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# **The East African Community (EAC): Achievements and Challenges since 2001**



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POLITICAL STUDIES DEPARTMENT  
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**2012**

## COMPULSORY DECLARATION

I hereby declare that this work has not been previously submitted in whole, or in part, for the award of any degree. Each significant contribution to, and quotation in this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature -----Signed by candidate-----Date ----- 21.11.2012 -----

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University of Cape Town

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## **DEDICATION**

To my husband Simon, my children Michelle, Marcelle and Moses for travelling the journey  
with me.

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**I can see no security for African States unless leaders like ourselves have realised beyond all doubts that salvation for Africa lies in unity. If we are to remain free, if we are to enjoy the free benefits of Africa's enormous wealth, we must unite to plan exploitation of our human and material resources in the interest of all our people.**

**Kwame Nkrumah (1963)**

**An idea not coupled with action will never get any bigger than the brain cell it occupied.**

*Arnold Glasgow*

**A journey of a thousand miles must begin with a single step.**

*Chinese proverb*

## ABSTRACT

Political and regional economic integration processes have been part and parcel of post-colonial Africa. Partner States have taken this as a strategy to overcome polarisation, marginalisation and fragmentation. It has served as a way to improve the continent's position in the present-day global economic order. This effort is notably common in many regions in Africa. This thesis explores the achievements and challenges of the East African Community (EAC), since its revival. The study while focusing on functionalism as the theoretical concept, examines the progress that the EAC has made towards achieving its goals and objectives, and highlights EAC's integration challenges.

Despite being in its formative stages and facing integration challenges, the five East African countries; namely Kenya, Uganda, Tanzania, Rwanda and Burundi, are fully determined to integrate the region economically, socially and politically. The regional integration body has made some progress in achieving some of its objectives and remains relentless to navigate integration challenges and become a strong regional bloc that can face up to the developmental challenges and improve the economic outlook of the East African region.

The research is done against the background that the EAC past initiative to integrate failed. This is the second attempt by the EAC to work towards the formation of a regional economic integration body in East Africa, boosted by the joining of two new Member States: Rwanda and Burundi. The research thus seeks to examine critically the newly re-invigorated EAC.

The argument made in this study highlights the fact that regional integration remains an important option for the East African countries to pursue economic and industrial development. Thus member states should fully engage and cooperate to set out policies that favour the integration process and pursue their full implementation so as to succeed the challenges that beleaguered the initial EAC which collapsed ten years after its inception. The thesis affirms that challenges need not be an impediment towards successful regional economic integration but should serve to steer member states to surmount them and as a reminder that they are better off facing the challenges as a bloc than standing as individual, small-sized units, more especially in the face of marginalisation in international trade coupled with the negative effects of globalisation.

## ABBREVIATIONS AND ACRONYMS

AEC	African Economic Community
AGOA	African Growth and Opportunity Act.
AMISOM	African Union Mission in Somalia
APPER	Africa's Priority Programme for Economic Recovery
APRM	Africa Peer Review Mechanism
AU	African Union
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
CU	Customs Union
CU	Customs Union
CUSFTA	Canada – United States Free Trade Agreement
EAA	East African Airways
EAHC	East African Harbours Corporation
EAPTC	East African Posts and Telecommunication Corporation
EAR	East African Railways
EABC	East African Business Council
EAC	East African Community
EAC	East African Cooperation
EACJ	East African Court of Justice
EACSO	East African Common Services Organisation
EADB	East African Development Bank
EAHC	East African High Commission
EALA	East African Legislative Assembly
EAMU	East African Monetary Union
ECB	European Central Bank
ECCAS	Economic Community of Central African States (alternatively: CEDEAO Communaute Economique des Etats de l'Afrique Central)
ECOWAS	Economic Community of West African States
ECSC	European Coal and Steel Community
EEC	European Economic Community
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IGAD	Inter-Governmental Authority on Development
IMF	International Monetary Fund

KDF	Kenya Defence Forces
LAFTA	Latin America Free Trade Association
LCDs	Least Developed Countries
LVBC	Lake Victoria Basin Commission
LVFO	Lake Victoria Fisheries Organization
MEAC	Ministry of the East African Community
MNCs	Multi-National Corporations
NAFTA	North American Free Trade Agreement
NEPAD	New Partnership for Africa's Development
NGOs	Non-Governmental Organizations
NSE	Nairobi Stock Exchange
NTBs	Non-Tariff Barriers
OAU	Organization of African Unity
OSBP	One Stop Border Post
PTA	Preferential Trade Area
PTC	Permanent Tripartite Commission
REC	Regional Economic Community
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Authority
SADCC	Southern African Development Coordination Conference
SAPs	Structural Adjustment Programmes
UMA	Arab Maghreb Union
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNDP	United Nations Development Programme
UN-NADAF	The United Nations New Agenda for the Development of Africa
UN-PAAERD	The United Nations Programme of Action for African Economic Recovery and Development
VAT	Value Added Tax
WB	World Bank
WTO	World Trade Organization



# TABLE OF CONTENTS

<b>COMPULSORY DECLARATION .....</b>	<b>I</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>II</b>
<b>DEDICATION .....</b>	<b>III</b>
<b>ABSTRACT .....</b>	<b>V</b>
<b>ABBREVIATIONS AND ACRONYMS .....</b>	<b>VI</b>
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>INTRODUCTION .....</b>	<b>1</b>
1.1 BACKGROUND INFORMATION .....	1
1.2 STATEMENT OF THE PROBLEM .....	2
1.3 OBJECTIVES .....	6
1.4 JUSTIFICATION OF THE STUDY .....	7
1.5 CONCEPTUAL DEFINITIONS AND TERMINOLOGIES .....	8
1.5.1 Regionalism .....	8
1.5.2 Regional Integration .....	8
1.5.3 Regional Economic Integration .....	9
1.5.4 Regionalisation .....	9
1.6 RESEARCH QUESTIONS .....	9
1.7 METHODOLOGY AND RESEARCH DESIGN .....	9
1.8 LIMITATIONS AND SCOPE OF THE STUDY .....	10
1.9 THEORETICAL FRAMEWORK: FUNCTIONALISM .....	10
1.10 OUTLINE OF CHAPTERS .....	14
<b>CHAPTER TWO: LITERATURE SURVEY .....</b>	<b>15</b>
2.1 INTRODUCTION .....	15
2.2 OVERVIEW OF THE REGIONAL ECONOMIC INTEGRATION PHENOMENON .....	16
2.3 REGIONAL ECONOMIC INTEGRATION EXPERIENCE IN OTHER PARTS OF THE WORLD .....	19
2.4 REGIONAL ECONOMIC INTEGRATION INITIATIVE IN POST-INDEPENDENT AFRICA: A PANACEA FOR SOCIO-ECONOMIC DEVELOPMENT OR A MYTH? .....	23
2.5 CONCLUSION .....	35
<b>CHAPTER THREE: EAC ACHIEVEMENTS SINCE 2001 .....</b>	<b>37</b>
3.1 INTRODUCTION .....	37
3.2 BRIEF HISTORY OF THE EAC .....	38
3.3 THE REVIVED EAC .....	41
3.4 THE EAC GOALS AND OBJECTIVES .....	43
3.5 EAC ACHIEVEMENTS .....	43
3.5.1 The Customs Union by 2005 .....	44
3.5.2 The Common Market by 2010 .....	47
3.5.3 Establishment of EAC Organs and Institutions .....	50
3.6 GOALS NOT YET REALISED BY THE EAC .....	54
3.6.1 The Monetary Union by 2012 .....	54
3.6.2 Political Federation of East African States by 2015 .....	55
3.7 CONCLUSION .....	56

<b>CHAPTER FOUR: THE EAC INTEGRATION CHALLENGES AND CONSTRAINTS.....</b>	<b>58</b>
4.1 INTRODUCTION .....	58
4.2 EAC REGIONAL INTEGRATION CHALLENGES.....	59
4.2.1 <i>Reluctance of Member States to Cede Sovereignty</i> .....	59
4.2.2 <i>Economic and Development Disparities</i> .....	61
4.2.3 <i>Lack of Political Will from Member States</i> .....	62
4.2.4 <i>Unharmonised Trade and Economic Policies</i> .....	64
4.2.5 <i>Overlapping Membership to Regional Economic and Cooperation Blocs</i> .....	66
4.2.6 <i>Transport, Communication and Technological Challenges</i> .....	68
4.2.7 <i>Human Security Issue in the East African Region</i> .....	70
4.2.8 <i>Threat of Globalisation and Marginalisation in International Markets</i> .....	76
4.3 CONCLUSION.....	79
<b>CHAPTER FIVE: FUTURE PROSPECTS, PRESCRIPTIONS AND OPPORTUNITIES FOR THE EAC .....</b>	<b>82</b>
5.1 INTRODUCTION.....	82
5.2 OPPORTUNITIES FOR THE RE-LAUNCHED EAC.....	82
5.2.1 <i>Marketing and Promotion of Intra- Regional Trade</i> .....	83
5.2.2 <i>Economic Partnership Agreements and Tripartite Processes</i> .....	84
5.2.3 <i>Public and Private Sector Partnerships</i> .....	85
5.3 CONCLUSION.....	87
<b>CONCLUSION .....</b>	<b>88</b>
<b>BIBLIOGRAPHY.....</b>	<b>91</b>

## CHAPTER ONE INTRODUCTION

### 1.1 Background Information

The changing dynamics of the world economic order in the post-Cold War period has given rise to regionalism and regional economic integration initiatives at both international and regional levels. The proliferation of regional economic integration and cooperation groupings in the world today can be interpreted as a response to the changes in the world economic order after the end of the Cold War. After independence, many African countries created regional economic cooperation and integration bodies with a view to boosting economic growth and development in the continent. These regional groupings were also aimed at increasing Africa's participation in the international economy but to date, the emergence of regional economic blocs in post-colonial Africa has not realised much of its development agenda. The goals and objectives pursued by regional economic bodies in post-colonial Africa have remained largely elusive. Minimal success in terms of socio-economic and industrial development has been recorded in Sub-Saharan Africa despite the highly ambitious pursuit of regional economic integration policies by Member States.

This study analyses the achievements and challenges of the newly revamped East African Community (EAC), from 2001 to 2011. This was a period of momentous changes in East Africa. The year 2001 is precisely the period when the complete treaty to re-establish the regional economic body went into full force. The EAC was established to enhance political, economic, social, educational and cultural integration of member state countries, namely Kenya, Tanzania, Uganda, Rwanda and Burundi. Rwanda and Burundi joined in 2007. The vision of EAC is to have a prosperous, competitive and politically secure East Africa.<sup>1</sup> The mission of EAC is to widen and deepen economic, political, social and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investment.<sup>2</sup> A major component of its mandate is to enhance economic growth by increasing trade through liberalisation using the regional grouping as a stepping stone towards creating the biggest single market in East Africa.

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<sup>1</sup> East African Community. 2007. *EAC Development Strategy 2006-2010: Deepening and Accelerating Integration*. Arusha: EAC Secretariat.

<sup>2</sup> Ibid.

The challenges to successful regional economic integration in the East African region are many and complex but not daunting as espoused in its early attempt to integrate the region economically which failed . The study therefore aims to explore EAC achievements and challenges in an attempt to understand the incentives for and progress towards greater and successful regional economic integration in East Africa. It seeks to ascertain how the EAC partner states in their new, ambitious, expanded and bold move to integrate the East African region are prepared to overcome regional integration problems as well as facing the challenge of putting in place procedures that will effectively guide the process in order for EAC to achieve its goals and objectives without falling victim to ideological differences and other pitfalls that led to its initial collapse.

The East African region is still saddled with a number of challenges such as poor economic performance, growing poverty, high level of corruption, poor governance and general deterioration in the quality of life of its people. It is therefore of great importance to explore the achievements and challenges of the newly revived EAC in order to establish the chances of using regional economic and cooperation initiatives to mitigate East Africa's socio-economic and development challenges.

## **1.2 Statement of the Problem**

The first post-independence cooperation between Kenya, Uganda and Tanzania (East African Cooperation) was launched in 1967 but collapsed in 1977. The main factors that contributed to the collapse of the initial EAC were mainly political and economic.<sup>3</sup> The thesis identifies ideological differences as an important factor since the three member countries adopted different political and economic policies based on each member's ideological leaning. Kenya adopted a capitalist industrial development path while Tanzania was socialist and Uganda was characterised by despotic and dictatorial tendencies in its leadership. This created ideological and political differences that counteracted the formative integration efforts in the region.<sup>4</sup>

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<sup>3</sup> Hazelwood, A. 1975. *Economic Integration: The East African Experience*. London: Heinemann.

<sup>4</sup> Ibid.

In addition, the poor economic performance of the EAC coupled with lack of compensatory trade arrangements for Tanzania and Uganda who were losing in trade and industrial development also contributed to the failure of the first integration efforts in the region.<sup>5</sup> The coordination mechanisms envisaged in the EAC treaty failed to achieve a regional economic balance between member countries leading to high inflation and massive trade deficits in Tanzania and Uganda. Furthermore, the centralisation of EAC's administrative facilities and offices in Kenya was viewed with suspicion. Uganda and Tanzania accused Kenya for using these early advantages to gain industrial dominance over them.<sup>6</sup>

The other reason for the collapse of the East African Community (EAC) is what Thomas Callaghy has referred to as the 'fallacy of agricultural composition.'<sup>7</sup> This is predominantly depending on one cash crop for export earnings. This lack of diversity in trade creation as manifested by the adoption of common cash crop agriculture was a huge obstacle to competitive regional trade among EAC member countries. Coffee was the only dominant crop for export in all the three member states. This implied a lack of economic diversity. This situation hindered the growth of intra-regional trade and limited the opportunities to expand and build larger markets in the region as it undermined the basis of exchange in a variety of tradable goods reducing the chances for comparative advantage for the member countries.

Following the dissolution of the cooperation, the former member states negotiated a Mediation Agreement for the division of assets and liabilities that was signed in 1984. However, as one of the provisions of the mediation agreement, the three member states agreed to explore areas of future cooperation and to make concrete arrangements for such cooperation. The East African countries commenced their cooperation in 1993 with the signing of a declaration on closer East

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<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Callaghy, T.M. 1994. Civil Society, Democratisation and Economic Change: A Dissenting Opinion about Resurgent Societies, in Harbeson, J., Rothchild, D., and Chazan, N. (eds.). *Civil Society and the State in Africa*. Boulder: Lynne Rienner, pp. 231-253.

African Cooperation with the intent to cooperate in virtually all economic, social and political sectors.<sup>8</sup>

The provisional treaty for the re-establishment of the East African Community was signed on 30 November 1999 and came into force on 7 July 2000, following its ratification by the original three partner states namely; Kenya, Uganda and Tanzania. The republic of Rwanda and the Republic of Burundi acceded to the EAC treaty on 18 June 2007 and became full members of the Community with effect from 1 July 2007.<sup>9</sup>

In June 2001, the EAC was inaugurated with Kenya, Uganda, Tanzania, Rwanda and Burundi as member states and with its headquarters in Arusha, Tanzania. It has four implementation stages: the Customs Union, Common Market, Monetary Union and, ultimately, the East African Political Federation. The principal purposes of the EAC are stated as the development of policies and programmes aimed at widening and deepening co-operation among the partner states in political, economic, social and cultural fields, research and technology, defence, security and legal and judicial affairs for their mutual benefit. EAC aspires for a prosperous, competitive, secure, stable, and politically united East Africa; and the ultimate goal is to widen and deepen economic, political, social and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value-added production, trade and investments.

