 1994- 2003

Minerals	17
Coffee	14.
Cotton	10.8
Manufactures	10.5
Cashew nuts	11.8
Tea	4.4

¹⁴¹ Triple Business Opportunities Survey "in The Standard November 23 2004 p.4

¹⁴² Ibid p. 5

Sisal	0.9
Tobacco	6.1
Other exports	23.5

Source: Economic Survey Publication, 2003 and BOT Economic bulletin 2002.

Tanzania just like her counterparts in East Africa her exports are predominantly agricultural (table12) an illustration of their destination demonstrates minimal trade with Uganda and Kenya, a structural impediment to the regional integration project.

Tanzania's key exports are minerals, coffee, cotton, cashew nuts and tobacco. Looked at keenly these products do not have markets in Uganda and Kenya because they too produce the same except, minerals. The Tanzania minerals are exported to the developed world where value addition takes place a capacity that is lacking in Kenya and Uganda. Although Kenya could be sourcing its cotton from Tanzania to exploit the Africa Growth and Opportunity Act (Agoa opportunities) the distorted colonial infrastructure makes it very expensive forcing Kenya to source the same from the Far East. The manufacturing is engaged in basic consumer goods that Kenya's and Uganda's manufacturing sectors produce.

Table 13: Main destination of exports (% of total export) 1997 2003

United Kingdom	15
France	6.3
Japan	7.5
India	13
Netherlands	6.1
SADC	6.2
Germany	6.8
USA	2.1
Belgium	6
Kenya	4.7

Uganda	1.3	1.1
Others	27.2	31.7

Source: Tanzania statistical Abstract 2003

Note: Exports information is not available for the period before 1997.

Tanzania's strongest trade links are with EU, India, and the SADC region. This portends challenges for the integration project between her and the other partners. No wonder commitment to the EAC has been weakest on the side of Tanzania. Perhaps for Tanzania the expected benefits from the EAC are lower than the cost. East Africa constitutes an insignificant market, for Tanzania's exports only 6% of her exports end up in Kenya and Uganda.

Table14: Principal imports (% of the total imports) 1994-2003

Transport Equipment	14.8
Building and construction	6.8
Machinery	20.5
Petroleum products	11
Fertilizers	1
Industrial raw materials	14.4
Food and food stuffs	8.8
Others	22.7

Source: Bank of Tanzania Economic Bulletin 2002

Table 15: Main Source of imports (% of total imports) 1997- 2003

Italy	3
Germany	3.9
China	3.7
USA	4.8
UAR	5.1
Kenya	6
United Kingdom	7.4
India	6.9

SADC	3.8
Japan	8.7
Others	46.8

Source: *Statistical Abstract, 2003*

Note: Imports information is not available for the period before 1997.

The analysis of the source of imports for Tanzania reflects the usual structural disequilibria that is minimal trade among African countries. The European union is the leading source of imports for Tanzania followed by Japan, India, and Kenya. Uganda as a source of Tanzania imports is insignificant yet trade is to form the basis for increased EAC integration. This highlights the contention that trade alone cannot serve as the engine for EAC integration.

Uganda

In Uganda agriculture is the most important sector of the economy accounting on average for 44% of the GDP, employing over 80% of the work force¹⁴³. Coffee is the major export crop and accounts for the bulk of export revenues, agricultural products include coffee, tea, cotton, tobacco, cassava, corn, millet, beef, milk and poultry.

The Uganda government since 1986 embarked on rehabilitating the economy after years of political instability and economic decay undertaking currency reform, raising producer prices on exports, rehabilitation of infrastructure, and improving domestic security.

Table 16: Origins of Gross Domestic product (% of GDP) 1994-2003

Agriculture	43
Manufacturing	8.9
Trade, restaurant & hotels	13.3
Transport, storage and communication	4.8

¹⁴³ Tripple Business Opportunities” in The Standard November 2003 p. 5

Community services	17.3
Others	12.3

Source: EAC statistics database

Table 17: Principal Exports (% of total exports) 1994-2003

Coffee	49
Tea	4.8
Tobacco	3.8
Gold & gold products	8
Maize	2.9
Cotton	2.5
Fish & products	8.4
Others	21

Source EAC statistics database

The exports reflect an economy that is primarily agricultural. Their destination indicates the pre independence economic ties still dominate. Uganda's key exports are almost identical with Tanzania. This partly explains low trade between the two countries. Furthermore their exports compete for the same markets.

Table 18: Main destinations of Exports (% of total exports) 1995-2003

United Kingdom	17.2
Germany	3
Belgium	3.5
Netherlands	6.6
Switzerland	1.7
France	1.6
Tanzania	1.1
Kenya	9.7
Rwanda	3.8

Comesa	9
Others	28.

Source: EAC statistics database.

From (table 18) the European Union is the leading export market for Uganda. While Kenya and Tanzania constitute around 10% of Uganda exports, Kenya takes the bigger share with Tanzania being virtually insignificant at 1.1%. This reflects the low trade between Tanzania and Uganda due to poor cross border transnational infrastructure and communications between the two.

Table 19: Principal imports (% of total imports) 1994-2003

Machinery and transport equipment	25
Mineral fuels and related products	10
Manufactures classified by material	15
Food and live animals	6.4
Medical pharmaceuticals	5
Iron and steel	3.4
Cereals and cereal preparations	4.3
Others	32

Source: EAC Statistics database.

Table 20: Main sources of imports (% of total imports) 1994-2003

Kenya	22.4
Japan	7
India	5.5
United Kingdom	9
UAR	4.8
Germany	2.9
Italy	2.5
USA	3

China	1.8
Others	40.9

Source: EAC statistics database.

Kenya is the leading source of Uganda's imports this is partly due to Uganda's landlocked status and its use of Kenya as gateway to the sea. The alternative routes for Uganda of Dares-Salaam and Tanga ports increase the costs due to poor transport infrastructure between Tanzania and Uganda. This may augur well for the EAC but the direction has to change such that Uganda should not only be a mere market for Kenyan goods but also export significantly to Kenya. For instance Uganda has a high hydro electric potential if developed can export to Kenya to overcome its energy deficit.

3.3 Structural economic constraints and the EAC

In the economic structure the three East African countries are fairly typical of low income, primary-producing countries, and the primary determinant of the level of economic activity is the production of primary products for export¹⁴⁴. East African countries are heavily dependent on external markets, Kenya being slightly different whose one third of exports go to Tanzania, Uganda and other COMESA countries.

Intra regional trade is relatively low and heavily skewed in favour of Kenya (the regional industrial and commercial giant). This is in contrast with external trade, which is large and conducted almost exclusively with the developed market economy countries. This structural impediment has had the effect of making East African countries less useful to one another. Tanzania and Uganda exports to Kenya are insignificant; they have minimal trade between themselves. It is only Kenya that exports significantly to Tanzania and Uganda (the latter being a landlocked country relies on Kenya as a gateway to the sea.). This predominance of Kenya on regional trade has been resented by Tanzania and Uganda and has been a long running issue on regional integration in East Africa,

¹⁴⁴ P. Robinson, Economic Integration in Africa. (Evanston: Northwestern University Press, 1968) p. 100

how the current EAC solves it to the satisfaction of the three partners remains a key challenge. Another challenge facing the EAC integration is multiple memberships of the EAC countries in competing trade blocs. Multiple memberships hinders EAC integration because of duplication of effort, human and financial costs, lack of harmony in policies such as rules of origin and customs procedure, information gaps and changing political positions. For instance Tanzania is perceived to be more committed to SADC than the EAC, also when SADC becomes a free trade area in 2008 this will pose problems for the EAC for example expensive policing of rules of origin. An analysis of trade in the EAC will illustrate the low and skewed nature of this trade.

Table 21: Direction of trade in the EAC 1993-2003

Kenya intra – EAC trade

Year	Exports to Uganda	Imports from Uganda	Balance to / from Uganda	Exports to Tanzania	Imports From Tanzania	Balance Kenya To / from Tanzania	Balance Kenya to/from And Uganda
1993	83.8	4.7	79.1	90.9	7.8	83.1	162.2
1,994	244.8	4.1	240.7	110.0	10.0	101.0	341.7
1995	213.8	2.9	210.5	137.0	12.5	124.5	335.0
1996	318.1	0.5	317.5	281.9	16.9	265.0	582.5
1997	264.4	7.5	256.9	251.9	13.8	238.1	495.1
1998	314.4	1.0	313.4	260.3	26.1	234.2	547.6
1999	290.5	4.4	286.1	188.8	20.3	168.5	454.7
2000	307.5	5.6	300.9	141.1	11.9	129.2	430.1
2001	382.2	3.7	73.5	172.0	7.4	164.5	538.1
2002	405.5	3.6	396.9	184.1	10.4	173.7	570.6

Source: EAC statistics database

Kenya enjoys a positive trade balance in intra- EAC trade. It is a net exporter and controls more than half of intra EAC trade. With this in mind Kenya must be willing to bear much of the EAC scheme costs given that it is the largest beneficiary. From an interview with an official in the EAC division Ministry of East

Africa and Regional Cooperation argued the dominance of Kenya is not permanent with time the large trade gaps will level out¹⁴⁵.

Table 22: Uganda Intra –EAC trade

Year	Uganda exports to Kenya	Imports From Kenya	Balance to/from Kenya	Uganda exports to Tanzania	Imports from Tanzania	Balance To / from Tanzania	Balance to/from Kenya and Tanzania
1993	4.7	83.8	-79.1	0.9	9.0	-8.1	-88.1
1994	4.1	244.8	-240.7	1.0	23.8	-22.8	-264.5
1995	16.5	213.4	-196.9	4.6	11.6	-7.0	-203.9
1996	47.7	318.1	-270.4	8.9	8.4	0.5	-269.9
1997	19.8	264.4	-244.6	10.0	26.0	-16.0	-260.6
1998	24.9	285.8	-260.9	3.0	28.4	-22.4	-283.7
1999	29.1	263.7	-234.6	3.4	11.5	-5.1	-239.7
2000	32.9	296.0	-233.1	3.5	3.8	-3.3	-236.4
2001	59.1	281.5	-222.4	3.7	3.7	0.0	-224.4
2002	31.5	312.9	-251.4	5.8	7.5	-1.7	-253.1

Source: EAC statistics database.

From (table 22) Uganda experiences a negative intra-EAC trade balance. Uganda's case is illustrative as regards market-driven integration because it will be a net loser. Its precarious position must be recognized and her interests taken into consideration. The bottom line being the EAC states cannot go into EAC as equals, this position is incorrect clearly the direction of intra EAC trade indicate they are not. From the foregoing Kenya is in the lead in terms of trade and a relatively diversified economy moving into EAC integration on an equal footing will work to the disadvantage of Uganda and Tanzania. The argument being those countries with a head start in regional integration will inevitably reinforce

¹⁴⁵ During an interview with an official in EAC division Ministry of East Africa & Regional Cooperation he hinted the dominance of Kenya in intra EAC trade is not a problem. The position of Kenya is that as the EAC integration progresses the gaps will narrow although this may not be on a one to one basis.

their leading position in *laissez faire* integration.

Table 23 Tanzania intra EAC trade

Year	Tanzania exports to Kenya	Imports From Kenya	Balance Tanzania to/from Kenya	Tanzania to Uganda	Tanzania from Uganda	Balance Tanzania To/ from Uganda	Balance Tanzania to/from Kenya and Uganda
1993	7.8	90.9	-83.1	9.0	0.9	8.1	-75.0
1994	10.0	111.0	-101.0	23.8	1.0	22.8	-78.2
1995	12.5	137.0	-124.5	11.6	4.6	7.0	-117.5
1996	14.2	281.9	-267.7	8.4	8.9	-0.5	-268.2
1997	12.5	251.9	-239.4	26.0	10.0	16.0	-223.4
1998	26.1	260.3	-234.2	28.4	6.0	22.4	-211.8
1999	20.3	188.8	-168.5	11.5	3.4	5.1	-163.4
2000	12.2	141.1	-128.9	3.8	5.5	3.3	-125.6
2001	7.4	172.0	-164.5	3.7	3.7	0.0	-164.5
2002	34.0	184.1	-150.1	7.5	5.8	1.7	-148.4

Source: EAC statistics database.

From the (table 23) Tanzania has a negative intra EAC trade balance. It has a negative balance with Kenya but a positive balance with Uganda. This explains her cautious approach to the EAC integration. The EAC region does not constitute a significant market for Tanzania exports indeed the SADC region offers slightly more in terms of market than EAC.

3.4 Conclusion

It is clearly evident Kenya dominates intra EAC regional trade to such a level that it does not augur well for the EAC. Tanzania and Uganda have been reduced to just being mere markets. Tanzania and Uganda have minimal trade between themselves because of lack of infrastructure and industrial backwardness. They are highly dependent on agriculture (agriculture contribute nearly 50% of GDP).

This implies even if tariffs are completely removed there will be little impact on inter country trade because the key factor behind low inter state trade is lack of infrastructure and poor production capacity. This implies to advance the cause of regional integration in East Africa the EAC must massively invest in regional infrastructure.

Trade alone cannot under gird a mutually beneficial integration in East Africa because Kenya is way ahead and opening up of regional trade benefits it massively leading to a convergence instead of a divergence with the other two partners.

A different approach on EAC integration is necessary because the market driven that is proclaimed in the treaty will lead to unequal distribution of benefits and polarized regional development. Those countries with a head start in economic development will inevitably reinforce their position in a market driven integration.

The customs union theory places high premium on the quality of infrastructure especially transport between integrating countries. It contends where transport linkages are poorly developed transport cost will prove to be a real obstacle to trade creation among the members. In East Africa poor infrastructure, inflated the import bill significantly, it has equally been pointed out to be key factor behind low trade between Tanzania and Uganda. Indeed investors in Kenya's Export Processing Zones in Nairobi find it cheaper to import cotton from Western India than getting it from Tanzania Lake Tanganyika region where there is surplus production. The SADC region illustrates the centrality of infrastructure to the sustainability of regional integration. With the political will and resources of South Africa SADC have been developing transport corridors (Maputo corridor, Kalahari corridor) opening up previously closed regions to more trade.

In the SACU region South Africa as the region's linchpin bears much of the integration costs. Infact Hyundai and Volvo opened assembly plants in Botswana because it has free access to the South African market and other SACU members.

CHAPTER FOUR: STRUCTURAL POLITICAL CONSTRAINTS AND THE EAST AFRICAN COMMUNITY.

4.1 Introduction

The theory of neo-functionalism recognizes the role of politics cannot be separated from the functionalist proposition. Politics is central in the integration process a point that was overlooked by the earlier functionalists.