To this extent, the EAC countries established a Customs Union in 2005 and the establishment of a Common Market was launched in July 2010. Subsequently, a Monetary Union is expected to be in place in 2012 and ultimately a Political Federation of the East African States is envisioned by 2015.

The EAC, like other regional economic blocs, focuses on widening and deepening the integration process among the five partner states. The realisation of a large regional economic bloc encompassing Burundi, Rwanda, Kenya, Uganda and Tanzania with a combined population of more than 127 million people, a land area of 1.82 million square kilometres and a combined

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<sup>8</sup> East African Community. 2007. *EAC Development Strategy 2006-2010: Deepening and Accelerating Integration*. Arusha: EAC Secretariat.

<sup>9</sup> Ibid.

Gross Domestic Product (GDP) of \$73 billion (2009), bears great strategic and geo-political significance and prospects of a renewed and reinvigorated East African Community.<sup>10</sup> The EAC integration process is presently at a high pitch as reflected in the encouraging progress of the East African Customs Union, the signing and subsequent ratification in November 2009 and July 2010 respectively of the Common Market Protocol by all the member states.<sup>11</sup> The consultations on the Monetary Union, which commenced in 2009, and the fast-tracking of the regional integration process towards an East African Political Federation all underscore the serious determination of the East African states, its leadership and citizens to construct a powerful and sustainable East African economic and political bloc.

The revival of the EAC continues to gain momentum and is expected to provide member states with a new regional framework with great opportunity to address common challenges such as developing and sustaining a sound regional economic policy, increasing market size and competitiveness of partner states, attracting foreign direct investment and pooling of resources for investments for mutual benefit to the citizens of the East African region.<sup>12</sup> This is largely because a fully united and integrated single economic bloc has the potential to pool together the available resources, increase access to global markets and widely enhance the opportunity to surmount socio-economic and industrial development challenges.

The newly reinvigorated EAC marks the re-emergence of regionalism in post-colonial East Africa as a vehicle for greater competitiveness that would create a large trading and investment environment for member states, thus providing a pad for venturing into regional and subsequently global markets. This in return would help improve the living standards of the people of the East African region and will certainly be in line with the vision of the founders of Africa's independence period who agitated vigorously for the realisation and fulfilment of the ultimate vision of a united, peaceful and prosperous continent.

The existence of other regional blocs in the continent such as the Southern African Development Community (SADC), the Economic Community of Western African States (ECOWAS), the

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<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

Economic Community of Central African States (ECCAS), the Arab Maghreb Union (AMU), the Common Market for Eastern and Southern Africa (COMESA), the Inter-Governmental Authority on Development (IGAD) among others in the continent also acted as a catalyst to propel the East African states to revive their regional integration efforts.<sup>13</sup>

The first East African Community failed because of economic and political reasons, the new EAC got off to a slow start but unlike the defunct EAC, it is operating under a different geopolitical climate, the post-Cold War period and the addition of new member states namely Rwanda and Burundi to the East African Regional Economic Community (REC). There has been notable political cooperation from the main players. This thesis is therefore an attempt to provide a progress report (appraisal) of the re-established EAC, which aims not only to highlight some of the achievements since 2001 but also to look at some of the shortcomings with a view to providing a way forward. It is approximately 11 years since the launch of the Treaty to establish EAC and the EAC has thus far achieved some of its intended objectives like putting in place a Customs Union, the successful launch of the Common Market Protocol and establishing Organs and Institutions that support the integration process in the region.

### **1.3 Objectives**

Research on the possibility of regional economic integration to address socio-economic, industrial and developmental challenges in Least Developed Countries (LDCs) has been an on-going process. Within the East African region, there has always been an attempt to unite the region economically since 1967, when the East African Cooperation (EAC) was established by Kenya, Tanzania and Uganda as a regional cooperation and economic bloc. Though the first attempt was not successful, the revival of the East African Community (EAC) in 1999 and the agreement by member state countries to adopt and implement the treaties and agreements in 2001 marked an important step for the region towards the realisation of their regional economic integration aims and objectives. It is against this backdrop that this study attempts to explore EAC's new initiative in terms of its achievements and challenges since 2001 with a view of assessing whether it will be able to navigate its integration strains and challenges and not

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<sup>13</sup> Kagwanja, P. 2007. Calming the Waters: the East African Community and Conflict over the Nile Resources. *Journal of Eastern African Studies*, Vol.1, No.3: 321-337.

disintegrate as in its earlier attempt. The study will look to what extent, for example, the EAC can realistically be described as a new hope for regional economic integration in East Africa geared towards establishing big strides in socio-economic and industrial development and creation of a wider market for their goods.

This study therefore aims to:

- look at the prevailing situation between 1967 and 1977 to provide a framework to examine its successes and future possibilities;
- explore and identify the achievements and challenges of the EAC, a regional economic integration bloc in the East African region since its revival in 2001;
- highlight the achievements realised as well as the challenges the East African regional economic integration body has faced and continues to face in its quest to achieve its set objectives;
- theorise regional economic integration process with particular focus on Africa and in East Africa and the dilemmas faced in regional economic integration process;
- understand why the EAC has not achieved all its objectives, and analyses the constraints (challenges), the prospects and possibilities for the EAC towards achieving its integration objectives and overcoming challenges to emerge as a strong and successful integration body in East Africa.

#### **1.4 Justification of the Study**

The selection of the EAC as a regional economic integration bloc for this research study stems from a number of considerations. The EAC has a long history of operations aimed at integrating the East African region. This research is thus timely as EAC is presently reinventing itself in an attempt to integrate the region in order to avoid further marginalisation within the world economy. It is thus important to research its new, reinvigorated initiative and especially with the new addition of Rwanda and Burundi as EAC member states. The study explores the achievements and challenges of the EAC from 2001 with the aim of establishing how much the EAC has achieved in its objectives and also to highlight the challenges it faces that limits its ability to be a vibrant regional economic integration bloc that can bring tangible economic and development benefits to the people of the East African region. The study will also focus on the

EAC's ability to sustain its regional economic integration efforts and avoid the past pitfalls that led to its earlier collapse. The study is important in that regional economic integration has been considered a viable option that developing countries can adopt in order to address its socio-economic and developmental challenges and enable them to compete effectively with major trading blocs of the world that are predominantly found in North America, Europe and Asia and thus play an important role in an increasingly global economic order that characterises the world order today.

## **1.5 Conceptual Definitions and Terminologies**

Regionalism and regional economic integration are some of the theoretical concepts that this study focuses on. It is therefore important to define some of the terminologies that are relevant to this study.

### *1.5.1 Regionalism*

Many authors have come up with varied definitions of regionalism ranging from a critical look at economic and market perspectives to studying any form of regional initiatives among actors of a given geographical region. Margaret Lee defines regionalism as “the adoption of a regional project by a formal regional economic organisation designed to enhance the political, economic, social, cultural and security integration and/or cooperation of member states.”<sup>14</sup> In his writing, Ben Rosamond defines regionalism as “a tendency of geographically proximate territories or states to engage in economic integration and to form free trade areas and (possibly) common markets.”<sup>15</sup>

### *1.5.2 Regional Integration*

Emmanuel Nnadozie defines regional integration in his book as “the process of peacefully creating a larger coherent entity out of previously separate units, each of which voluntarily cedes part of its sovereignty to a supranational authority and renounces the use of force for the settlement of disputes between member states.”<sup>16</sup> Nnadozie continues to highlight that regional integration refers to the establishment and/or management of a mutually interdependent

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<sup>14</sup> Lee, M. 2003. *The Political Economy of Regionalism in Southern Africa*. London: Lynne Rienner. p. 8.

<sup>15</sup> Rosamond, B. 2000. *Theories of European Integration*. New York: St Martin's Press. p. 203.

<sup>16</sup> Nnadozie, E. 2003. *African Economic Development*. California: Academic Press. p. 476.

relationship that involves two or more countries, presumably in the same geographical zone, to jointly produce that which they separately lack or could not optimally produce. It also broadly means the establishment of joint institutions and some shared autonomy.<sup>17</sup>

### *1.5.3 Regional Economic Integration*

Sam Asante defines regional economic integration as: “A process where two or more countries in a particular area voluntarily join together to pursue common policies and objectives in matters of general economic development or in a particular economic field of common interest to the mutual advantage of all the participating states.”<sup>18</sup>

### *1.5.4 Regionalisation*

Margaret Lee defines regionalisation as the “process by which states and non-state actors seek to enhance their economic, political, cultural, social and security interaction with societal forces within a region through formal or informal structures.”<sup>19</sup> Lee affirms that such interaction can be either part of a regional project or separate from it and elaborates further that whilst cross-border informal trade activities can be viewed as both a form of regionalisation and as a means of enhancing the economic integration of a region, the process is not considered a part of regionalism.<sup>20</sup>

## **1.6 Research Questions**

The main research questions are:

What are some of the achievements of the newly established EAC since its revival?

What constraints or challenges is the EAC facing it in its quest to achieve its integration objectives?

## **1.7 Methodology and Research Design**

This study attempts to provide a detailed assessment of achievements and challenges of the EAC since 2001. It is research based on secondary sources. The research study examines relevant

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<sup>17</sup> Ibid.

<sup>18</sup> Asante, S.K.B. 1997. *Regionalism and Africa's Development: Expectations, Reality and Challenges*. London: Macmillan. p.20.

<sup>19</sup> Lee, M. 2003. *The Political Economy of Regionalism in Southern Africa*. London: Lynne Rienner. pp. 8-9.

<sup>20</sup> Ibid.

empirical studies, essays, theses, reports, books and journals found at the University of Cape Town and Ministry of East African Community in Kenya based mainly on literature review and other evidenced-based works on regionalism, regional economic integration and the EAC economic integration initiative. The analysis will be mainly secondary information with particular focus in regional economic initiatives in the African continent.

The works are sourced from a wide range of books, databases, journal articles, reports on regionalism and regional economic integration initiatives in the world and in Africa, newspaper publications and articles, government documents from member state countries, EAC reports and publications, EAC's Organs and Institutions reports, EAC Secretarial website and other relevant websites applicable to the research question been investigated in this research study.

### **1.8 Limitations and Scope of the Study**

This study is limited to the study of the East African Community's (EAC) achievements and challenges since its revival in 2001. It explores the concept of regional economic integration and its practicability in developing countries as exemplified by the EAC's second attempt to achieve its integration objectives and how the regional bloc sets to overcome challenges facing it. However, the study cannot be used to generalise since different regions are experiencing unique problems in their quest to integrate.

### **1.9 Theoretical Framework: Functionalism**

The rise in regional economic integration and cooperation blocs in the world today can be interpreted as a response to the changes in the world economic order after the end of the Cold War. The study employs functionalism as the theoretical framework that will inform this research in order to understand, discuss and debate further on the formation of regional economic integration blocs. Functionalism as an integration theory has been central to political scientists and scholars of International Relations in the study of the existing regional economic integration phenomenon. The theory advances the argument that there is need to shift functions away from the exclusive nation-state control and delegate it to a higher supra-national authority or institution. The foundations of functionalism theory adopts a positive view of human possibilities and, to some extent human nature arguing that rational, peaceful progress is

possible; conflict and disharmony are not endemic to the human condition.<sup>21</sup> Functionalism thus forms an important component for the study of international and non-governmental organizations as its assumptions form the basis for perhaps the most sustained challenge to state-centric power politics views of world affairs.<sup>22</sup> Functionalism does not embody a rigid approach to world affairs but tends to drive a broad-ranging agenda for member states pursuing integration initiatives.

Rosamond argues that the core of this agenda is the prioritisation of human needs or public welfare, as opposed to, say the sanctity of the nation-state or the celebration of any particular ideological credo.<sup>23</sup> Furthermore, advocates of functionalism theory tend to harbour doubts on the ability of nation-states to realistically fulfil human needs arguing that the very existence of nation-states undermines the pursuit of these needs since they tend to uphold certain restraining rules and regulations that distract policy away from the maximisation of public welfare and how the interests and needs of human beings could be best served. In this regard, then, functionalists point out that there is need for human beings to be both rational about what their needs are and creative with respect to forging authoritative institutions that can perform the function assigned to them.<sup>24</sup>

Key figures of functionalist theory such as David Mitrany advanced the theory arguing that the primary motivation of governments should be the fulfilment of human needs and that territorial nation-state is an irrational mechanism for this purpose, based as it is on the perpetuation of particular dogmas. Mitrany believed that some needs would be best served by ignoring the conventions of national territory. Further on, Rosamond expounds on Mitrany's views by stating that "it might be that transnational institutions would be better and more efficient providers of welfare than national governments."<sup>25</sup> He says that the creation of such bodies would have two likely effects: firstly, the efficient performance of tasks by inter- or transnational institutions would result in a process of popular loyalty transference away from the nation state; the second is that chances of international conflict would be reduced.<sup>26</sup>

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<sup>21</sup>Rosamond, B. 2000. *Theories of European Integration*. New York: St Martin's Press.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid. p.33.

<sup>26</sup> Ibid.

Functionalism theory states that effective management of human needs requires agencies geared specifically to individual tasks and the form in which these agencies take will be dependent upon the function that they are required to perform.<sup>27</sup> It is clear that functionalists like Mitrany foresaw a proliferation of flexible task-oriented international organizations as the means to address the priorities dictated by human need.<sup>28</sup> The argument from the functionalist approach theory puts across the fact that the establishment and pursuit of task-oriented agencies founded on rational engagement with human needs would eventually deliver tangible benefits beyond what nation-states would do on their own. The formation of functional international organizations will be an impetus to further strengthen the process of interdependence among states and that the functionalist logic will emerge strong since groups in an international organisation are bound together by the pursuit of human welfare and will put in place strategies for ending human conflict. The functionalism theory used in this study advocates and advances the idea that nation-states ought to let go the pursuit of individual state socio- economic, political and cultural development and allow a higher authority to run its affairs through an effectively managed process of regional integration and cooperation. This way, member states of the established institution can effectively exploit their resources and maximise on the benefits the integration process that would in turn result in mutual benefits for all member states.

The post Cold -War period saw the trend towards the formation of regional integration and cooperation initiatives go high the world over thus the proliferation of regional integration initiatives in the world today calls for a study to explore its challenges and opportunities for countries and especially of great interest, is how the process can be navigated by the small-sized and fragmented markets of the developing countries mostly found in the Sub-Saharan Africa. This will help to further understand the problems of integration faced by member states as well as the prospects and opportunities for countries in a regional integration grouping.

The shift to regionalism and pursuit of regional integration all over the world has created spirited interest and renewed efforts in Africa for member states to work hard at revitalising and resuscitating regional economic groupings in the continent. There is a possibility that regional economic integration processes can steer member states in better advancing regional socio-

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<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

economic development with vast benefits to all members. The East African region, of which this study majors on, has not been left behind in revamping its integration efforts. This study explores the achievements and challenges of EAC, an East African regional bloc that was revived after its subsequent collapse in 1977. The EAC member states hope to this time round navigate integration challenges and allow the regional integration initiative through the regional bloc, EAC, a supra-national body of five member states that was formed to unite the East African region socially, culturally, economically and eventually politically to steer many aspects of development affecting the region and member states have determined to work closely as unit towards the attainment of an East African political federation once the goals and objectives of the integration process are fully realised.

The theory of functionalism applied in this study will help to understand the reasons as to why the EAC member states have purposed to renew its integration process as well as describe what has presently taken place since the re-establishment of the East African regional integration bloc and will further help to predict the future of the EAC looking at the trend as the integration initiative evolves. The functionalist approach in this study will provide a theoretical framework and an opportunity for gradual monitoring and evaluation of the EAC integration initiatives.

The functionalism theoretical framework is effectively employed in this study in order to explore human possibilities and approaches to an existing phenomenon and in this particular case, the attempt by the five EAC member states to unite the region. On choosing the functionalist approach, the study attempts to succeed at linking theory and the empirical data so as to give a clear picture of the on-going EAC integration process.

The study will highlight the possibilities offered by the integration process to the member states and the challenges that require surmounting so as to effectively pursue the integrations goals and objectives. This will call for member states to abandon their narrow and quite myopic clinging to individual state sovereignty and nationalism and willingly commit to pursuing the integration objectives of the EAC as they embrace the new concept of a united East Africa.

The EAC member states have the huge challenge of establishing a more politically united and stable region that is more economically self-reliant, socially harmonious and peaceful and secure in order for them to reap the benefits of regional integration and also wad off the challenges of integrating the region. The EAC member states should embrace the second attempt to integrate the region by building strong inter-state relations and try to avoid the pitfalls that led to its initial collapse especially avoiding political preoccupations at national levels that can easily derail the integration process. There is the possibility that the EAC member states can easily strengthen their position as a bloc in their new initiative to integrate since they will be able to respond effectively to the challenges of the emerging world of trading blocs, globalisation of world production, liberalisation of world trade and the rapid changes in technology and communication.

### **1.10 Outline of Chapters**

This research study is structured into five chapters. Chapter one outlines the problem to be investigated, exploring the objectives and the significance of the study, the research methodology and design and the theoretical framework. Chapter Two deals with the literature review. Chapter Three examines the EAC objectives since its revival in 2001, its achievements and the objectives set and not achieved. Chapter Four will explore the EAC integration challenges and obstacles. Chapter Five analyses EAC's future prospects and opportunities as an emerging and newly revived regional integration body in the Eastern African region. The section on conclusion summarises the study and offers some important lessons from the EAC regional economic integration experience and recommendations.

## CHAPTER TWO LITERATURE SURVEY

### 2.1 Introduction

The present day global trends in international trade, the new world economic order and the dynamic social and political relations amongst nations continue to bolster efforts by countries and regions to forge closer integration. Countries in a geographically proximate region have put efforts to unite economically and enhance its integration efforts to pursue socio-economic development in this highly competitive international economy that is characterised by globalisation and market liberalisation. This phenomenon has seen the rise of regional integration groupings in the world and the African continent has not been left behind. This chapter gives an overview of regional integration phenomenon as an existing scenario world over, the regional economic experience in other parts of the world and regional economic initiatives in post-independent Africa.

Margaret Lee acknowledges that the post-Cold War era period ushered in a new wave of regionalism that is quite distinguished from the old regionalism of the period between 1950 and the late 1980s.<sup>29</sup> The old regionalism was largely state-centered and was mainly driven by ideology and the Cold War. Lee suggests that the creation of the European Economic Community (EEC) in 1957 aimed to serve as a buffer zone against the then highly advancing communist threats of the Soviet Union.<sup>30</sup> In writing further on the rise and development of regional economic integration initiatives, Lee adds that the 1960s period is credited with the formation and expansion of regional organisations in Latin and Central America, Asia and Africa which in essence were influenced by a united need to seek economic security.<sup>31</sup> Regional economic integration is not a new initiative in the world and in post-independent Africa since it has been gaining momentum due to the profound changes taking place in the world economy that is increasingly being shaped by globalisation. Asante argues that there is renewed interest in regionalism and the existing tendency for established trade blocs to provide their members with guaranteed access to large markets, while poor non-member countries, like those in Africa, suffer from the loss of access to global markets makes the formation of regional trading blocs a reality

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<sup>29</sup>Lee, M. 2003. *The Political Economy of Regionalism in Southern Africa*. London: Lynne Rienner.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

that African countries ought to consider.<sup>32</sup> It is against the backdrop of the implications of regional economic trading bodies around the world for Africa, and especially in the developed and industrialised West that African countries are forging regional economic groupings for closer regional economic cooperation and integration so as to be able to face up to the socio-economic development and industrial challenges that continue to constraint the continent in the 21<sup>st</sup> century.

The process of market liberalisation presents challenges and opportunities for countries and regional integration serves as a response to important transformations of the global economic order. The concept of regionalism has to do with the relative convergence of dimensions such as geographical proximity, cultural affinity, political regimes, security arrangements and economic policies in relative sameness.<sup>33</sup> Lee views regionalism as the only way in which Africa can counteract its increasing marginalisation on the world stage and react to the effects of globalisation. These effects are usually uneven as some countries benefit from it and others do not. Some scholars and policy makers have argued that regional economic integration is a way to a developed Africa and this explains why emphasis is placed on regional integration efforts in Africa today.

## **2.2 Overview of the Regional Economic Integration Phenomenon**

The post-Cold War period set the pace for interest in regional integration and cooperation initiatives that later gave rise to proliferation of regional groupings world over. The growth of regional economic blocs has been a major subject for discussion in International Relations. The era of isolated, small-sized, fragmented national economies has given way to strategic regional alliances that pursue the harnessing of resources and knowledge while maximising on comparative advantage through integration processes that eventually result in mutual benefits for all Member States. It is argued that virtually every country in the world today is a member of one or more regional bodies pursuing various regional interests. The ultimate objective for regional economic integration is to create a common economic space for all the participating member countries.

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<sup>32</sup> Asante, S.K.B. 1997. *Regionalism and Africa's Development: Expectations, Reality and Challenges*. London: Macmillan.

<sup>33</sup> Ibid.

Regional Integration thus aims at accelerating the economic and the political integration of Member States, which eventually helps to leverage the competitiveness in the global market. It is for a fact that the present day world economic order which is largely driven by the market liberalisation and globalisation phenomena is driving the establishment of a global free market capitalist economic system based on competition, efficiency and productivity and regional integration and cooperation can readily serve as a key mechanism to counter this emerging international economic order as integration of member state countries will favour economies of scale and collective capacity of Member States.

De Melo and Panagariya reveal that the first wave of regionalism in post-World War II failed principally because the United States was firmly committed in the support for multilateral approaches except in the case of the formation of the European Community which they supported because it was viewed as a necessary move to counter the growing Russian communist ideologies in Europe and that even in the European integration, the United States still used regionalism as an instrument to advance multilateralism.<sup>34</sup> The second wave of regional integration initiative saw subsequent change in attitude of the United States beginning with the signing of the Canada-United States Free Trade Agreement (CUSFTA) and later the formation and strengthening of North American Free Trade Agreement (NAFTA) as well as taking cognisance of the continued widening and deepening of the integration process in Europe showed that regional economic cooperation and integration was increasingly becoming part and parcel of global economic development and quite an available option to be pursued by countries in tackling socio-economic and development agenda.<sup>35</sup>

It is important to note that the Free Trade Agreement provision that leads to the elimination of trade restrictions and tariff barriers between Member States in a regional bloc allows for liberalisation of regional trade which in turn increases the market share of integrating countries. The practice of compensatory measures for weak and economically poor countries allow economically strong countries in an economic integration body to compensate the former who do not benefit equally from the process. This creates an opportunity for these states to achieve

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<sup>34</sup> De Melo, J., Panagariya, A. (eds.). 1993. *New Dimensions in Regional Integration*. Cambridge: University of Cambridge.

<sup>35</sup> Ibid.

economic development since such initiatives allow for enlarging the size of domestic markets and achievement of the economies of scale. It can therefore be said that the potential of integrated markets and economies of a regional economic bloc presents an opportunity to develop and improve competitiveness on the international stage, which one African country may otherwise not possibly achieve. An inter-regional cooperation on trade and market relations coupled with fair division of labour is more profitable with the comparative advantages of member state countries without exposing their weak and vulnerable economies to the highly competitive international markets.

Maurice Schiff in writing on regional integration development comments that the 1930's saw a great fragmentation of the world trading system as countries battled the effects of the Great Depression without having the option and benefit of global institutions to provide the much needed liberal focal point and that much of the solutions adopted was a regional preference thus the post-World war II saw the establishment of the equal treatment of all partners in the world trading system.<sup>36</sup> Countries then opted for regional integration initiatives that offered member states one route of overcoming the disadvantages of smallness in country size by pooling together regional resources or combining their markets thus benefit from a combination of scale effects and changes in the intensity of competitiveness in the market arena and trade.<sup>37</sup>

Regional economic integration and cooperation initiatives vary from one regional grouping to another; whilst some regional blocs quickly form a free trade area that evolves into a Customs Union and a later full economic and political union some have demonstrated a lack of the dynamics required to surmount regional integration challenges and move to the next levels of the integration process. Joseph Nye in his writing notes that scholars of regional integration have cast doubt on the similarity of the integration processes in more developed regions like Europe and less developed areas. Nye points at important differences in infrastructure, market mechanisms, external dependence, administrative resources, political group structures,

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<sup>36</sup> Schiff, M., Winters, L.A. 2003. *Regional Integration and Development*. Washington DC: World Bank and Oxford University Press.

<sup>37</sup> Ibid.

interdependence of social sectors, national consciousness, and ideology as factors that easily influence regional integration experiences.<sup>38</sup>

It can therefore be said regional economic integration and cooperation remains an integral part of the socio-economic and development initiatives in the world today. The phenomenon is here to stay as both developed and developing countries have adopted the process as a tool to advance various interests such as development, increase in intra-regional trade, and access to world markets, modernisation and intense industrial development, security among other varied regional interests that suit different needs of Member States of a particular regional bloc. These interests are mutually agreed upon through signed protocols, agreements and treaties that are binding to members of a regional body. The important thing is to look at the existing regional blocs and study the dynamics of their integration process so as to fully understand the pros and cons of the integration initiatives in the world and to carefully study the factors that produce variations in the successful formation of regional blocs.

### **2.3 Regional Economic Integration Experience in other Parts of the World**

The end of the Cold war signified the beginning of regionalism world over. The political changes coupled with new economic dispensation throughout the world had a significant impact in the way countries would relate thereafter given the new economic order that was gradually shaping relations amongst world nations and regional communities. The experiences of the World War II largely shaped the idea of regional integration as most countries showed an overriding intention to pursue peace and development in their national agenda as on-going events had also shown that there is a positive correlation between peace and socio-economic development.

The principle guiding the pursuit of regional integration is not new in the world. In the 19<sup>th</sup> century, Europe was already integrated through the efforts of evolving regional integrators such as Napoleon Bonaparte and Simon Bolivar. The European integration then fundamentally used economic integration to advance political goals in the region.<sup>39</sup> The process led to a significant convergence in legislation and administrative procedures that brought European countries to

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<sup>38</sup> Nye, J.S. 1968. Comparative Regional Integration: Concept and Measurement. *International Organization*, Vol. 22, No.4: 855-880.

<sup>39</sup> Nye, J.S. 1971. *Peace in Parts: Integration and Conflict in Regional Organisation*. Boston: Little Brown.

enjoy closer ties. The most famous and known efforts of regional integration is the combination of several German states into a federal Germany that took place through the Zollverein ideology. These efforts to integrate Europe were further advanced by nation building statesmen such as Otto von Bismarck, Camillo Cavour and to some extent Adolf Hitler.<sup>40</sup> The most successful model of regional integration that has emerged in recent history of regional integration and cooperation in the world today is the European Union (EU). The EU has considerably evolved since the signing of the Rome Treaty in 1958 to form the European Economic Community (EEC) and which had its predecessor, the European Coal and Steel Community (ECSC) laying the foundation of its formative establishment process. The Treaty of Rome that established the EEC aspired to realise four freedoms that would guide trade relations amongst the European nations in the regional bloc and these were: free movement of goods, services, labour and capital internally also included was the right of establishment.<sup>41</sup> The EEC started with a few members that implemented a functional Customs Union and later widening and deepening its integration process to form a strong economic and monetary union that later relaunched itself as the EU.<sup>42</sup> It is of great importance for developing countries aspiring to use regional integration as a strategy for socio-economic development to learn from the European integration experience. The success of the EU is credited with the successful implementation of a Customs Union through the adoption of a Common External Tariff that made the realisation of the Common Market possible. The literature on EU integration process says that nation states displayed great commitment in the pursuit and implementation of internal trade liberalisation policies that were supported by strong trade policies, rules and regulations both internally and externally. Bernard Hoekman and Patrick Messerlin argue in their writing that the European integration experience suggests that careful consideration need to be given to the design and sequencing of regional cooperation on services policies. They argue that the central pillar for the success of the European integration strategy was the preferential merchandise trade liberalisation, a common external trade policy and a common management of factors of production.<sup>43</sup> Hoekman and Messerlin highlight some lessons that can be drawn from the successful EU integration experience which other countries in regional integration arrangements can learn, firstly; that for any integration initiative to advance

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<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> Hoekman, B., Messerlin, P. 2002. *Initial Conditions and Incentives for Arab Economic Integration: Can the European Community's Success be Emulated?* Washington DC: World Bank Development Research Group.

its integration goals and objectives, there must be an overarching vision with respect to the ultimate objective of the integration exercise, second, the development of a clear path or strategy to pursue integration objectives is paramount and thirdly that the implementation of the strategy must result in an overall balance of gains for all Member States of the regional bloc at all times.<sup>44</sup> In this way, joint management of common policies amongst the nation states became the focus of interaction for the regional bloc members that helped make the integration initiative a reality for the various national bureaucracies and stakeholders.<sup>45</sup> In addition, Hoekman et .al. argue that the European integration body developed working transfer mechanisms that redistributed income to the disadvantaged groups and regions in the integration body. Further on, the established regional bloc should assume a supranational self-interested bureaucracy so as to be effective at mobilising support for new initiatives and enforce the necessary rules and regulations through the support of its governing organs and institutions and this would in turn help sustain the integration venture over time.<sup>46</sup> This venture calls for flexibility from Member States and adoption of a common policy approach that calls for joint management of its administration.

The integration of European nations has opened up great opportunities in the region for higher gains in trade and investment due to the enlarged market sizes, and the successful removal of barriers that hinder trade between countries. The EU has successfully accomplished bringing together member countries to establish a formidable and a powerful and a fairly cohesive socio-economic and political unit that remains a focal point of reference for other integration initiatives in other parts of the world today.