Neo- functionalism identifies the existence of pluralism among other factors (economic symmetry, elite value complementarity's and the capacity of member states to adapt and respond) to be key to the success of the integration process.

It argues the existence of pluralism within the various integrating units enhances the likelihood of integration that is the greater the level of pluralism in member states the better the conditions for the integrating process. Its absence makes the perception of integration narrow among the elites¹⁴⁶.

In un-pluralistic units there is concentration of decision making in the executive, if integration proves a threat to decision makers in un-pluralistic society the elites in power are likely to down play and slow the process of integration. Equally important is the level of domestic political stability that is the higher the level of domestic political stability the greater the capacity of policy makers to respond to demands within their respective political units, and the more likely to respond and effectively participate within the larger political integration unit.

The element of conflict bogs down the process of integration in Africa. Civil strife within member states, political instability and state collapse constitute real obstacles to regional integration in West Africa for instance. For the affected

¹⁴⁶ J.J. Nye "Comparing common markets: A perished Neo functional model" in L. Lindberg & S. Scheingold (eds) Regional Integration: Theory & Research op cit pp 28 - 70

states cannot execute community decisions or add value to the community¹⁴⁷, they are a drag on regional integration project.

In East & Central Africa long running conflicts in Northern Uganda, Horn of Africa and the Great Lakes Region have meant diversion of vast resources and political attention to the wars at the cost of regional integration. For instance the conflict in Northern Uganda has been a challenge to the government of Uganda, state collapse in Somalia civil wars in Rwanda and Burundi in the 1990s.

Political insecurity jeopardizes a country's commitment to regional initiatives. The argument being governments facing imminent threats to their hold on power often have shorter time horizons (whereas regional integration is a long term goal) and are more preoccupied with placating the specific groups pivotal to their survival¹⁴⁸. They are hence more likely to give greater attention to short-term interest of narrow constituencies, at the expense of long-term social welfare¹⁴⁹

For example political instability in Uganda was partly responsible for the demise of the EAC (1967-1977), the Mano River Union (Liberia, Sierra Leone and Guinea) completely stagnated because all the members were engaged in internal conflicts. However the MRU members are now experiencing relative stability that has been facilitated by ECOWAS and the International Community, hopefully with governments in place they can reignite the MRU. In the ECOWAS region by 1989 of all the sixteen member states twelve were under military governments. This limits the prospects for advancing regional integration because such regimes given the way they came to power have narrow constituencies to appeal to.

¹⁴⁷ A Sesay "Regional Integration in West Africa, Experience from the Past and Lessons Learned From EU For ECOWAS" in Dialogue On The Regional Integration in East Africa. (Arusha, Proceedings of an EAC Seminar March 19 – 20, 2001)p. 237

¹⁴⁸ R. Alence "Political Institutions and Developmental Governance in Sub Saharan Africa" in the Journal of Modern African Studies (London, Cambridge University Press, June 2004) p. 166

¹⁴⁹ Ibid p.166

It is against this background that this chapter gives a brief overview of the nature of the political structures of the East African countries and what they portend for the East African integration project that is under what political structures regional integration can be sustained. If authoritarianism pervades the integrating units they are unlikely to let regional institutions flourish.

4.2 Political structure of the East African countries: Kenya, Tanzania and Uganda.

The East African countries share a common colonial background; they all had Britain as the colonial power (Tanzania after the first World War). They all moved to independence in the early 1960's under parliamentary systems with the hope of becoming liberal democracies.

However the centralization of power emerged as a dominant characteristic of the East African postcolonial state. Its operative manifestations were centrally directed governance, law and order oriented administration and authoritarianism in political life¹⁵⁰. As were to emerge later this had serious negative consequences on their efforts to unite politically and economically.

In the 1990's the wave of democratization swept the Third World, and the East African states started to dismantle the one party state structure.

Kenya.

The rise of autocratic rule is traceable to the mid 1960's when the first independence government dissolved the only opposition party (Kenya Peoples Union) and systematically amended the original constitution that promised the establishment of a liberal democratic state in Kenya. By the early 1970's, the ruling elite had managed to establish an authoritarian state in Kenya¹⁵¹. This has

¹⁵⁰ W.O. Oyugi "The State in Post Colonial East Africa; an Overview" in W.O. Oyugi Politics and Administration in East Africa. (Nairobi, Masaki Publishers, 1994) p.16

¹⁵¹ C. Odhiambo "The Rise and Fall of the Autocratic State in Kenya" in W. O. Oyugi et al (eds). The Politics of Transition in Kenya from KANU to NARC. (Nairobi Heinrich Boll Foundation, , 2003) p. 51

formed the basis for agitation for constitutional change in Kenya since the early 1990's to dismantle the authoritarian state and reflect the democratic stands in Kenya. The constitutional debate has not been concluded definitively.

With time the political executive has emerged as the dominant actor subordinating all other institutions to itself¹⁵² parliament and the judiciary found it impossible to act independent of the executive for instance the executive had the power to prorogue parliament, the security of tenure for justices was removed. Though multipartyism was restored in 1991 the country still exhibits tendencies of personal rule, the executive is the most powerful compared to other branches of government.

The country has been grappling with constitution review for the last twelve years with minimal success. The constitution making process is trapped in a stalemate as various groups pursue conflicting interests. The disagreement over the various groups arose over the kind of institutional framework and substance of changes to be effected in the current constitution¹⁵³.

In a nutshell the state and constitutional crisis in Kenya is a consequence of constant use of the constitution to entrench the vested interest of elites in power to the exclusion of national interests¹⁵⁴. The country is yet to stabilize, routinize, institutionalize, and legitimize the patterns of politically relevant behavior; this explains its highly polarized politics.

Indeed Kenya's democratization path since the revival of multipartyism in the early 1990's has been of the minimalist variant¹⁵⁵ because the institutionalization of the changes made between 1992-2002 with the aim of liberalizing politics in Kenya, has been a mixture of stagnation (the incumbent regime fought the

¹⁵² W. O. Oyugi. Op cit p. 20

¹⁵³ C. Odhiambo Mbai op cit p.340

¹⁵⁴ Ibid p. 340

¹⁵⁵ W. O.Oyugi "The Politics of Transition in Kenya, 1992 – 2003: Democratic Consolidation of Deconsolidation? W. O. Oyugi et al (eds) The politics of Transition in Kenya from KANU to NARC op cit p. 370

political changes) and some consolidation (some changes e.g. electoral system, civil liberties have been effected).

A country's political stability determines the quality of its participation in regional initiatives such as EAC. Kenya's polarized politics usurps her energy to take part in EAC effectively. For instance if Kenya cannot conclude the constitution review satisfactorily how is it expected that it will buy into the idea of political federation of East Africa with a probable shift of the seat of power from Nairobi?

Uganda

Of the three East African countries Uganda has experienced political instability most of its post-independence period. As such politics in Uganda is militarized. The military has come to play a political activist role since independence. The constitution making process was completed in Uganda largely because the ruling elite were in favour of the process. The new constitution was finalized and promulgated in 1995. It provides for all Ugandans to subscribe to the Movement System of governance. All elections have been held under the Movement Act as multiparty politics remains suspended.

Though the National Resistance Movement government has made efforts to deconstruct the post-colonial state in Uganda unlike Kenya and Tanzania, the executive (the president) is both head of state and government and dominates the other arms of government.

The NRM government has been grappling with political instability in the Northern parts of the country for a long time. This has impacted negatively on the Ugandan economy with substantial resources allocated to meet the challenges of the rebellion besides giving the Ugandan army a large role in politics.