Yi Feng and Gaspare Genna in a journal article indicate in their argument that there is a wide variation in regional integration and expound that as much as European Union is so far a success model of integration and a case study for regional integration initiatives world over; this is not the case in Asia and this, Feng and Genna highlight the case for APEC, a regional bloc clearly seen to have a long way to even achieve the modest goal of a free trade area.<sup>47</sup> Feng and Genna

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<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Yi, F., Genna, G. 2003. Regional Integration and Domestic Institutional Homogeneity: A Comparative Analysis of Regional Integration in the Americas, Pacific Asia and Western Europe. *Review of International Political Economy*, Vol. 10, No.2: 278-309.

argue that in order for an economic union to succeed the homogeneity of economic institutions across countries and the integration process of the group in an integration initiative must complement each other.<sup>48</sup> In this school of thought, the baseline for effective integration is the existence of homogeneity in domestic economic institutions considered necessary for the formation of a strong economic union; this point of view is different from the usually assumed scenario that the existence of a political-ideological homogeneity can form an ideal condition for any form of regional cooperation or integration to take part. In this context, the economic institutions the writers refer amongst countries in an integration pursuit are represented by inflation, taxation, government regulation and economic openness.<sup>49</sup> One can argue that a successful integration process is reflected in the efficiency, ease and timeliness in the movement of goods, services, products, labour among others among member countries of a regional bloc. Regional integration initiatives in the developing countries and other parts of the world that experiencing integration challenges that prevent maximum benefits from integration process can learn from integration experience of successful models of regional integration like the EU.

The pursuit of regional integration initiative is not a new phenomenon in Latin America. In the 1960s, the Latin America Free Trade Association, the Andean Pact, and the Central American Common Market were launched.<sup>50</sup> Latin America is a region that shares a common language and cultural heritage that hold them closely knit thus making it easy for the region to pursue any form of regional integration enterprise. Regional economic integration is said to have played an important role in the region's early post war economic history and that the successful integration model of West Europe inspired the region's quest to pursue ambitious plans and initiatives to integrate the region during the 1960s and the 1970s.<sup>51</sup> Devlin et al. note that there was a rapid growth of intra-regional trade than trade with other countries outside the region and that there is a significant relation in the increase in intra-regional trade in Latin America with the explosion of regional integration initiatives that were manifested in the region in the 1990s together with

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<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

<sup>50</sup> Mattli, W. 1999. *The Logic of Regional Integration, Europe and Beyond*. Cambridge: Cambridge University Press.

<sup>51</sup> Devlin R., Ffrench-Davis, R. 1999. Towards an evaluation of Regional Integration in Latin America in the 1990s. *The World Economy*, Vol. 22, No. 2: 261-290.

heightened commitments to strengthening sub-regional and bilateral trade agreements entered upon by members states.<sup>52</sup>

The process of regional economic integration in Latin America has seen the region reap positive results in terms of intra-regional trade, improving its international competitiveness, opening up of regional markets to benefit private investors within the region, improved trade liberalisation among other benefits and has been deemed as an additional instrument to open their economies to enhanced international competition. Regional integration and cooperation initiative has actually taken up a broader and strategic role of playing the big role of opening up Latin America to the world economy.<sup>53</sup> Latin American economic integration experience is presently been driven by strong political objectives and interests and is slowly creating political unity amongst Member States and in this regard, it is has been noted that countries that earlier on manifested opposing political stance are slowly taking advantage of the regional economic integration process to unite and foster warm relations amongst themselves as they draw closely to pursue peace and prosperity in the region.<sup>54</sup> The Latin American regional integration undertaking displays a positive outlook of the gains of regional integration process and that through regional integration experience, countries and especially those drawn from developing countries can build confidence out of it making them maximise in globalisation, increase their access to the international liberalised markets.

#### **2.4 Regional Economic Integration Initiative in Post-Independent Africa: A Panacea for Socio-economic Development or a Myth?**

In post-colonial Africa, African countries have desperately sought unity through regional cooperation and integration initiatives; but to date the regional economic integration process has made limited impact. The formation of regional groupings in Africa in the post-independence period cannot be linked to the Cold War ideology and security concerns; rather it can be argued that the established regional integration groupings were motivated and influenced by the new realities and challenges of post-Cold War changes in the world economic order. This new order is characterised by neo-liberalism and globalisation which made many countries adopt regional

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<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

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economic cooperation and integration as strategies to react to these new ideologies that continue to dominate the global world today.

Many social scientists have argued that regional economic integration in Africa is an important process in Africa's socio-economic development. Regional groupings has over the years been accepted and advocated as an essential part in Africa's development strategies. Policymakers, researchers and economists concerned with Africa's development have argued that regional economic integration has a place in the economic development of the African continent and postulate that the initiative can be utilised to advance the continent's economic and industrial development.

“One of the central reasons often cited for Africa's abysmal economic performance since the independence decade of the 1960s is its fragmentation into 53 odd countries of varied population and economic sizes. The balkanisation of the continent makes it very difficult to attract much needed DFI and technology, to expand the export market, and to enable increased domestic capital formation, all of which are catalysts for economic growth, because individual African markets are not large enough to support viable economic activity.”<sup>55</sup>

It is important to note that regional economic integration is a process not an event. Nnadozie articulates that in a regional integration initiative participating countries are always working toward certain goals of integration and may thus find it difficult, if not impossible, to stop integrating, unless, of course the scheme is discontinued. He highlights that with the exceptions of a Free Trade Area (FTA) and the formation of a political union which is usually the last stage of an integration process, each successive stage or level of regional integration is a culmination of the previous stages. He adds that it is usually the dynamics of the market that pressure countries to deepen and widen the scope of integration into other policy areas as well as other sectors.

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<sup>55</sup>Nnadozie, E. 2003. *African Economic Development*. California: Academic Press. p. 482.

It is imperative that regional cooperation and integration promotes regional stability.<sup>56</sup> Nnadozie notes that the foremost purpose of regional integration for many participating countries is the promotion of regional stability and further clarifies that this is deemed critical and relevant in regions that, historically, have been bedevilled by interstate strife. He conceives that interstate regional strife can compromise and undermine anticipated promising results even with the soundest macroeconomic policies in place and acknowledges that if sound economic policies are to yield meaningful and sustained results, regional stability is important. Nnadozie emphasises that not only can regional strife drain and divert scarce resources, but it can also disrupt and sever economic and trade relations amongst countries in a region.<sup>57</sup> In the African context, this argument is true for the majority of the regional integration bodies. SADC was initially formed to address security issues in the South African region, ECOWAS had to take on security roles and stabilise the region because of the many inter-state conflicts and military coups that characterised the West African region whilst IGAD, a regional cooperation and integration body in the East African region has played conflict resolution roles in the Horn of Africa.

Another driving force for countries participation in regional integration initiatives is the economic rationale involved in the whole process. The enlarged regional markets, the resultant protection from external markets will tend to provide the business communities in the member state countries of a regional economic grouping the opportunity to establish new manufacturing opportunities in terms of industry development and expansion. Regional market integration is more sensible and desirable to member countries when trade creation exceeds trade diversion. Thus, regional economic initiative in Africa is highly considered a feasible and viable socio-economic development strategy that helps put together the fragmented domestic markets of Member States and can thus aptly spur economic and industrial development by promoting intra-regional trade and maximising on the benefits of the economies of scale.<sup>58</sup>

Nnadozie furthermore comments that there is a renewed interest among development scholars and practitioners in regionalism as a means to the economic development of Africa. Moreover; Nnadozie states that it is not surprising that African policy makers are reconsidering regionalism

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<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

as a strategy for the development of the continent in light of the characteristic poor economic status of African society and its countless failures in development initiatives to date that have miserably failed to bear fruit.<sup>59</sup> Nnadozie notes that the renewed interest in regional integration in Africa as a strategy for the economic development of the continent is boosted by both its growing popularity and the encouraging results of regional schemes in many parts of the world.

Asante points out that one of the recurrent phenomena in the international economic order in recent times is the high tendency of states to conglomerate into some degree of regional cooperation and integration.<sup>60</sup> In this view, then, there is a dire need for African countries to forge close regional economic integration and cooperation blocs that would play a crucial role in positioning the continent in the present day world economic order and at the same time enable it to improve the poor economic conditions that affects its population.<sup>61</sup>

The rationale for regional economic integration in Africa is based on the socio-economic and developmental challenges that bedevil the continent today. African countries have always attempted to achieve regional economic integration since the independence period in the 1960s; however, this effort has not always borne much fruit and full regional economic integration thus remains a distant reality in the African continent.<sup>62</sup> Presently, it is highly emphasised that regional economic integration remains an option to be vehemently pursued by African countries in order to address its myriad developmental and economic challenges. Regional economic integration is viewed as a vehicle, which African countries can use to make concerted efforts that will deliver the continent from economic and industrial challenges and more so now in the face of globalisation.

Regional economic cooperation and integration are thus not a newly emerging practice in the world; it became such a common phenomenon in the post-Cold War period that to some extent it can be argued that the post-World War Two period marked the beginning of a regional

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<sup>59</sup> Nnadozie, E. 2003. *African Economic Development*. California: Academic Press.

<sup>60</sup> Asante, S.K.B. 1997. *Regionalism and Africa's Development: Expectations, Reality and Challenges*. London: Macmillan.

<sup>61</sup> Ibid.

<sup>62</sup> Mistry, P. 1996. Regional Dimensions of Structural Adjustment in Southern Africa in Jan Joost Tenuissen (ed.). *Regionalism and the Global Economy: The Case of Africa*. The Hague: FONDAD.

integration era that has seen many countries in both developing and developed countries pool together to pursue socio-economic and political integration in their respective regions. Asante illuminates this point further; that, regional economic integration is an important aspect of economic development for developing countries and is a contributing factor to rapid growth in the already industrialised countries. He elucidates that, “there can be no doubt that the process of regional integration is now inextricably linked to that of economic development”.<sup>63</sup> Asante views the rise and pursuit of regional entities in Africa as a way that can provide solutions to the continent’s continued economic and development woes.

The potential economic power wielded by the EEC and later the EU has triggered a contagion effect with many countries willing to pursue the same venture in order to gain from the benefits of the regional integration process. Regional economic cooperation and integration are deemed to result in rapid economic growth and development and is regarded as a means to easily spawn the industrialisation process in developing countries.<sup>64</sup> Asante emphasises that regional economic integration in Africa can help to overcome the disadvantages of small-size, low per capita incomes, small populations and narrow resource bases, thus accentuating a greater rate of economic growth and development for the small African nations. Regional economic integration for African countries heralds the formation and strengthening of economic cooperation that helps to assert the political independence of African countries thus contributing to their ability to consolidate their position vis-à-vis industrialised and developed countries of the North.<sup>65</sup> Moreover, economists and social scientists chronicle regional economic integration and cooperation in Africa as not only a desirable move but a necessary step for the African continent to industrialise, develop intra-African trade, develop the capacity to participate effectively in global trade, reduce her vulnerability in fluctuating market prices in world trade.<sup>66</sup>

Asante argues that post-colonial African countries are highly fragmented with small markets that emanate from specific political and economic dispensations inherited from colonial rule. This position has over the years disadvantaged most African countries as their economies have

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<sup>63</sup> Asante, S.K.B. 1997. *Regionalism and Africa’s Development: Expectations, Reality and Challenges*. London: Macmillan.

<sup>64</sup> Ibid.

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

remained vulnerable to fluctuating world prices. Regional economic integration should, therefore, be employed as a way to combat these disadvantages of small size, low per capita incomes, small populations, weak economies and narrow resource bases. In this view, Asante emphasises that the fragmented African countries cannot effectively industrialise individually because of scarce resources and small market sizes.<sup>67</sup> Asante's assumption could not be more valid in assessing the African economic situation: "Without access to a larger market area that could be created by measures of economic integration, it is impossible to see how the economies of these small countries could be developed and diversified."<sup>68</sup> Asante's argument leaves no doubt that the only possible way for a country in Sub-Saharan Africa to fully integrate into the global market is through regional economic integration.

Regional economic integration is moreover considered a way for African states to mobilise and maximise scarce resources of capital skills, and a way to move forward towards an effective African unity, both politically and economically. It is almost virtually impossible to envisage one African state steering itself to greater economic progress uniquely and singly without seeking close trade ties with others. Regional economic cooperation and integration calls for coordination and serious pursuit of sectorial plans and national development policies among Member States. This was largely echoed in the Lagos Plan of Action and the Final Act of Lagos, as well as the 1973 Africa's Declaration on Economic Cooperation and Development. In line with this pursuit was the Monrovia Strategy of 1979, the 1985 Africa's Priority Programme for Economic Recovery (APPER). Furthermore, there was Africa's submission to the special session of the United Nations General Assembly on Africa's Economic and Social Crisis in 1986, the 1986-1990 UN programme of Action for African Economic Recovery and Development (UN-PAAERD), the UN New Agenda for the development of Africa in the 1990s (UN-NADAF) adopted in 1991, and the Cairo Agenda for Africa in 1995.<sup>69</sup>

Asante propounds that this spirited adoption of proposals and resolutions geared towards addressing Africa's economic woes were directed towards the importance of effective regional

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<sup>67</sup>Asante, S.K.B. 1997. *Regionalism and Africa's Development: Expectations, Reality and Challenges*. London: Macmillan.

<sup>68</sup> Ibid. p.29.

<sup>69</sup> Ibid.

economic integration in order for African countries to realise their economic goals and put forth arduous effort to deliver the continent from its socio-economic and development challenges and also response to the political dynamics of globalisation.<sup>70</sup> Asante notes that by the end of 1990, the majority of the 53 African countries had already re-grouped in broader sub-regional economic communities and had geared their efforts towards regional economic integration in the continent.<sup>71</sup>

There has been an overly lack of success in fully meeting the objectives of the regional integration blocs formed in the continent despite the increasingly ambitious regional treaties been signed with such increasing frequency, and a number of initiatives being taken to revamp and revitalize regional integration agreements. Regional economic cooperation and integration is ultimately Africa's only viable development strategy in the face of globalisation and the presently existing new world economic order. The formation of regional economic integration blocs in Africa is a forward step that will enable the economically unviable continent to cope in a rapidly globalising world that demands ever-increasing competitiveness. Adoption of more functional economic connections that advocate gradual and incremental enlargement of the area of cooperation across socio-economic, political and cultural domains is very important in creating collective regional responses to developmental challenges in the 21<sup>st</sup> century.

Africa continues to face serious developmental challenges despite its vast resources and remains the poorest continent in the world. Despite these challenges African countries are realigning themselves by forming Regional Economic Communities (REC) to spearhead and implement the continent's integration efforts as they seek to drive the agenda of socio-economic development. Countries in Sub-Saharan Africa have continuously sought to unite the continent through regional cooperation schemes and in most recent times initiatives such as the change from the Organisation of African Union (OAU) to the African Union (AU) as well as the formation of New Partnership for Africa's Development (NEPAD) as a socio-economic programme of the AU represents a historic commitment by African leaders to accelerate integration and development in

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<sup>70</sup> Asante, S.K.B. 1997. *Regionalism and Africa's Development: Expectations, Reality and Challenges*. London: Macmillan.