Indeed there have been calls to domesticate the military through building institutions that enjoy a wide degree of political acceptability among significant

sociopolitical groupings¹⁵⁶. Though the NRM has taken steps towards this direction it still sees the military as a power reservoir that it has to use in a potentially polarized political situation¹⁵⁷. Drawing from the experience of ECOWAS it is discernible that countries experiencing conflict are a drag to the integration process and the key focus remains the conflict other than the ideal of regional integration. Uganda under Idi Amin experienced a drastic fall in her exports to the EAC underscoring the point that political stability has a role to play in integration initiatives.

Tanzania

Tanzania just like Kenya and Uganda started with a parliamentary system at independence later changed to a presidential system. Currently the president is both the head of state and government; the centralized power structures inherited at independence are still intact.

Unlike Kenya and Uganda, Tanzania has experienced high degree of political stability since independence. The country restored multipartyism in the early 1990's, however the dominance of the ruling Chama Cha Mapinduzi (CCM) has rendered the opposition parties insignificant.

The political opposition is still so thin after a decade in operation making it difficult to evolve a viable foundation ideal for competitive politics. The Tanzania political scene remains lopsided in favour of ruling CCM which has been in power since independence in 1961. The party controls more than 90% of the seats in the 295 member national assembly¹⁵⁸. In terms of the existing set up of the government in Tanzania, the president wields executive and political powers that are unmatched in most democratic nation states.

¹⁵⁶ D. Mudoola "Institution Building; The Case of the NRM & Military 1986 – 1989" in H.B. Hensen et al (eds) Changing Uganda (Nairobi: Henemann 1991),. p.231

¹⁵⁷ *Ibid* p.245

¹⁵⁸ "With a Presidency so Powerful, what Chances does the Opposition Have?": in The East African May 2-8 2005 p.4

4.2 Structural Political Constraints and the EAC

In East Africa the three countries exhibit similar characteristics in their political systems (all presidential) and the centrally structured colonial power inherited at independence has been largely left intact the only exception being Uganda where with the coming to power of NRM government in 1986 efforts were made to deconstruct the post colonial state.

In East Africa the executive dominates the other branches of government and is relatively poorly checked. This portends challenges for the regional integration scheme over issues of sovereignty given the way political power is exercised in individual states; they have found it difficult ceding any power to regional institutions. One of the key tests to a successful regional integration scheme is that the regional institutions created will have powers to make decisions that are binding to the states involved¹⁵⁹. However in East Africa Arusha has to wait for signals from Kampala, Nairobi and Dares Salaam before it can make a decision even if it is in the interests of the countries but unpalatable to the ruling elite.

The implication has been that the new regional institutions set up lack any supranational authority. For instance the regional assembly of twenty seven members only plays a consultative role; the East Africa Court of Justice became operational on November 2001 yet by the end of 2003 not even a single case had been before the court¹⁶⁰. The permanent secretariat is weakened by its dependence vis a vis the national executive powers. The treaty establishing the EAC avoided conceding the slightest restraint on sovereignty, which could force the national governments to accept resolutions passed by the community¹⁶¹, resolutions which might conflict with the interests of those in power. Indeed in the words of one Tanzanian diplomat in Nairobi during an interview had this to say on regional institutions vis a vis national governments "Dares salaam will never

¹⁵⁹ During an interview with the commercial attaché of Tanzanian Embassy he was explicitly clear on the issue of regional institutions. Arguing Dares Salaam will never take orders from Arusha "because it is the elected national government that is answerable to the people.

¹⁶⁰ S. Chaltbar "EA Court of Justice Remains Mystery" in *The East African* June 7 – 13, 2004 p. 17

¹⁶¹ F. Grignon "The East African Community Towards an Integration by Default?" in *MAMBO IFRA* Newsletter VOL. No. 1 July – Sept. 2000, Nairobi

take orders from Arusha because it is the elected national governments that bear the negative cost of integration". In this officials opinion a cautious approach is necessary on East Africa regional integration. This implies the process toward integration is slowed down as the ruling elites pander to domestic interests even when they are anti-integration.

However such positions curtail the development of a regional identity. It is difficult for states that still exercise their distinct jurisdiction to be seriously committed to the implementation of some of the policies, depending on the interest and the regime in power¹⁶². That is why in East Africa some protocols have not been implemented despite the fact that their deadlines have passed¹⁶³. For instance since the signing of the treaty establishing the EAC in 1999 and coming into force in the year 2000, nine protocols have been concluded and approved by the EAC Heads of state summit. Yet by the end of 2003 Uganda had not ratified a single EAC protocol¹⁶⁴, while Kenya and Tanzania had ratified only two this in essence had no effect unless the third partner Uganda ratified them too.

However, even if the protocols were ratified, their implementation would be problematic in view of the fact that the present postcolonial state is inherently divisive and non- integrating¹⁶⁵. The existing East African postcolonial state is based on politics of division in which unity is undermined by ethnic divisions in order to maintain centrally structured and colonially inherited political power¹⁶⁶. In the early 1990's Kenya witnessed ethnic clashes in her Rift Valley Province that targeted specific ethnic groups that were seen to be in the forefront of multiparty agitation. The NRM government justified its No party system on the grounds that multi party will revive the ugly ethnic divisions of the 1960s. Only in Tanzania that ethnicity has not been a key factor in politics largely attributable to the founding president the late Julius Nyerere who nurtured nationhood among Tanzanians.

¹⁶² S.L.C. Chachage "Unite First; the Rest will follow" in The East African December 6 – 14 2004 p. 14

¹⁶³ Ibid

¹⁶⁴ S. Chahbtar "Uganda Yet To Ratify a Single EAC Protocol" in The East African July 5 – 11 2004 p. 9

¹⁶⁵ D.W. Nabudere "Realizing Dream of East Africa Unity" in The Monitor September 8 2004 p.12

¹⁶⁶ Ibid

The EAC treaty gives a political federation as its ultimate goal. Federations by their nature require a certain degree of direct surrender of political jurisdiction to the federal authority. Federations throughout the world have their functions clearly defined vis a vis regional states constituting the federation. For instance the federal government is usually in charge of foreign policy, defence policy, immigration issues and international trade. In East Africa when the time comes to federate will the governments of Kenya, Uganda and Tanzania cede jurisdiction over these areas to the federal government in Arusha? But a critical look at the fundamental principles for political cooperation as outlined in the EAC treaty, (friendship, solidarity and good neighborliness, mutual respect for national sovereignty and integrity, non interference in domestic issues, peaceful coexistence and resolution of disputes and conflict, maintenance of peace, stability and security) evidently some work against a political federation instead the nation state is consolidated. Mutual respect for national sovereignty and integrity, non interference in domestic issues all work towards consolidating the existing status quo¹⁶⁷.

In fact the principle of non – interference in internal matters has been challenged as unviable especially in the context of relations among African states where construction of the state has itself created conflicts which cannot by their nature be settled purely within the borders of the state. Instead of focus on the state issues of governance, security and conflict resolutions need to be conceived and dealt with regionally¹⁶⁸.

The EAC should be able to lay rules of belonging to the communities that are predicated upon governance issues. This implies potential members would seek to meet such rules before their membership can be considered. Such "pull effect" would create a regional environment where governments would strive

¹⁶⁷ R. Mukandala "Political Cooperation" in Perspectives on Regional Integration and Cooperation in East Africa. (Arusha EAC Secretariat. March 1999)p.102

¹⁶⁸ P.A. Nyong'o "Political conflicts and Political Integration in Africa; Some Lessons for East Africa "In J. M. Bahemuka et al (eds) op cit, 2004 p. 38

towards creating political orders less prone to conflict and more conducive to good governance¹⁶⁹. The assumption being the founding core members of the community will move towards institutionalizing good governance domestically and be in a position to assert it at the community level.

However one needs to look at the election of the East Africa Legislative Assembly representatives to understand the three countries are yet to internalize and embrace democracy. The EALA members are not direct representatives of the people hence they do not have a wider constituency to appeal to (their election was a caucus process). It was a lost opportunity for the cause of the community to be known, its problems and prospects to be debated, appreciated and hopefully¹⁷⁰. EALA lacks an independent power base, for instance it cannot intervene if the summit is deadlocked.

The march toward a political federation should be predicated upon progress in democratization in member states. Institutions to guarantee and sustain good governance are in a nascent stage. In the process of building the community attention must be paid to how institutions are created, available evidence shows they are almost all state centered¹⁷¹. For example a decision for national parliaments to elect EALA members goes against democratic considerations. It was possible to elect the nine representatives directly by the people in each state this is hardly a new phenomenon in East Africa .In 1957 it was possible for Africans to elect their representatives to the legislative council directly; seven people were elected in the whole of Kenya. What would make it difficult today to elect nine representatives to represent Kenya in the Community Assembly? The people across East Africa would participate and get more involved besides contributing to the rise of regional identities. In fact those interviewed were unanimously in agreement that it is possible to have EALA members directly elected.

¹⁶⁹ Ibid p. 44

¹⁷⁰ R. Mukandala "Political Cooperation" in Perspectives on Regional Integration and Cooperation in East Africa. op cit p. 102

¹⁷¹ P.A. Nyong'o "Community; There is a Lot Nore Work to do" in Sunday Nation December. 5. 1999 p.

4.4 Conclusion

There is strong evidence that political power plays a critical role in regional integration schemes. The nature of the political system, the political will of elites in power and political stability play key roles on regional integration initiatives. Authoritarian/autocratic political systems are hostile to regional institutions while political instability usually tempts governments to cater for the immediate interests of politically threatening groups, and weak institutions fail to improve these incentives alignments with the longer-term welfare of broader constituencies¹⁷².

For leaders to be willing to cede part of their sovereignty they must be secure in their own countries and place high premium on their ties with neighbours to a greater extent than relations with other external forces. Unfortunately, the political economy of Africa is such that relatively few leaders feel politically secure¹⁷³. For instance in East Africa until the issue of constitutionalism is resolved; the process of integration will remain an uphill task for the East Africans¹⁷⁴. In Kenya the process of constitution review is stalemated, Tanzania has been implementing piecemeal constitutional changes, and Uganda while the process was completed in 1995 it is raging a new as regards limits on presidential terms. Indeed unlike Kenya and Tanzania where transfer of power has certainty in Uganda it is highly uncertain as the debate rages about removing limits on presidential terms.

This makes the process of democratization and by extension integration in East Africa problematic. The incumbent leaders and political parties must accept that power will not be concentrated and monopolized as before, but to be widely shared according to agreed upon mechanisms among governmental institutions.¹⁷⁵

¹⁷² R. Alence "Political Institutions and Developmental Governance in Sub Saharan Africa" in the Journal of Modern African Studies op cit p. 176

¹⁷³ J.P. Renniger, "The Future of Economic Cooperation Scheme in Africa" in T. M. Shaw Alternative Futures for Africa. (Boulder West View Press, 1982) p. 173

¹⁷⁴ H. Ochwada "Rethinking East Africa Integration: from Economic to Political and from State To Civil Society" in Africa Development Vol. 29 No, 2004 p.73

¹⁷⁵ M. Ottoway "From Political Opening to Democratization" in M. Ottoway (ed) Democracy in Africa: The Hard Road Ahead. (Boulder: Lynne Rienner Publishers , 1997)

In fact the incumbents have been obstacles to democratic transformation; they have limited redistribution of power. If they cannot do this at the national level how is it expected that they will create regional institutions with real authority.

In East Africa the problem of highly centralized political power will be solved (and there by advancing the cause of regional integration) with the creation of democratic institutions. These include; parliaments and independent judiciaries capable of curbing the ever threatening authoritarian tendencies of the executive, professional armies subject to civilian control (in Uganda the army plays openly an active role in politics), well organized political parties to aggregate and articulate interests, and an array of intermediate organizations of civil society to strengthen the political role of the populace. Democratic contestation provides a pluralistic political environment to support institutional restraints on government's discretionary authority¹⁷⁶.

If these democratic attributes exist at the national level they will automatically find their way to the regional level making meaningful integration possible.

For regional integration to succeed in East Africa pluralism must be promoted and institutionalized. The history of regional integration in East Africa supports the above assumption.

The inherited institutional structures have repeatedly worked against integration in East Africa. The East African leaders of the postcolonial state hoped to create a stronger economic entity in the region anchored in a federation (even now they hope to). Yet the constitution and institutional arrangements, which they inherited at independence, have proved to be major impediments in realizing this goal¹⁷⁷. Each state entered the era of independence with its own specifically defined national goals, goals that would impact the process of integration later¹⁷⁸.

¹⁷⁶ R. Alence op cit p. 176

¹⁷⁷ H. Ochwada op cit p. 63

¹⁷⁸ Ibid p. 164

In East Africa the EAC need to help reduce internal conflicts in Northern Uganda and thereby create an East African enabling environment for conflict prevention¹⁷⁹.

¹⁷⁹ P. A. Nyong'o " Political Conflicts and Political Integration in Africa Some Lessons for East Africa "in J. M. Bahemka et al (ed) op cit p.44

CHAPTER FIVE: A CRITICAL ANALYSIS OF THE RESEARCH FINDINGS FROM THE STUDY

This study set out to investigate the impact of politico – economic structural constraints on regional integration in East Africa. As it has been argued from the start the two variables (i.e. political and economic factors) are indispensable in any regional integration scheme hence the need to consider both of them.

Regional integration in Africa has registered minimal success the efforts by leaders notwithstanding. The inability of African economies to integrate has been traced to the nature of its economic structure and political systems.

The African economies are small in size, at different levels of development, rely heavily on export of primary commodities, lack proper infrastructure, highly dependent on foreign trade usually with developed market economies, low levels of industrialization and low level of intra African trade. In East Africa Tanzania and Uganda limited manufacturing base makes it difficult for them to exploit the EAC market. Their agricultural produce has no ready market in either country this makes them to be externally oriented in their search for markets a set back for the integration efforts.

In the face of the above factors lowering tariffs and freeing up trade alone cannot spur integration. The argument being the existence of tariffs is not the primary impediment to trade between African countries. The main reason for the low level of trade is to be found in the economic structures of these countries. For instance the import requirements of an African country cannot to a large extent (except for a few cases) be satisfied by the other neighboring countries.

The nature of political structures determines whether regional integration can be sustained. If the integrating unit's political systems are characterized by authoritarianism it is unlikely that regional integration will flourish. In postcolonial Africa the stakes for power are high and institutional mechanisms for moderating

competition lacking. In East Africa Tanzania's ruling CCM has virtual control over political space rendering opposition insignificant, in Uganda, the political process is clouded in uncertainty and polarized as regards to transfer of power. Kenya has been moving grudgingly towards democratization with a constitutional stalemate.