<sup>71</sup> Ibid.

the continent.<sup>72</sup> The pursuit of AU's programmes such as the Africa Peer Review Mechanism (APRM) in which African countries voluntarily subject themselves to a comprehensive and critical review by their peers also serves to highlight Africa's commitment to its social, economic and political prosperity. The creation of the African Union was a manifestation of the commitment of African leaders to solidify the continent's unity in order to steer economic development and unleash the potential of a continent that is lagging behind in economic and industrial development in the world.<sup>73</sup>

Today, African countries and much of the Third World experience great difficulty in accessing international trade and especially the European markets due to stringent rules and regulations that are difficult to circumvent. It has only been possible albeit in small percentages through some special arrangements. Regional economic integration is an ambitious process that is concerned with the creation of a single market that is made up of different Member States. It creates scope and space for greater and closer interaction and interdependence among countries. It also involves economic, social, political, military and security integration as well as the removal of trade barriers. This trend would be chronicled as an ideal pursuit for the fragmented and vulnerable African countries if meaningful gains have to be realised for the benefit of its population.

Regional economic integration if adopted and pursued aggressively by African countries has its share of benefits that would otherwise be difficult to achieve as a single unit. It would for example, result in policy credibility, creation of a greater market, reduction in transaction costs, increase in bargaining power, increase in region market attractiveness, cooperation in provision of public goods and increase economic growth and investment among other tangible benefits.<sup>74</sup> It can be ascertained therefore, that regional economic communities have a critical role to play in Africa's socio- economic development agenda.

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<sup>72</sup> Mkwezalamba, M.M., Chinyama, E.J. 2007. Implementation of Africa's Integration and Development Agenda. *African Integration Review*, Vol.1, No.1.

<sup>73</sup> Ibid.

<sup>74</sup> Ajumbo, G. 2010. *Analysis of Regional Integration Cooperation in the COMESA and the EAC*. Stellenbosch: Tralac.

African regional integration groupings can learn from this experience of turning around the negative effects of globalisation to benefit themselves and the region at large. The East Asia experience in regionalism shows that there are positive developments and huge benefits if countries pursue regional economic integration with clear economic policies that protect their markets from external interference while taking advantage of the benefits of trading among member countries within the region.<sup>75</sup> East Asia has clearly proven that sub-regional initiatives can spur economic integration between unequally developed countries in a region with gains for all members. This proves wrong critics of regional economic integration processes who argue that it is a project motivated by self-interest of more economically powerful countries mostly with national economic interests at hand at the expense of economically weaker countries.

The regional economic groupings in Africa can maximise and tap into the fragmented production abilities of the different member states and immensely gain from the relative comparative advantage and the economies of scale in order for them to boost their economic development prospects. An expanded regional market which is committed to the accomplishment of economic integration goals will substantially increase economic gains for countries in a regional bloc. Regional economic bodies will stipulate clear rules that govern trade liberalisation measures across borders. This will in turn ensure fair market competition and ensure that rules and principles of reciprocity are followed enabling economically weak Member States to equally gain from the integration process.

In this regard, regional economic integration can play a positive role in balancing market disruptions caused by globalisation and the existing capitalist liberal market structures and approaches. Regional integration blocs can act as an empowered mechanism to intervene in the market and protect market interests on behalf of member states, thus providing the needed protection from the threats of marginalisation and unfair treatment in international trade.<sup>76</sup> It is important that African countries consider strengthening regional economic integration blocs as an option to stand up to the challenges of globalisation and marginalisation in international markets pursued by external forces under the pretext of liberalised world economy structures that

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<sup>75</sup> Asante, S.K.B. 1991. African Development, in A. Adedeji. *Alternative Strategies*. London: H. Zell.

<sup>76</sup> Ibid.

threaten their future socio-economic development. African countries have an avenue in regional economic integration to pursue industrial development and socio-economic development agenda that can benefit its vast poverty stricken population.

Among other problems, Bade Onimode lists increasing marginalisation of the African continent in global economy and in global relations as the biggest challenge facing the continent today. He further locates Africa's marginalisation in areas of modern technology and communication transfer as well as in the declining share of Africa's exports and imports in the world market. This form of marginalisation which the African continent has been unfairly exposed to, he asserts, is adversely affecting its socio-economic development leading to an increase in external dependency. External financial aid does not fully address Africa's developmental challenges or allow for improved livelihood for its population.<sup>77</sup> Onimode advocates that the only solution for Africa's socio-economic and development challenges and the marginalisation it suffers in the global economy can be attained through seeking regional solutions. This is only possible if African countries invest in regional economic cooperation and integration processes. Onimode further contends this point in his article by stating, that more than ever before, some aspects of national sovereignty must be conceded to the supra-national sovereignty of Africa in the enlightened spirit of on-going closer economic and political integration across the world.<sup>78</sup> Onimode's argument highlights the fact that regional economic integration in Africa remains an option to explore the quest to solving Africa's developmental challenges and for fostering economic goals and that economic integration can serve to unlock and spur economic potential of an otherwise isolated and marginalised continent.

Many countries of Sub-Saharan Africa have become increasingly marginalised since the end of the Cold War and more so now in the advent of globalisation. Powerful non-state actors such as the Bretton Institutions, Multi-National Corporations (MNCs), International Organisations, Non-Governmental and Intergovernmental Institutions characterise the newly formed global economic world order. International security is no longer based on the military and the ideological pursuits of the Cold War period, but rather a new discovery encapsulating economic

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<sup>77</sup> Onomide, B. 1996. The State of the African Political Economy, in A. Adedeji (ed.). *South Africa and Africa: Within or Apart?* London: Zed Books.

<sup>78</sup> Ibid. p. 116.

considerations has been increasingly adopted by the super powers and the situation has thus resulted in the present day globalisation phenomenon which is transforming states, societies, communities, cultures and civilisation. John Akokpari reveals that the effects of globalisation alongside the numerous constraints to African development make regional integration an essential imperative for African countries and that in the post –Cold War years many efforts have been undertaken to initiate new integration schemes and strategies in Africa as well as strengthening of the existing ones. In the midst of dilemmas facing Africa, it is assumed that the best model of integration is that which ensures the maximum mobilisation of regional resources while minimizing external dependence.<sup>79</sup>

The existing problems regarding the marginalisation of Sub-Saharan African economies in international markets is increasingly being positioned for debate over the role of regional economic integration initiatives to guard the continent against such economic isolation and to play a key role in articulating its interests while jointly demanding better access and participation to international markets. Regional economic groupings in East Africa can thus position the region to have a collective bargaining power in international trade which can bring with it useful socio-economic and political empowerment and translate into notable economic growth.

Regional economic integration processes hold the key to reversing and preventing the global economic marginalisation and isolation of Africa on the grounds of its weak economic policies since regional economic integration will tend to operate in specified economic structures guided by concerted efforts to protect economic interests of member states.

African regional integration groupings can learn from this experience of turning around the negative effects of globalisation to benefit themselves and the region at large. The East Asia experience in regionalism shows that there are positive developments and huge benefits if countries pursue regional economic integration with clear economic policies that protect their markets from external interference while taking advantage of the benefits of trading among member countries within the region. East Asia has clearly proven that sub-regional initiatives can spur economic integration between unequally developed countries in a region with gains for all

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<sup>79</sup>Akokpari J. 2008. Dilemmas of Regional Integration and Development, in Africa, in J. Akokpari, N.A. Muvumba, and T. Murithi. (eds.). *The African Union and its Institutions*. Cape Town: Jacana Media. Pp.85-110.

members. This proves wrong critics of regional economic integration processes who argue that it is a project motivated by self-interest of more economically powerful countries mostly with national economic interests at hand at the expense of economically weaker countries.

The regional economic groupings in Africa can maximise and tap into the fragmented production abilities of the different member states and immensely gain from the relative comparative advantage and the economies of scale in order for them to boost their economic development prospects. An expanded regional market which is committed to the accomplishment of economic integration goals will substantially increase economic gains for countries in a regional bloc.<sup>80</sup> Regional economic bodies will stipulate clear rules that govern trade liberalisation measures across borders. This will in turn ensure fair market competition and ensure that rules and principles of reciprocity are followed enabling economically weak Member States to equally gain from the integration process.

In this regard, regional economic integration can play a positive role in balancing market disruptions caused by globalisation and the existing capitalist liberal market structures and approaches. Regional integration blocs can act as an empowered mechanism to intervene in the market and protect market interests on behalf of Member States, thus providing the needed protection from the threats of marginalisation and unfair treatment in international trade. It is important that African countries consider strengthening regional economic integration blocs as an option to stand up to the challenges of globalisation and marginalisation in international markets pursued by external forces under the pretext of liberalised world economy structures that threaten their future socio-economic development.

The need for Africa to embrace regional economic integration as an option in dealing with its economic challenges and marginalisation in global markets is further advanced by S. K. B. Asante. He argues that post-colonial African countries are highly fragmented with small markets that emanate from specific political and economic dispensations inherited from colonial rule.<sup>81</sup> This position has over the years disadvantaged most African countries as their economies have

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<sup>80</sup>Asante, S.K.B. 1997. *Regionalism and Africa's Development: Expectations, Reality and Challenges*. London: Macmillan.

<sup>81</sup> Ibid.

remained vulnerable to fluctuating world prices. Regional economic integration should, therefore, be employed as a way to combat these disadvantages of small size, low per capita incomes, small populations, weak economies and narrow resource bases. In this view, Asante emphasises that the fragmented African countries cannot effectively industrialise individually because of scarce resources and small market sizes.<sup>82</sup> Asante's assumption could not be more valid in assessing the African economic situation: "Without access to a larger market area that could be created by measures of economic integration, it is impossible to see how the economies of these small countries could be developed and diversified."<sup>83</sup> Asante's argument leaves no doubt that the only possible way for a country in Sub-Saharan Africa to fully integrate into the global market is through regional economic integration.

## 2.5 Conclusion

Regional economic integration and cooperation is becoming the norm throughout the world and will remain a topic for discussion and debate for many social scientist scholars. Regional economic integration can provide a stepping stone to globalisation and consequently access to international trade. It is important to understand however; that the success of regionalisation world over depends on the commitment to the process by member states and should always be understood that regional economic integration initiative is as much about governance, economic and political stability in the concerned regions as it is about trade liberalisation and the socio-economic benefits that it carries. It is important to highlight that regional integration comes with considerably important costs but these costs must be measured against the benefits and especially the long term benefits.

Today, most African countries have shown overt interest in joining the existing regional economic integration and cooperation schemes in the continent. This move displays that it is imperative that regional economic integration and cooperation initiatives will remain part and parcel of Africa's post-independence economic and development strategy. This will greatly assist the continent to combat foreign dependency and underdevelopment. The motives for regional economic integration in Africa that include the pursuit of economic, social and political interests

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<sup>82</sup>Asante, S.K.B. 1997. *Regionalism and Africa's Development: Expectations, Reality and Challenges*. London: Macmillan.

<sup>83</sup> Ibid. p. 29.

will position the continent to achieve greater bargaining power in the new international economic order. African countries have an opportunity and an avenue through regional economic integration to strengthen socio-economic development in the continent.

In this view, regional economic integration is a vital step for Africa's economic survival in the face of its myriad socio-economic and development challenges as well as a strategy to combat globalisation and its growing marginalisation in world trade. Asante asserts that this venture by the small sized African national economies is a giant step towards the long-cherished goal of unifying the continent's fragmented and vulnerable national economies into a single, more powerful economic bloc. It can be said, therefore, that the practical gains for the pursuit of regional economic integration and cooperation in Africa have not been realised; but nevertheless this strategy remains a noble option for African countries to achieve self-reliance and pursue serious industrial and economic development in the continent.

African countries need to double their efforts in order to accelerate the implementation of its regional integration goals and objectives that will in turn assist in driving the development agenda of the continent. This will result in poverty reduction, increase in per capita income and improve socio-economic and industrial development of the African continent; a dream that the post-independent Pan- African leaders hoped to be realised so as to improve the livelihoods of the African population.

In conclusion, the evolution of regional economic integration is arguably still a relevant step for the pursuit of developmental needs of the continent. This can augur well if governments of member states embark on serious moves to implement integration policies that serve to guide the achievements of integration goals together with involving the African people in the integration process. This is because regional economic integration is as much about governance as it is about trade liberalisation and its social impact.

## **CHAPTER THREE**

### **EAC ACHIEVEMENTS SINCE 2001**

#### **3.1 Introduction**

This chapter examines EAC goals and objectives together with its achievements since its revival in 2001. The EAC member states have set out a bold move and a grand vision for eventual unification of the East African region. The EAC is a fast moving integration initiative that is gaining momentum in its integration efforts and lately attracting the attention of researchers, socio-economists, policymakers, and other interested stakeholders. The newly established EAC has reinvented its integration efforts and is working towards delivering practical integration benefits to citizens of East Africa. The EAC stands a chance to provide a working model for integration in Africa and in the world if it works hard towards successful implementation of its goals and objectives of which the ultimate one is the formation of the Political Federation of East Africa. This ultimate goal of regional economic integration has not been achieved anywhere in Africa and in the world at large and it is of much interest to study how EAC plans to navigate integration constraints to achieve the same.

The chapter will start by highlighting a brief history of the EAC and the treaty to re-establish it after its collapse in 1977. It will also look into the achievements of EAC so far such as the launch of the Customs Union, the implementation of the Common Market Protocol as well the successful establishment of EAC affiliated Organs and Institutions that support the integration process. The thesis will sample the roles of a few of these EAC Organs and Institutions. The chapter will also look at the other pillars of integration that EAC has not realised but is in the process of working towards achieving them. This chapter of the thesis thus is a summary of the progress assessment report of the EAC since it was reinvented. It is however positive to note that the EAC member states have gone through some important milestones in the last 10 years and the efforts of the EAC member states to unite the region will certainly bear fruit this time round as the five East African countries are ambitiously committed to embark on an integration effort that will result in the fulfilment of the ultimate vision of a united, peaceful and prosperous East Africa. The newly revived EAC aspires to develop programmes aimed at widening, deepening and strengthening integration initiatives in the East African region working this time round to promote a people-centred economic, political, social, cultural and educational development on

the basis of balance and equal distribution of integration gains that will mutually benefit all Member States.

### 3.2 Brief History of the EAC

The initial members of EAC namely; Kenya, Uganda and Tanzania signed the treaty establishing the first EAC in December 1967 which had its key organs including an East African Authority, a committee of East African ministers, a secretariat, an East African Legislative assembly, ministerial councils and an East African Development Bank (EADB).<sup>84</sup>The EAC's earlier attempts at regional economic integration in the East African region fell short of achieving its objectives because since its inception in 1967, it did not achieve much in terms of delivering its integration objectives thus missing to gain tangible integration benefits. This inadequacy led to its collapse 10 years later in 1977. The earlier integration scheme in East Africa suffered lack of adequate, workable machinery for equitable distribution of integration benefits thus creating friction among the then member states to the extent that the effort to integrate the region failed to take off. In as much as allowing the integration initiative to fail, the East African states did not forget the potential gains of integrating the region thus this gave room to the possibility of setting up of an integration scheme in future.