Against a background of authoritarianism, highly centralized political power, constitutions which still assume the existence of one party regime, low level of political participation make regional integration a difficult task.

This chapter presents the evidence for the three study hypotheses and what the EAC need to do to speed up the process.

5.1 Sustainability of Regional Integration in East Africa Will Entail Addressing Economic Structures That Hinder the Process

The East African countries bore the characteristics of developing countries that is low income, dependence on developed market economies as destinations for their products, reliance on few primary exports. Agriculture is the major economic activity contributing an average of 26% to the GDP for Kenya, 44% for Uganda and 50% for Tanzania. In the manufacturing sector Kenya still leads with an average of 13%, Uganda 8.5% and Tanzania 8% of the GDP.

The different levels of development have got implications for the EAC. For instance, a major obstacle to reaching agreement on a common external tariff was the different levels of industrial development and economic structures and the varying revenue implications¹⁸⁰.

Compared with her neighbours, Kenya boasts a broad and diversified manufacturing sector, a more developed agricultural sector, agro-processing sector and advanced capitalistic and entrepreneurial skills. This explains why

¹⁸⁰ "Will Regional Instability Delay Integration" in The East African December 3 -9, 2001. p 32

there has been reluctance on the part of Tanzania to speed up the process instead opting for a gradualist approach. Indeed Tanzania is more committed to the SADC region than the EAC project, Tanzania exports slightly more to the SADC region than to the EAC (see table 15).

The dominance of Kenya has been a long running theme in East Africa integration starting from the colonial period, the immediate post independence era and now the current EAC project. How the three countries go about appropriating the benefits remains a key challenge for the EAC.

Trade between Kenya and its two EAC partners is still heavily skewed in its favour. It enjoys a positive trade balance with Uganda and Tanzania (table 21), Uganda has a negative trade balance with both Kenya and Tanzania (see table 22), Tanzania has a negative trade balance with Kenya and a positive trade balance with Uganda (table 23). However trade between Tanzania and Uganda is extremely low. The preponderance of Kenya over EAC regional trade is not acceptable to Tanzania and Uganda in fact the former has put in place restrictive trade policies arguing a ratio of 10:1 in favour of Kenya is unacceptable¹⁸¹.

5.2 To Take Regional Integration Forward the East African Countries Must Restructure their Political Systems.

The three countries have similar political systems that are they all practice presidential systems with fairly relative open political space.

The executive dominates the other branches of government. How has this affected the EAC? Although the treaty affirms the central role of the people of East Africa that it will be "people –centered and market – driven" the reality on the ground contradicts it. The process has not been sufficiently inclusive and consultative¹⁸² the treaty remains a political document controlled mainly by the

¹⁸¹ "Will New Government Move on Outstanding EAC Issues" in The East African December 30-January 5, 2003 p.17

¹⁸² "Debating Regional Integration" in The Point, Issue No. 29 June 1999 (Bulletin of The Institute of Economic Affairs.)

presidents of the three countries. The fact that the current constitutional arrangements in the three countries concentrates rather than diffuse power provides an ill basis for cooperation. Already the same tendencies are reflected on regional institutions; the secretariat cannot make a resolution that is binding on all states, the East Africa legislative Assembly plays only a consultative role, while the Summit and Council enjoy real power.

There also exists jurisdictional conflict between the Treaty and the national constitutions of the three states whose constitutions proclaim supremacy and declare any other law that is inconsistent with those national constitutions as null and void. To facilitate the function and operation of the EAC treaty as envisaged may require an amendment to the individual national constitutions to make them subordinate to the Treaty. However this may prove an uphill task because it amounts to ceding of political power. This is a key test in any regional integration scheme that is ceding political power.

In Kenya and Uganda we have raging constitution reform stalemates. Until the issue of constitutionalism is resolved, the EAC integration will remain a dream for the East Africans the proclamations of the political leaders notwithstanding¹⁸³.

Though the EAC treaty gives a political federation as its ultimate goal the fundamental principles of cooperation consolidate the status quo. Instead of seeing gradual power devolution from the state at the national to the regional levels the supremacy of the state is proclaimed. In fact some of the officials interviewed were skeptical on the goal of political federation they felt that the dash toward political unity may gloss over economic realities. President Benjamin Mkapa of Tanzania while giving views to the federation committee is on record that such a federation must be anchored in economic cooperation.

The East African countries must as a matter of necessity promote pluralism. The inherited institutional structures have worked against regional integration in East

¹⁸³ Ibid

Africa. The creation of democratic institutions, which by extension will guarantee the political security of individual leaders and get the opportunity to unleash their energies to the EAC project. Instead of spending resources placating threatening political groups.

5.3 The unequal levels of development hinder regional integration in East Africa.

The three countries of East Africa are at various levels of development. Kenya is the regional industrial and commercial giant this is traceable to the colonial policies. This is evident from its preponderant position in intra regional trade. Tanzania and Uganda are almost at the same level of development their economies largely agricultural (agriculture contributes almost 50% of the GDP in each country) with a limited manufacturing capacity. This partly explains low trade among the two and with Kenya.

This problem of asymmetry in levels of development dates back to the 1920's; it has been an issue all along. In fact the old EAC collapsed partly due to the preponderance of Kenya in intra regional trade to such an extent Tanzania and Uganda were her markets.

The spectre of unequal levels of development in East Africa cannot be glossed over or wished away. Though the countries adopted the principle of asymmetry to address the imbalances. The principle recognizes that the three countries are at various levels of development. For them to cooperate equitably and mutually benefit there must be measures that treat members disproportionately to correct the imbalances¹⁸⁴, for example disproportionate application of tariffs. In East Africa this will be in place for five years where Kenya has given some concessions to Tanzania and Uganda. However, it is debatable whether the five year transition period; the two would be relatively at par with Kenya. In Western Europe (home to a successful integration scheme) Britain (the strongest

¹⁸⁴ :G.D. Mjema" Economic Cooperation in East Africa; Lessons Learn and Prospects for Tanzania in A. Mbelle et al (eds). The Nyerere Legacy and Economic Policy Making in Tanzania. (Dares-Salaam, Mkuki na Nyota Publishers 2000) p.159

economy in the immediate post war period) had to wait for fifteen years before it could be admitted to the European Economic Community in 1973.

Economic integration is about the welfare of partner states hence the need to address equitable distribution of the ensuing benefits. In East Africa the large trade and investment imbalances must be addressed as a matter of necessity. Tanzania has been explicitly clear on this even from the interview with its commercial attaché in Nairobi it was evident that a repeat of the old EAC is abominable.

There is need for a gradual approach that is long and protracted negotiations on desired levels of cooperation and mechanisms for sharing of benefits¹⁸⁵. President Mkapa of Tanzania had this to say in January 1999 at Arusha summit "equity and balanced development are fundamental principles of the EAC equity is an incontrovertible condition for sustained regional cooperation and integration"¹⁸⁶

Countries at a similar level of economic development have a higher possibility of having a successful customs union. The argument being in such a situation membership is likely to afford a good prospect of obtaining a share in any increase in aggregate industrial production made possible by the union, and little chance of any undue loss of industrial production to other members, partly because these circumstances are likely to facilitate agreement on the initial common external tariff.