The East African region is largely credited with one of the longest regional economic integration and cooperation experiences in the continent. As early as 1917, Kenya and Uganda, operated a fully functional Customs Union that was set up by Britain the then colonial power, and was later joined by Tanzania, the then Tanganyika, in 1927.<sup>85</sup> There were more elaborate regional integration arrangements and sectorial cooperation in East Africa that included the formation of the East Africa High Commission (EAHC), 1948-1961 and the former East African Community (EAC) that lasted from 1967 to 1977.<sup>86</sup> The formation of the EAC in 1967 and its subsequent collapse in 1977 calls for an inquiry on whether there is a difference in approach by the member states this time round to steer the East African regional economic bloc towards achieving its

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<sup>84</sup>Wolfe, B. 2008. *Regional Integration in Africa: Lessons from the East Africa Community*. Johannesburg: South Africa Institute of International Affairs.

<sup>85</sup> EAC in brief [www.eastafricaresources.org](http://www.eastafricaresources.org).

<sup>86</sup> Ibid.

integration goals as well as sustaining its ability to deepen and widen its integration efforts to the point of setting itself apart as a strong regional body in Africa and in the world.

The then three EAC member states namely; Kenya, Uganda and Tanzania had been searching for ways to integrate socially, economically, politically and in other sectorial areas that could help enhance development in the region and the search led to the establishment of the EAC in 1967 thus its subsequent collapse in 1977 dealt a blow to a region that had been earnestly seeking unity through economic and political integration.<sup>87</sup> This was largely because the then EAC had made great strides and was considered one of the most successful models of regional economic integration and cooperation in Africa in the early days.

The former EAC is credited for having fully operated common services of over thirty institutions, including the four major corporations: the East African Railways (EAR), the East African Harbours Corporation (EAHC), the East African Posts and Telecommunication Corporation (EAPTC), the East African Common Services Organisation (EACSO) and the East African Airways (EAA) besides other formidable array of joint research institutions.<sup>88</sup>

There are many reasons that have been cited for the collapse of the EAC in 1977, key among them were a lack of political will, another one is the existing structural problems which touched on the management of the common services, inadequate involvement of the East African population in the decision-making process and this was both the private sector and the civil society as it was widely viewed that the political elites largely owned and run the process. There was also lack of compensatory mechanisms for addressing disproportionate sharing of the costs and benefits of integration among partner states; ideological differences as well as vested political interests took centre stage. Further to this, were problems emanating from inequitable fiscal redistribution of integration gains, inter-territorial imbalances in trade, currency disharmony and constitutional impediments and a lack of vision and the necessary political will

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<sup>87</sup> East African Community. 2003. *East Africa Handbook*. Arusha: EAC Secretariat.

<sup>88</sup>Ibid.

from the leaders that made it difficult to resolve and navigate the integration challenges that would have otherwise helped to successfully steer the East African integration process.<sup>89</sup>

The first intention to relaunch the EAC was deliberated by the then three heads of states of Tanzania, Kenya and Uganda in 1991. In 1993, the heads of state signed an agreement on the establishment of the Permanent Tripartite Commission (PTC) for East African cooperation which was charged with the sole responsibility of coordinating a move towards renewed East African cooperation.<sup>90</sup> The huge interest shown by the East African leaders to re-establish the EAC led to the setting up of a secretariat in 1994 for the Tripartite Commission which began their work by looking at the possibilities and the viability of closer East African cooperation with intent to cooperate in virtually all economic, political and social sectors.<sup>91</sup> The Permanent Tripartite Commission later started the process of upgrading the agreement establishing the commission into the Treaty for the establishment of the East African Community commonly referred to as the Arusha Treaty. This was signed in November 1999 and entered into force in July 2000 paving way for the formal launching of the EAC in January 2001, a bold vision for the eventual unification of the EAC member states by setting out a Customs Union as the first step of integration.<sup>92</sup> The Treaty for the establishment of the EAC is guided by the principles of mutual trust, political will and sovereign equality. It is further guided by good governance, peaceful co-existence and good neighbourliness, peaceful settlement of disputes, equitable distribution of benefits and cooperation for mutual benefit.<sup>93</sup>

The initiatives by the Permanent Tripartite Commission led to the release of the first EAC development Strategy (1997-2000) which was designed to relaunch East Africa Cooperation. The second EAC Development Strategy (2001-2005) served to consolidate the East African cooperation process culminating in the launch of the Customs Union that came into effect on first January 2005.<sup>94</sup> The third EAC development Strategy (2006-2010) highlights EAC's

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<sup>89</sup>Wolfe, B. 2008. *Regional Integration in Africa: Lessons from the East Africa Community*. Johannesburg: South Africa Institute of International Affairs.

<sup>90</sup> Ibid.

<sup>91</sup> Ibid.

<sup>92</sup> Ibid.

<sup>93</sup> East African Community. 2007. *EAC Development Strategy 2006-2010: Deepening and Accelerating Integration*. Arusha: EAC Secretariat.

<sup>94</sup> Ibid.

initiatives to deepen widen and strengthen its integration process. It is widely viewed that the major task ahead for the EAC member states lies in their ability to consolidate and fully implement the Customs Union in parallel with the other integration pillars. The implementation of the Customs Union is done by respective revenue authorities through a centralised structure that is overseen by the Customs and Trade directorate of the EAC organs and it is of great importance to socio-economists, political analysts, researchers and policy makers to observe how EAC will surmount the procedures of harmonising policies for smooth running of the Customs Union as well as the roadmap it plans to adopt to achieve all the other integration goals and objectives.<sup>95</sup>

### **3.3 The Revived EAC**

Regional cooperation in East Africa cannot be characteristically considered as new phenomenon. The East African countries have shared both some form of informal and formal cooperation over a century. There has been continued cross-border integration and trade with border areas being home to communities that share same culture and language from either country. The formal cooperation stated as early as during the British rule and later the formation of the initial EAC whose effort to integrate the region did not materialise.

Following the collapse of the EAC in 1977, the East African Mediation Agreement of 1984 that provided for the division of the assets and liabilities of the former EAC was concluded and member states through the whole process, foresaw the possibility of exploring future cooperation. The three EAC Member States then, agreed to identify areas for future cooperation and to make arrangements for such initiatives to take place in order to avoid total disintegration of the regional integration initiatives of the East African countries. The East African states agreed, among other undertakings, to explore ways to revive and pursue their initial regional integration and cooperation efforts.<sup>96</sup> In 1993, the Permanent Tripartite Commission was formed with Tanzania, Kenya and Uganda as its members to further negotiate the possibilities of regional integration and cooperation in East Africa. This initiative was later upgraded, resulting in the signing of the treaty for the re-establishment of the East African Community in Arusha,

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<sup>95</sup> Ibid.

<sup>96</sup> Wolfe, B. 2008. *Regional Integration in Africa: Lessons from the East Africa Community*. Johannesburg: South Africa Institute of International Affairs.

Tanzania on November 30<sup>th</sup>, 1999 and its entry into full force on July 2000.<sup>97</sup> The Republics of Burundi and Rwanda are the newest partner states having joined the EAC in 2007.<sup>98</sup> The admission of Rwanda and Burundi into the EAC regional bloc has been deemed a positive move and it has been argued that a few years since the approval of their membership, there seems to be more stability in resolving integration conflicts and the speeding up of the negotiations towards achieving integration objectives. During the inauguration of the revived EAC, the member states, in a spirited move emphasised the fact that the new initiative would be based on the establishment of a single investment area through well-coordinated economic policies as opposed to the joint ownership of assets, a major factor that characterised EAC's early integration efforts.<sup>99</sup>

The revived EAC is therefore set to be more citizen centered, more private sector-driven; allowing the East African people to own the decision making process of the integration initiatives. The process will be more transparent and accessible to the citizens so as to engage in promoting the regional integration and cooperation efforts as opposed to the early integration venture where the role of state through respective governments played a major part, which later became detrimental to the integration efforts.<sup>100</sup> Mwalimu Julius Nyerere, a Pan-Africanist leader in East Africa during the post- independent period, believed in a step by step integration in Africa. The renowned Tanzanian socialist leader advocated that while continental unity was politically desirable, it was not practically implementable at once. In Nyerere's view, Africa would have to achieve unity by stages and regional economic groupings were a step forward.<sup>101</sup> It is for this reason that the treaty establishing the EAC, provides for a logical approach to the integration process.

The EAC member states as per the driving principle of the Arusha Treaty, which is to have a people-centred and market-driven regional integration process, have ambitiously embarked on achieving their goals in a subsequent order beginning with the establishment of a Customs Union

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<sup>97</sup> Ibid.

<sup>98</sup> Ibid.

<sup>99</sup> Ibid.

<sup>100</sup> Ibid.

<sup>101</sup> Nyong'o, A.P. (ed.). 1990. *Regional Integration in Africa: An Unfinished Agenda*. Nairobi: Academy of Science Publishers.

by 2005, the establishment of a Common Market in 2010, a Monetary Union by 2012 and thereafter a Political Federation of the East African States.

The inclusion of Rwanda and Burundi in the membership of EAC has been largely welcomed and viewed as a positive move for the East African integration scheme. Political analysts believe that this step brings neutrality and dilutes the traditional issues of rivalry amongst the other initial members of the EAC.

### **3.4 The EAC Goals and Objectives**

The EAC aims at widening and deepening regional integration among the member states in, among others, political, economic and social fields for their mutual benefit. The process of regional integration as stipulated in the Treaty for the establishment of the East African Community (EAC), which was ratified in November 1999 and came into force in 2000, was a tripartite force to revive regional cooperation and integration between Kenya, Uganda and Tanzania that had collapsed in 1977.<sup>102</sup> The EAC is entering its second attempt at uniting the region as a stronger and a larger regional bloc and has this time round shown inherent determination to succeed beyond the initial EAC while investing on the lessons learnt from the earlier disintegration of the regional bloc. The EAC treaty came into force in July 2000 with the following objectives; the establishment of a Customs Union, a Common Market, Monetary Union and ultimately a Political Federation of the East African States. The purpose of the set objectives is to strengthen and regulate the industrial, commercial, infra-structural, cultural, social, political and other relations of the partner states so that there is accelerated, harmonious and balanced development with sustained expansion of economic activities that will be shared equitably among the five members of the East African regional bloc.<sup>103</sup>

### **3.5 EAC Achievements**

The EAC integration process has four stages: the Customs Union, the Common Market, the Monetary Union and ultimately the East African Political Federation. Since 2001, two of these

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<sup>102</sup> East African Community: EAC Update. Directorate of Corporate Communication and Public Affairs. Arusha <http://www.eac.int>.

<sup>103</sup> Ibid.

EAC pillars have been put in place together with other institutional organs and bodies that have been established to support the regional integration initiative.

### 3.5.1 *The Customs Union by 2005*

This is considered as phase one and the entry point of the EAC integration process. The EAC Customs Union came into effect on 1<sup>st</sup> January 2005. The formation of the EAC Customs Union marked a major step towards integration in East Africa as it allows free movement of goods between countries and is considered an important move towards consolidating economic development in the region.

The principal objective of the Customs Union is the formation of a single customs territory for the member states. The Customs Union ensures that internal tariffs and non-tariff barriers that could otherwise hinder trade between member states are eliminated so as to facilitate the formation of one large regional market and investment territory.<sup>104</sup> In a Customs Union, trade is the main focus and it is important that policies relating to partner-state trade and trade with other countries outside the regional trading bloc are harmonised.<sup>105</sup>

The consolidation of the EAC Customs Union ensures that investments within the region are harmonised, transparent, enacted into law, and are available to all enterprises on the same terms.<sup>106</sup> Further on, in the Customs Union arrangement, the EAC partner states adopt a common and uniform code of conduct for investment incentives and company income taxation while at the same time harmonising the process of moving away from discretionary tax exemptions towards transparent tax and investments laws.<sup>107</sup> The Customs Union strives to achieve removal of internal tariffs, non-tariff barriers and the establishment of a Common External Tariff (CET).<sup>108</sup>

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<sup>104</sup> Wolfe, B. 2008. *Regional Integration in Africa: Lessons from the East Africa Community*. Johannesburg: South Africa Institute of International Affairs.

<sup>105</sup> Ibid.

<sup>106</sup> East African Community. 2007. *EAC Development Strategy 2006-2010: Deepening and Accelerating Integration*. Arusha: EAC Secretariat.

<sup>107</sup> Ibid.

<sup>108</sup> Balassa, B.A. 1961. *The Theory of Economic Integration*. Homewood: Irwin.

The concept of a Customs Union dates back to Viner's Theory. Viner's argument asserts that the formation of a Customs Union would eventually end in free trade among member states. Viner's theory propounds that partner states in a regional economic bloc will be able to develop a protectionist mechanism vis à vis the rest of the world.<sup>109</sup> A Customs Union allows for the integration of commodity markets and the establishment of a common external tariff upon trade and the prices of goods in domestic markets of member states of a regional bloc.

The EAC member states have successfully implemented a Customs Union. With effect from 1<sup>st</sup> January 2010, the EAC has been able to put in place a fully-fledged EAC Customs Union, which involves the phasing down to zero tariffs for all goods traded within the East African region. This has since allowed for free movement of goods, elimination of external tariffs, application of the Common External Tariff, and the harmonisation of standards and quality.<sup>110</sup>

A Custom Union theory models its operations on assumptions such as perfect competition in factor and commodity markets; perfect mobility of factors of production within member countries but relies on easy flow of persons and goods across borders; full employment of resources; the state of technology, well stipulated tastes and forms of economic organisation are all assumed to be factors at disposal for a successful integration process.<sup>111</sup> The success of a Customs Union heavily depends on the balance between trade creation and trade diversion. There are many factors that affect the operations of a Customs Union in a regional economic initiative. These are, for example, increased competition, economies of scale, changes in the volume and location of investment and terms of trade effects.<sup>112</sup> The Customs Union assesses the advantages of regional economic integration only based on the balance between trade creation and trade diversion. The creation and implementation of the EAC customs Union is expected to provide an impetus for the flow of trade amongst the member states. The implementation of a Custom Union by the EAC member states is a positive is expected to improve the flow of trade amongst the member countries as well as provide an impetus for higher achievements in trade.

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<sup>109</sup> Viner, J. 1950. *The Customs Union Issue*. New York: Carnegie Endowment for International Peace.

<sup>110</sup> Ministry of East African Community. October-December, 2009. *Jumuiya Newsletter*, Issue 16. Nairobi: MEAC Secretariat.

<sup>111</sup> Holt, S. 1967. *The Common Market*. London: Hamish Hamilton.

<sup>112</sup> Hansen, D.R. 1969. The Regional Integration: Reflections on a Decade of Theoretical Efforts. *World Politics*, Vol. 21, No. 2: 242-271.