During the negotiations on EAC common external tariff while Kenya (keen to protect its industrial base) and Tanzania (keen to nurture its nascent manufacturing capacity) proposed 0% tariff for imported raw materials and capital goods, 10% for intermediate goods, and 25% for finished products, Uganda maintained 0%, 7%, 15% for imported raw material and capital goods,

¹⁸⁵ Ibid 159

¹⁸⁶ Ibid

intermediate goods and finished products respectively. Uganda is largely a trading nation this explains the low tariffs and was keen to protect her importers and the resultant effects of inflation arising from implementation of new tariffs.

Even though the three countries eventually agreed on a CET of 0%, 10%, and 25% for imported raw materials and capital goods, intermediate goods and finished products respectively, implementation has been a problem. For instance disagreement on exemptions, classifying the goods into the three categories.

5.4 An Alternative Approaches Emphasizing Common Infrastructural, Foreign and Investment Policies, Public Goods, Regional Approach is necessary to take regional Integration Forward in East Africa.

In view of the findings of the study that politico- economic structural constraints have made regional integration difficult in East Africa, it proposes some alternative options to speed up the process. The study does not claim that only the given alternative options will work because regional integration as a process is dynamic. However, as at now if the East African countries are to be taken seriously and ready to benefit from regional integration a radical re orientation is necessary.

i) Constructing common regional public goods.

The key question to the East African countries is how they can add value to themselves. Public goods are those kinds of values once created their benefits are not limited to a single beneficiary. No group can be excluded from access to the good or one's consumption does not hinder another's consumption.

The East African countries can engage in joint research. For example Kenya Seed Company has huge expertise in improved seeds, which it can share with its counterpart institutions in Tanzania and Uganda.

The EAC must be able to solve conflicts in Northern Uganda thereby creating an East African enabling environment for conflict resolution in East Africa. Solving

the conflict in Northern Uganda will ensure peace in North Western Kenya; Uganda's relations with Sudan will improve. The enormous resources dedicated to the wars will be redirected to productive sectors.

The regional public goods will limit rivalry in consumption and exclusion; this will form the foundation for interdependency.

ii) Common regional approaches

This will entail pooling of resources in issues like education and health sectors. In the area of human resources development in East Africa Kenya has the highest level of human resources. Given a chance Kenyans can move to small towns in Tanzania and train them on small enterprises development. There are agricultural extension workers to do the same¹⁸⁷.

Unlike Kenya, Tanzania has large tracts of un-surveyed, unexploited land available for leasing. The EAC can come up with a common protocol on agricultural policy that will allow free movement of labour and capital in the agricultural sector. The land in Tanzania will be leased to the Kenyan farmers at a fee for a period of time, who will produce commodities to sell anywhere in East Africa. However Tanzania has not been ready to liberalize trade in agricultural commodities¹⁸⁸, and has been hostile to the idea of free movement of labour.

Uganda is endowed with 2,000 Mega Watts on the White Nile alone but only 180 Mega Watts is tapped at the Owen Falls Dam¹⁸⁹. This hydroelectricity potential can be fully exploited in an EAC framework whereby Kenya alone or in conjunction with Tanzania invests in power generation to supply to Kenya. This will help Kenya overcome its energy deficit.

Kenya should invest in Tanzania gas production to create interdependence. The investments in gas production can turn Tanzania into an exporter of power to

¹⁸⁷ P.A. Nyong'o "Community; There Is a Lot More Work to Do" Sunday Nation December 5, 1999 p. 16

¹⁸⁸ Ibid

¹⁸⁹ L. Kibirango "Effects of Privatization on the Private Sector and Regional Economic Development in East Africa." in Dialogue on the East African Private Sector Development Strategy Arusha (EAC Publication)p. 131

Uganda and Kenya. However, Tanzania focus to the SADC region undermines the EAC project. This interdependency will improve relations and diminish prospects for conflict among the three countries.

iii) **Common foreign policies.**

Though outlined in the treaty it has never been seen in practice.

The East African countries by aggregating their individual capacities, they can enhance their bargaining power in international relations. For example the EU can bargain more effectively with the US than its component members can do as single entities, the concrete example is the current tussle between the two on their subsidies to aircraft manufacturers (US- Boeing, EU-Airbus). For instance during the unsuccessful World Trade Organisation negotiations in Cancun Mexico in 2003 the Uganda delegation had instructions from their president to support the US position in the WTO. At the same meeting the Kenyan Trade and Industry Minister was leading the developing countries in storming out of the negotiations as the agenda pushed by the developed countries was unacceptable to them.

iv) **Common infrastructural policies**

The EAC should focus on streamlining the transport infrastructure in the region especially the railway network which promises potential benefits to local and regional economies. This should be done on a regional basis unlike the current status where upgrading of infrastructure remains the responsibility of national governments.

The joint concessioning of Kenya and Uganda railways was a positive move though Tanzania decided to go it alone contrary to earlier plans to privatize the three East African railway firms as a single network under one operator.

The Kenya – Uganda railway concession is expected to boost regional trade by Kshs. 17.6 Billion within the next 25 years¹⁹⁰. The EAC should supplement

¹⁹⁰ “Kenya Uganda Railway Project Draws Foreign Investor’s Interest in The Standard. November 4, 2004

the efforts of Kenya to extend the oil pipeline to Kampala. In East Africa poor infrastructure constitutes a significant percentage of the import bill (transportation cost accounts for 30% of total import bill.)¹⁹¹ The following example underscores the urgency to overhaul infrastructure on a regional basis.

There is surplus cotton production in Western Tanzania, near Lake Tanganyika because of distorted colonial infrastructure; the cotton has to go to the port of Dare-salaam then to the port of Mombasa to take the rail road to Nairobi to be accessed by the Kenyan textile manufacturers. The cost of transporting cotton from Western Tanzania to Dare-salaam is higher than the cost of transporting cotton from western India to Mombasa¹⁹². Joint investments in infrastructure for example communications, power and water have tangible¹⁹³ benefits because in these activities economies of scale, external economies and interdependence are likely to be large. Coordination of key projects can be undertaken profitably for the regional market if carried simultaneously whereas in isolation none would be feasible.

Poor infrastructural links among the three countries in the region frustrate trade and wider forms of cooperation.

v) Common investment policies.

Currently the East African countries are engaged in sterile competition as regards to attracting investments in the region.

The EAC partner states can benefit more if they harmonized their investment policies. In a bid to attract investment into the region the EAC countries need, not do these at the expense of one another or offer many concessions to the foreign investors in the end deriving little benefits.

¹⁹¹ "Kenya, Uganda Sign MOU on Joint Railway Concessing" in The East African October 25 – 31 2004 p.

29

¹⁹² Sunday Nation June 27, 2004 p.12

¹⁹³ P. Robinson. Economic Integration. (Evanston; North Western University Press 1968).p. 56

vi) **Acknowledge the role of core states in regional integration.**

Kenya as a core state in the East Africa region must be willing to forgo certain scarce resources to the less developed members so as to correct conditions that lead to their disadvantaged positions. Instead of ceding a portion of the gains to the losing countries.

Equally contributions to the supranational/ regional institutions should be pegged on the strength of the participating country's economy. To have them pay equal amounts to the EAC secretariat presupposing equality is utopia.

In virtually all regional integration schemes that are relatively successful there must be prime movers. As Abangwu¹⁹⁴ puts it there must be a dynamic centre of gravity within the prospective integrative area, a country or group of countries willing to bell the cat and act as leaders in the process of integration.

South Africa plays a key role in the SACU region; France and Germany have been the major drivers in European integration. Kenya as a major beneficiary of EAC integration because of its position as a major commercial and industrial hub in the region need to play bigger role without necessarily threatening or instilling fear in the other partner states.