The EAC Customs Union will level the ground for the region's producers by ensuring that there is a uniform competition policy and law and a common customs procedures and external tariffs on imports from other countries.<sup>113</sup> There will be improved cross border trade and investment initiatives because of the enlarged market area with minimal customs clearance rules and regulations enabling partner states to enjoy economies of scale which will boost economic development in the region. A fully functional Customs Union is more attractive to investors and private business operators who would exploit the comparative and competitive advantages offered by regional business locations with the assurance of a stable economic environment as the driving force.<sup>114</sup> Investors are looking for large and growing markets for their products and goods thus the launch of the EAC Customs Union will facilitate cheap movement of these products across borders without getting delayed in red tape and bureaucracy. The EAC member states are committed to promote economic growth in the East African region by striving to overcome the challenges of doing business East Africa. The positive impacts of integration are already being felt in East Africa. Trade is increasing steadily to about 62% regionally since the introduction of the EAC Customs Union in 2005. The intra-regional trade among the five member states has grown to Sh101 billion most recently and is getting bigger. In the initial stages of the implementation of the Customs Union, there were fears that the partner states would lose revenues as a result of the elimination of tariffs, however; studies reveal that original partners states have had significant increase in revenues resulting from increased intra-EAC trade which is worthy more than the value of the customs revenue previously harnessed by the member states from their respective border points.<sup>115</sup> There has been progress in trade since the launch of the Customs Union and the Common Market by EAC; this is for example, a country like Kenya has registered exports to the region that surpass those to the European Union, which was traditionally the largest market for its exports.<sup>116</sup> There have been efforts by member states to boost cooperation in the development of infrastructure in the region and the elimination of non-tariff barriers has helped create an attractive business environment in the region.

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<sup>113</sup>Wolfe, B. 2008. *Regional Integration in Africa: Lessons from the East Africa Community*. Johannesburg: South Africa Institute of International Affairs.

<sup>114</sup> Ibid.

<sup>115</sup> Ibid.

<sup>116</sup> [www.standardmedia.co.ke/](http://www.standardmedia.co.ke/).

### 3.5.2 *The Common Market by 2010*

A Common Market is ideally an arrangement where members of a regional economic bloc merge and expand the freedom of movement to include people, labour, services, capital, and technical know-how into one, bigger and single regional economy and strive to create an environment for these factors of production to thrive. In a Common Market arrangement, member states agree to adopt common policies to ensure freedom of movement of people, capital, free movement of goods, labour, services as well as rights of establishment and residence anywhere within the unified territory while maintaining a Common External Tariff against non-members.<sup>117</sup> The protocol on the establishment of the EAC Common Market ushers in freedoms and rights to be enjoyed by the citizens of the East African Community member states for example, any citizen will have a right to start a business anywhere in the region without being discriminated against on grounds of nationality. The basic elements of a Common Market include the existence of a smoothly functioning Customs Union that includes total elimination of all tariff and non-tariff barriers (NTBs) and application of a Common External Tariff. A Common Market thrives where there is an enhanced economic policy harmonisation and coordination with regards to fiscal regimes and monetary policy.<sup>118</sup>

Another basic element of a Common Market is setting up, strengthening and empowering the necessary Institutions/Organs supportive of the Common Market operations.<sup>119</sup> The EAC partner states signed the Common Market Protocol in November 2009 and came into force in July 2010 after ratification by the five member states and brings with it four freedoms: free movement of goods, free movement of capital, labour and services. The establishment of the Common Market Protocol was motivated by the successes of the Customs Union. The Common Market offers a combined market of 130 million people and this important move has marked the beginning of a proactive approach to integration efforts by the East African countries.<sup>120</sup> It is important to note that this milestone has been achieved after only five years since the successful launch of the Customs Union, the first pillar of the integration process.

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<sup>117</sup> Ibid.

<sup>118</sup> Ibid.

<sup>119</sup> Ibid.

<sup>120</sup> Ibid.

The Common Market means that the member states markets integrate into one big, single trade bloc in which there is free movement of capital, labour, goods, services, rights of establishment and rights of residence. The EAC Common Market has all the elements of a Custom Union but in addition, it permits capital, labour and entrepreneurship to move among member state countries. The EAC Common Market puts the Customs Union into force where EAC originated goods will be traded duty free and there will be no internal taxation charged on goods traded amongst members of the EAC.

The launch of the EAC Common Market has, however, triggered some challenges in its implementation stages. This includes; the operationalisation of the Common Market, which has somehow failed to resolve fears and concerns of ownership and the use of land prompting concerns that the quest for the formation of a political federation by EAC member states may face similar obstacles.<sup>121</sup> The other challenges that have also, so far hindered the realisation of the full benefits of a Common Market include inequitable distribution of resources within the region, some ideological differences emanating from different leadership styles and visions and the lack of agreement on what systems of governance should be put in place to address the needs of the Community.<sup>122</sup> The other fears that the EAC faces include the implementation of a number of protocols such as the fight against corruption, governance issues, including human rights and a constitution to address the EAC matters as well as distribution of economic benefits of the regional bloc. However, not all is lost in the implementation of the Common Market. The EAC has seriously embarked on putting in place the EAC constitution, governance structures that the EAC should adopt, and proposals on how to implement EAC decisions are being pursued. The East African Court of Justice (EACJ) and the East African Legislative Assembly (EALA) are examples of such institutions that the EAC has put in place to support the Common Market protocol. It is important to note that manufacturers and business organisations in the East African region are pushing for the rapid resolution of bottlenecks that curtail the smooth implementation of the Common Market protocol. This calls for action in harmonising VAT, mutual recognition of standards, quick implementation of directives and dispute resolutions. If these issues are

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<sup>121</sup> East African Community. 2007. *EAC Development Strategy 2006-2010: Deepening and Accelerating Integration*. Arusha: EAC Secretariat.

<sup>122</sup> Ibid.

addressed effectively; there is a huge advantage in that it will unlock the potential in the East African Common Market to bring tangible benefits to the citizens of the East African region.

The potential benefits of a Common Market include the opening up of border points for a free flow of goods, services and labour allowing for capital transfer and establishment of residences across borders with few barriers.<sup>123</sup> Citizens of member states are free to live in a single economic bloc as members of a single customs territory. This in turn helps to foster the necessary conditions for sustained rapid economic growth in the region as the market size is expanded. It is important to note that regional economic integration comes with a certain level of sacrifice of national interest, with different implications on the national redistribution of income for member states. Regional economic integration theorists however; maintain that gains from successful regional economic integration efforts far outweighs this concern.

The EAC Common Market allows goods to be sold across borders without any tariffs and non-tariff barriers. The revival of the EAC has opened it to greater internal competition, which should stimulate productivity, create more competitive jobs while allowing labour to move to the highest bidder for its services and thus position East Africa as a single negotiator against other trading blocs in the wider global markets.<sup>124</sup> The EAC Common Market creates stiff competition and this is happening at a time when there is still a huge development disparity among member states. In spite of all this, it is imperative to say that, whatever the challenges the EAC is facing, the coming into being of the East African Common Market is indeed a milestone in the process of integrating the region economically and, perhaps, politically in the future. The successful signing of the Common Market protocol and its subsequent implementation by member states will set the region on the path to a monetary union and ultimately a political federation. The advent of the Common Market is expected to certainly stimulate economic growth in the East Africa region. There has been a significant economic growth in the EAC since the launch of the Customs Union and the Common Market Protocol. The region has witnessed phenomenal growth in trade and investment. International trade and foreign direct investments in the EAC region have grown by over 60% in operations of the Customs Union, joint promotion of EAC

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<sup>123</sup>Wolfe, B. 2008. *Regional Integration in Africa: Lessons from the East Africa Community*. Johannesburg: South Africa Institute of International Affairs.

<sup>124</sup> Ibid.

investments and trade, and on the onset of the Common Market, the Intra-EAC trade has risen to 23% of total value exports. The EAC partner states through committed political leadership can realise greater economic benefits from the integration process if all members apply strong incentives to see the liberalisation of intra-EAC trade.

Further to this, measures have been put in place such as the issuing of the East African passport, the introduction of the EAC flag, and the ease of currency convertibility. To ease the movement of people, the introduction of temporary passes has seen East African citizens easily cross the borders and engage primarily in intra-regional and cross border trade.<sup>125</sup> There is also the abolition of charges on temporary importation of vehicles across regional borders capped with the establishment of special immigration counters for East African travelers at the region's airports.<sup>126</sup> This has greatly helped boost the feeling of being East African citizens and has raised the citizens' awareness to own the regional bloc and get involved in the integration process.

### *3.5.3 Establishment of EAC Organs and Institutions*

The EAC has widened, deepened and strengthened its integration initiative at a faster pace than had been anticipated a few years ago. The EAC has made some strides in achieving its integration goals and objectives. The EAC has so far succeeded in developing some sectorial councils and institutions that help to boost economic and political integration process and make EAC a progressive and an efficient regional bloc that can cope with the challenges of the 21<sup>st</sup> century. In spite of the fact that the EAC was most recently re-established, notable achievements have been forthcoming and it is noteworthy to say that the EAC progress is rightly on course. The five EAC member states are putting a lot of effort and emphasis to foster the integration and achieve its objectives in order that the process benefits its citizens. In this regard, EAC has embarked in developing projects and programmes that support the integration process. The establishment of EAC affiliated organs and institutions to support the regional integration initiative is one way the regional bloc has stepped up its efforts to put in place all necessary mechanisms to drive the integration process in the region.

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<sup>125</sup> Ibid.

<sup>126</sup> Ibid.

There are a number of organs and institutions that the EAC has been able to establish to articulate each agreed area of cooperation and the launching of development strategies for the integration process. These Organs and Institutions perform their functions and act within the limits of the powers conferred to them by the Treaty for the establishment of EAC. The established organs of the community include the Summit, the Council, the coordinating Committee, the Sectorial Committee, The East African Legislative Assembly (EALA), the East African Court of Justice (EACJ) and the Secretariat. These are the Policy Organs of the EAC.<sup>127</sup> The EAC affiliated institutions that have been established are: Inter-University Council of East Africa (IUCEA), East African Development Bank (EADB), the Lake Victoria Basin Commission (LVBC) and the Lake Victoria Fisheries Organisation (LVFO) which are some of the first important institutions of the EAC primarily launched to help boost cooperation among member states and have become important operational pillars of the regional integration bloc.<sup>128</sup> There is also much sectorial collaboration that has been established to help in harmonisation of policies that would in turn help in the realisation of the integration goals. This is in areas like communication and technology, capital markets, transport and communication, energy, tourism, education and training, science and technology among others.<sup>129</sup>

#### *The Lake Victoria Basin Commission (LVBC)*

The Lake Victoria Basin is a huge trans-boundary economic resource in the East Africa region that requires sustainable development. Lake Victoria is the world's second largest freshwater lake with a big influence on the climate of a wide geographical area of the EAC member states. The EAC member states recognised the economic significance and capabilities of this important resource in the region and consequently designated it as an Economic Growth Zone in its first Development Strategy (1997-2000).<sup>130</sup> A protocol for sustainable development of the Lake Victoria Basin was thereafter developed and ratified in 2004.<sup>131</sup> The protocol establishes both the legal and administrative mechanism for sustainable development of the Lake Victoria basin and the establishment of the Lake Victoria Basin Commission (LVBC) as an apex institution of the

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<sup>127</sup> EAC in brief [www.eastafricaresources.org](http://www.eastafricaresources.org).

<sup>128</sup> Ibid.

<sup>129</sup> Ibid.

<sup>130</sup> Ministry of East African Community. October-December, 2009. *Jumuiya Newsletter*, Issue 16. Nairobi: MEAC Secretariat.

<sup>131</sup> Ibid.

East African Community mandated to promote, facilitate and coordinate the different actors involved in socio-economic development and poverty alleviation initiatives within the Lake Victoria Basin. There is a proposed Lake Victoria basin Commission (LVBC) Strategic Plan (2011-2016) that is currently under discussion. The Strategic Plan lays out the Commission's projects and programmes for the subsequent years. The LVBC engages in several partnership arrangements building broad networks amongst stakeholders in the region and all over the world for the sustainable development of the Lake Victoria Basin. There is need though to strengthen the Commission's institutional capacity, especially its management to ensure meaningful gains are achieved from their varied programmes. The relaunched EAC needs to give support to LVBC in infrastructure development, resource utilisation and management and capacity building in order to maximise the potential of the Lake Victoria Basin resource for the mutual benefit of the East African citizens especially the population living around the Lake Victoria region.

#### *The East African Legislative Council (EALA)*

The East African Legislative Assembly (EALA) is the legislative arm of the regional integration process. It constitutes the EAC regional parliament and is made up of members appointed by national assemblies of member states. The elected members of the Assembly serve for a five year term and are eligible for re-election for another five year term.<sup>132</sup> The members of this regional Assembly are required to liaise with national assemblies of respective partner states on matters relating to the EAC integration process. The assembly carries out debates, approves EAC's budgets. Furthermore, the Assembly is expected to look through the Community's annual reports and audits and present any matters pertaining the regional bloc for discussion and make any necessary recommendations to the council.<sup>133</sup>

#### *The East African Court of Justice (EACJ)*

The East African Court of Justice (EACJ) is the judicial organ of the EAC and forms an important part of the integration venture. It plays the role of the ultimate arbiter and its decision is legal and binding on all Member States. The regional court has initial jurisdiction over the interpretation and application of EAC Treaty. The EACJ constitutes an important organ for

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<sup>132</sup>Oluoch, W.L.O. 2009. The Legitimacy of the East African Community. *Journal of African Law*, Vol. 53, No. 2: 194-221.

<sup>133</sup> Ibid.

advancing the integration agenda in the East African region. The EACJ was established under the EAC Treaty not only to play an instrumental role through peaceful settlement of disputes but more significantly to contribute to the harmonisation of the laws of partner states.<sup>134</sup> EACJ contributes to the improvement of the regional judicial system. It plays an important role of bringing accessibility of justice to the East African people and is considered a key dispute resolution mechanism that takes up the role of mediating and resolving conflicts from national courts executing justice between member states in the EAC integration process while assuring the adherence of the law.<sup>135</sup>

#### *The East African Development Bank (EADB)*

The East African Development Bank (EADB) is an important development finance institution of the EAC that plays a crucial role in promoting development in the region. EADB supports development projects and programmes of the EAC that enhance regional integration initiatives in the region. Most recently members of the EAC Summit made a strong commitment to strengthen the institution through recapitalisation and other measures so as to ensure that it is efficient in its delivery of services to member state countries and to strengthen its operations across the region.<sup>136</sup> The bank plays the role of a lender, adviser and development partner while providing tailor-made range of products and services for the EAC's development needs.<sup>137</sup> The bank is charged with consolidating and sustaining positive gains from the integration process in the region and most recently it has improved its performance from a negative position recorded in the previous years to a return to profitability; a move that is positive to EAC integration efforts. The bank funds EAC projects in agriculture, infrastructure and social sectors.