¹⁹⁴ G.C. Abangwu "Systems Approach to Regional Integration in West Africa" in Journal of Common Market Studies Vol. 13, 1975 p. 131

CHAPTER SIX: SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Summary

The overall objective of this study was to investigate the impact of politico-economic structural constraints on regional integration in East Africa. This study has been able to demonstrate the inability of the African countries in general and East Africa in particular to integrate meaningfully despite repeated efforts.

In East Africa the three countries are at various levels of development, rely heavily on export of primary commodities, infrastructure is colonial, highly dependent on foreign trade with Western Europe, Uganda and Tanzania in terms of industrialization are backward. Though regional trade may not be low it is almost unidirectional, Kenya dominates intra regional trade with Tanzania and Uganda having little trade among themselves and with Kenya. In EAC intra regional trade Kenya is a net exporter while Tanzania and Uganda are net importers. Inadequate infrastructural links among countries in the East African region have frustrated trade.

The study found out that for the EAC project to be sustained the three partners states must be willing to cede power to the regional institutions otherwise it will just remain an illusion. The raging constitutional debates in Kenya and Uganda must be conclusively completed. Pluralism must be promoted at national and regional levels. Undemocratic and authoritarian tendencies at individual participating units in integration can be discerned at the regional level.

The unequal levels of development in East Africa have meant unequal distribution of benefits. This has been a long running issue in regional integration in East Africa. How the current EAC surmounts this challenge is a key test. In any regional economic integration countries differ in resource endowments, size and capabilities. This implies their propensity to take advantage of specialization, economies of scale, augmentation of factor inputs, and opportunities to improve market structures are different. This calls for design and implementation of

deliberate policies to distribute the benefits equitably and acceptably. Though the EAC adopted the principle of asymmetry it is debatable if the five years that Tanzania and Ugandan goods will be privileged over Kenya's the two will have caught up with the regional giant to compete on the same footing.

In light of the circumstances that the EAC partner states confront in their endeavors to integrate the study suggested the following alternative options to speed up the process. Constructing common regional public goods, pursuing common foreign policies, infrastructural and investment policies, taking common regional approaches in sectors like education and health. Acknowledging the role of core states (in regional integration in the EAC Kenya should play a bigger role).

6.2 Conclusion

Regional integration in East Africa has been around for a long time but the process has been bogged down. The old EAC was a shining star in Africa but it never went beyond 1977. The East African countries revived the process of integration in 1993 reflecting a world wide trend toward regional integration and the ascendancy of economic strength as a measure of power as opposed to military capability.

However as the EAC trudges on, it is faced with the same political economy that has refused to engender a mutually beneficial cooperation. The postcolonial political and economic structures of these countries are anti integration. The centralized political power has not ceded any power to the supranational institutions. The economies have remained North-bound; the structures of production have not changed since independence. Just as Tanzania and Uganda were mere markets for Kenya during the colonial period, with insignificant economic activity between themselves the same is true today. Yet Kenya thinks the three can integrate on an equal footing. Tanzania and Uganda have been adamant in the negotiations to avoid the repeat of the old EAC.

The challenges notwithstanding the three countries recognize it is in their objective interest to integrate, however the challenge has remained how to go about it. There is need for a radical reorientation in its approach instead of the current trade led integration that creates divergences.

Lowering or abolishing tariffs alone cannot create a sustained impetus toward regional integration in East Africa. The study demonstrated that the obstacles to East Africa regional integration range from lack of integrated infrastructure to economic structure it is not just the presence of tariffs. Even if for instance Uganda decided to source her imports exclusively from Tanzania the latter will not be in a position to meet these import demands by Uganda.

The political systems need to be restructured to make them stable and predictable the future should not be hostage to the whims and benevolence of the political leaders. Nurturing institutions that can withstand the test of time long after the leaders have exited the political arena. The experiences in Africa are illustrative where the country strongmen held countries together through force but these countries later degenerated into political instability when the strongman has left power. For example Cote de' Voire was the economic power house of West Africa under president Felix Houphoet Boigny, six years after his death in 1993 the country has degenerated into a civil war.

Indeed regional integration is a political process itself. The East Africa political leaders must be secure at home before they can create regional institutions with authority that may complicate their hold on power.

6.3 Recommendations

Regional integration has potential to ensure the survival of the three East African countries and guarantee relevance in this cold international political economy. But thorough understanding of the regions economy is necessary before a model of integration is adopted that is under what political context will integration be sustained in East Africa.?

There is no universal model of integration that the East African countries can adopt. The nature of the regions economy will influence the process of integration. Anchoring the process of regional integration in East Africa purely on trade will not speed up the process. The key challenge is to identify substantial areas in which they can integrate and proceed progressively.

In the light of the study the EAC will be advancing if it adopted common policies on public goods this has the benefit of fostering inter dependence and diminishing the possibility of conflict among the three countries. Some endeavours such as research are expensive and sometimes can be beyond the scope of individual country capacity but possible when the different capacities and capabilities are aggregated.

Common regional approaches the strength lies in identifying key areas in the different endowments that the countries posses which can be jointly exploited for the benefit of the region. The argument being once successfully conducted in one area for instance hydroelectric potential this will spur cooperation in other areas hence helping advance the cause of regional integration.

Common foreign policies this has been outlined in the EAC treaty but rarely seen in practice. By acting in concert in areas of common interest the EAC countries can be able to extract favourable concessions in international fora than they could as single entities. They will be taken serious for instance imposing sanctions as a bloc as opposed to a single country.

Common infrastructural policies, poor infrastructure been a real obstacle to integration efforts. The railway lines for instance are what the colonial authorities put in place there is need to upgrade the transport infrastructure to facilitate the movement of goods and services in the region at a reasonable cost. As it stands now transport infrastructure is not competitive compared to other regions of the developing world.

Common investment policies instead of engaging in cut throat competition to attract foreign investment to the region. The EAC countries should have a common platform to attract investment. The desperate attempts of individual countries ultimately benefit the foreign investors more than the country itself because of much concession.

Acknowledging the role of core states in regional integration. It should dawn upon Kenya that as core state in the region that position comes with responsibility. From the study Kenya is in the lead when it comes to intra-regional trade (it controls close to half of the trade) this in itself calls for greater shouldering of the integration costs because should the process halt or fail it stands to lose the greatest.

This study recommends further research in politico-economic frameworks that can spur and sustain a mutually beneficial regional integration. ✕

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APPENDIX

The following questions were addressed to the following officials in an interactive interview.

- (1) Mr. Mboyi Commercial attaché United Republic of Tanzania Embassy in Nairobi. (15/12/2004)
- (2) Mr. Kutesa Commercial attaché Uganda High Commission in Nairobi. (14/12/2004)
- (3) Mr. Karanja East African Community Division. The Ministry of East African and Regional Cooperation. (7/01/2005)
- (4) Mr. Mutunga – Export Promotion Council, Ministry of Trade and Industry. (4/01/2005)

QUESTIONS

- 1) What do you think are the major political impediments to the realization of the goal of regional integration in East Africa?
- 2) To what extent do the economic structures of the East African countries hinder regional integration?
- 3) What do the uneven levels of development in the region portend for regional integration in East Africa?
- 4) To what extent do multiple memberships of the EAC countries in other integration schemes hinder East Africa regional integration?
- 5) In view of the above what are the alternative options for regional integration in East Africa?