#### *The Inter University Council of East Africa (IUCEA)*

The EAC has established an Inter-University Council of East Africa (IUCEA) as an important institution to support the integration process in the region. IUCEA brings together institutions of higher learning in the region to engage in collaborative research and in the development of high standards of education that can positively impact the East African region. It is important for

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<sup>134</sup> East African Community. 2003. *EAC Treaty and Challenges to the Community*. Arusha: GTZ.

<sup>135</sup> Ibid.

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

member states to have joint research institutes and to engage in transformative research and capacity building as individual country efforts will not amount to much. The EAC countries share similar problems, so enhanced joint research can produce results that can be readily consumed by all member states. IUCEA can greatly help facilitate the conducting of policy orientated research focusing on issues affecting the region that may contribute to the success or failure of the integration process such as peace and security, good governance, foreign policy issues among other issues, all for the purpose of spearheading the rapid socio-economic transformation of the East Africa region..

### **3.6 Goals not yet realised by the EAC**

The EAC which was recently re-established has not achieved all the four pillars it hoped to drive in the treaty for the establishment of the new EAC. The East African regional bloc is, however, still within the time frame it had set to achieve its integration goals and objectives. In November 2009, the regional bloc celebrated its 10<sup>th</sup> anniversary. The next sub-chapters will discuss two of these goals that the EAC is still working towards achieving them.

#### *3.6.1 The Monetary Union by 2012*

The EAC is already looking ahead to the achievement of the third pillar of the integration process: The East African Monetary Union (EAMU) especially after the successful launch of the Customs Union and the Common Market Protocol. The Monetary Union is expected to pave the way for the ultimate establishment of a Political Federation. The Monetary Union will involve a single monetary policy and a change from national currencies to a single common currency for the East Africa region. The EAC member states will be expected to abandon separate national currencies and embrace a single currency administered centrally by a single institution. The negotiations on the Monetary Union are on-going and negotiations on EAMU protocol are on-going. The EAC Summit, the highest decision-making organ of the Community, which comprises Heads of State of the respective member states, has put in place measures to ensure that the process is hastened.<sup>138</sup> The European Central Bank (ECB) which was contracted to work with national experts from the Central Banks of the five nations has carried out an initial study on the viability of EAMU and its recommendations are currently been used by a team of experts

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<sup>138</sup> East African Community. 2003. *EAC Treaty and Challenges to the Community*. Arusha: GTZ.

as background information to prepare the protocol.<sup>139</sup> The biggest challenge facing EAC countries with regard to this goal is the convergence challenges that will result into a single currency. Although significant progress has been made in the negotiations for a monetary Union, a lot still remains to be done in order for EAC to realise this third pillar of the integration process such as the establishment of an operational and regulatory framework and macroeconomic convergence.<sup>140</sup> The EAC member states require wider consultations and a lot of preparatory work towards the achievement of EAMU and presently, the five EAC member states are engaging important stakeholders and the quest for achieving a Monetary Union remains high on EAC's member states agenda.<sup>141</sup> The EAC partner states are focused and confident that they shall manoeuvre negotiation challenges that will eventually yield to the formation of the Monetary Union.

### *3.6.2 Political Federation of East African States by 2015*

The Political Federation is the fourth pillar in the treaty for the establishment of the EAC and the ultimate step towards full integration of the East African region. After the successful establishment of the Customs Union and the Common Market Protocol, the East African nation states are already looking forward to a political federation in 2015. This is the direction and the vision the five partner states aspire to follow and attain in order to strengthen the East African bloc politically and economically. The EAC partner states are presently holding on-going discussions on the formation of a political federation. The talks that are currently in process are expected to pave the way on systems of governance that the EAC partner states would adopt. One of the major challenges however affecting the EAC integration process is the suspicion among member states whether the political federation will be in place as expected. While a political federation was the anchor of the first EAC that later collapsed, steps must be taken to ensure the causes of the dissolution do not occur again. member states should give emphasis to the fact that an envisaged political federation is not about political power but economic empowerment of the East African citizens.

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<sup>139</sup> Ibid.

<sup>140</sup> Ministry of East African Community. October-December, 2011. *Jumuiya Newsletter*, Issue 23. Nairobi: MEAC Secretariat.

<sup>141</sup> Ibid.

The EAC through a team of experts has been researching and disseminating findings to stakeholders on the key facets of a Political Federation. Issues surrounding the structures and functioning of Federations, the role of political parties in the East African Integration process and representation in the East African integration process have been topical subjects of discussion. It is encouraging to note that EAC is determined to make the integration process people centered and is ready to incorporate the various views which will guide the political integration in general and the envisioned political federation in particular. All stakeholders from the five partner states ought therefore to be proactive and give important views on the kind of political integration they want. The EAC member states are committed to the long cherished dream of the post-independent East African leaders of an East African Federation and despite the integration challenges, this should be realised by the year 2015, and this calls for commitment by all within the EAC bloc. The leadership of the EAC partner states should provide the much-needed political will and commitment to push the East African integration body to its fourth and ultimate goal of achieving a political federation of East African States.

### **3.7 Conclusion**

East Africa is a region endowed with rich natural resources with abundant supply of minerals, rich tropical forests, arable land, mountains, coastal lands and freshwater lakes and rivers that hold vast opportunities for socio- economic and industrial development. The EAC member states through the tenets of good governance and democracy alongside peace and stability, high investment in infrastructural development, free market economics and regional unity can propel and sustain the integration process to pursue prosperity that can improve the livelihoods of the East African people. The current EAC can be credited with setting timely targets; the successful implementation of a fully-fledged Customs Union, the launch of the Common Market Protocol together with the subsequent establishment of EAC Organs and Institutions are land mark events in the integration process in East Africa. This means that citizens of the five member states stand to benefit from the integration process. An economically and politically united East African Community should seek an overall economic planning on a regional basis, which would increase the industrial and the economic power of East Africa. A common foreign policy should be adopted to give political direction on regional security and defence, regional economic and industrial development planning. The EAC has the potential to weave itself into a vibrant and

active regional economic bloc in Africa and in the world. The EAC needs to establish more institutions, which can help Member States collectively to develop capacities and infrastructures essential for their socio-economic and industrial development.

The EAC should embrace modern technology and communication systems that aim to galvanize regional resources for purpose of self-reliant development. The EAC has a great potential to unite the East African region and there is no doubt that EAC is easily the most dynamic regional economic community in Africa and possibly the world given the spirited efforts by member states to steer the process to greater heights. The EAC member states have a huge opportunity to steer the integration process to deliver meaningful benefits to the East African population since the present member states have all shown a committed attitude towards the newly revived regional economic body and are committed to avoid pitfalls that led to the collapse of the initial EAC. The reduction of barriers to intra-regional trade as stipulated in the EAC Customs Union and the efficient adherence to the Common Market Protocol, will create larger regional markets for the EAC partner states that can realise economies of scale and sustain production systems and the markets; this will eventually enhance East Africa's competitiveness, enabling it to attract a larger share of the global market. The East African leaders, therefore, need to adequately and effectively address emerging issues that could derail the full integration of East Africa as the five member states envision the timely achievement of the remaining integration goals and ultimately aspire to become a strong regional bloc in Africa and the world.

## **CHAPTER FOUR**

### **THE EAC INTEGRATION CHALLENGES AND CONSTRAINTS**

#### **4.1 Introduction**

This chapter explores EAC challenges and impediments towards the attainment of its regional integration goals and objectives through the current regional economic integration initiative. Whilst there are many challenges to regional integration initiatives in the world, this study will highlight the political, social and economic challenges facing the EAC integration process. This is done while keeping in mind that the previous attempt to economically integrate the East African region through the defunct EAC failed. In post-colonial Africa, many regional economic integration initiatives have been forged to unite the continent to pursue economic development but these initiatives have more often failed to deliver meaningful results. It is important to note that the concept of regional cooperation and integration was high on the agenda for many Pan-Africanist leaders and socio-economic policy makers at the dawn of the independence period in the 1950s. Regional economic cooperation and integration emerged as a concept adopted by countries after the Cold War period and later became one of the development strategies for many developing countries. There is no doubt, however, that Africa's initiative towards regional cooperation and integration has faced many challenges and constraints that need to be addressed in order that the process succeeds to benefit its population..

There is need, therefore, to highlight some of the challenges and obstacles that regional groupings in Africa are facing that have derailed efforts to attain socio-economic and industrial development through regional integration. Many African countries are faced with poor economic growth that has severely affected development in the continent and many scholars, policy makers and economists have supported the potential of regional economic integration and cooperation as the key element that can unlock the developmental challenges that continue to plague the continent and especially now in the advent of the globalisation. There is a general consensus that regionalism can steer African countries to achieve increased developmental growth as countries are able to break out of their narrow national markets to form large, single and strong regional markets that enjoy economies of scale as well as obtain a greater bargaining power to access global markets as a bloc. Asante argues that the process of economic integration in Africa will settle the balance of payment deficit, overcoming difficulties arising from the size of national

markets, raising productivity and efficient use of regional resources, and also serving as a strong stimulus for the incorporation of technical progress and many other objectives in international policy.<sup>142</sup> It is however clear that regional integration initiative has not succeeded as the key strategy to Africa's development, thus it is crucial to understand the challenges so as to know how best to address them so that the Sub-Saharan African countries can benefit from the process.

The many expectations placed on the ability of regional integration to deliver Africa from its many socio-economic and development challenges have not been realised to say the least, but regional economic integration is still deemed a vital and integral part of Africa's development. Many researchers are quite optimistic that regional integration can deliver Africa from its socio-economic and development challenges and that the initiative remains a possible strategy to be pursued to ensure meaningful and sustainable development in the continent. In this regard, it can be said, therefore, that there is hope that Africa's development agenda can be better realised through regional economic cooperation and integration.

## **4.2 EAC Regional Integration Challenges**

The formation of the EAC is considered an important step in the right direction for the integration of the East African region. The five member states have entered into the integration process well aware of the challenges that initially led to the collapse of the former EAC and are determined to navigate the challenges so as to safeguard against another collapse of the regional Community. The EAC is a steadfastly growing integration body and in the process problems have been faced by the partner states. The challenges that the EAC faces are principally to do with the the process of implementing the goals and objectives in the Treaty for the establishment of the EAC that hinder the regional bloc from effective and efficient pursuit of its integration objectives that is hoped to ultimately result in a united East Africa.

### *4.2.1 Reluctance of Member States to Cede Sovereignty*

It has been argued that most countries engaged in a regional integration initiative are not willing to cede any level of sovereignty to a supranational body thus some of the challenges faced by the

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<sup>142</sup> Asante, S.K.B. 1997. *Regionalism and Africa's Development: Expectations, Reality and Challenges*. London: Macmillan.

EAC are issues relating to sovereignty. There exists some form of reluctance by member states to cede their sovereignty. Some EAC countries still value their national sovereignty, pursue different individual state ideologies and are quite protective of their national interests. Despite the efforts put by the EAC in its regional integration initiatives, some countries still view it as a phenomenon that will wipe out national interests and boundaries thus more often there is slow implementation of integration policies at the national level.

This divergent pursuit of different national ideologies, economic, political and developmental interests by member states threatens the achievement of faster integration and the unity of EAC. The regional integration bloc will thus lack the momentum it requires in order for it to pursue meaningful and the desired developmental initiatives. Anyang' Nyon'go points out in his article "Regional Integration in Africa: An Unfinished Agenda" that it has been argued that there should be attractive alternatives to national options for development; and short-term payoffs for parties to the project.<sup>143</sup> This will therefore act as an incentive for countries to be active in the integration body. A Kenyan EAC minister serving in the East African Legislative Assembly (EALA) cited recently that, the biggest challenge facing the bloc is that member state countries act nationally but seek regional benefits.<sup>144</sup> This clearly shows that EAC countries are still holding on to their individual national sovereignty without much intent to display regional cohesiveness.

Beatrice Kiraso, an official of the EAC stated that the bureaucratic system employed by the EAC in relaying and implementing decisions at the EAC secretariat is tedious and cumbersome because EAC partner states tend to stick to issues of sovereignty.<sup>145</sup> Kiraso further clarifies that this situation makes it difficult for the implementation of EAC resolutions since there is no mechanism to compel member states to implement EAC decisions. It can be argued, therefore, that a political solution is inevitable thus the need to speed up the formation of political federation. Regional economic integration can take form if member state countries show willingness to cede some level of sovereignty.

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<sup>143</sup> Asante, S.K.B. 1997. *Regionalism and Africa's Development: Expectations, Reality and Challenges*. London: Macmillan.

<sup>144</sup> EAC integration challenges [www.nation.co.ke/](http://www.nation.co.ke/)

<sup>145</sup> EAC integration, [www.standardmedia.co.ke/](http://www.standardmedia.co.ke/).

The EAC has thus far commissioned studies for purposes of continuous sensitisation of different levels of stakeholders in the integration process in the region. Through this, the EAC aims to popularise the current on-going processes to integrate the region for purposes of sensitisation, mobilising support for and collecting people's views on integration with the aim of discouraging any suspicion and negative views of the integration initiative.<sup>146</sup> Tanzanians have apparently been the hardest to convince that the EAC integration provides opportunities for increased profits from a bigger market and the benefits of a borderless market. The said EAC member state fears that it will be turned into a market for Kenyan goods, but the situation is changing as they are gradually albeit slowly embracing the integration process. There is need to sensitise the East African population and especially communities along the borders so that they fully understand the importance of the EAC integration and regularise their operations in tandem with the EAC protocols. The East African people should embrace the integration process since it is a catalyst to mobile regional resources for regional development initiatives that would bring immense gains to all partner states.

#### *4.2.2 Economic and Development Disparities*

The five nation states of the EAC possess some economic and development disparities that threaten the attainment of socio-economic development through regional economic integration initiatives. There is need to ensure firstly that the integration process does not exacerbate any existing economic imbalances among the partner states.<sup>147</sup> It is important to note that this was one of the reasons for the collapse of the former EAC in 1977. There was the perception of disproportionate sharing of integration benefits accruing from the regional market and there was lack of a formula to deal with the problem.<sup>148</sup>

Presently, the EAC member states that form the East African economic body do not have the same level of political, social and economic development. This has resulted in suspicion at the expense of cooperation and unity. Countries with small economies like Tanzania, Burundi and even Rwanda feel threatened and view more developed countries in the integration bloc like

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<sup>146</sup> Ministry of East African Community. October-December, 2009. *Jumuiya Newsletter*, Issue 16. Nairobi: MEAC Secretariat.

<sup>147</sup> East African Community. 2007. *EAC Development Strategy 2006-2010: Deepening and Accelerating Integration*. Arusha: EAC Secretariat.

<sup>148</sup> Ibid.

Kenya and Uganda as playing hegemonic positions and accruing integration benefits to their side at the expense of their rather small and weak economies. Weak and poor countries feel threatened by existing economic imbalances among member states of a regional integration body viewing more economically powerful countries as taking advantage of their weak economies and dominating their markets.

This should, however, not be an impediment as there are more tangible benefits when countries act as an economic bloc rather than acting as single, small national units that may not be able to achieve much on their own because they lack the economic strength. If the newly revived EAC has to realise its integration objectives and its gains made tenable, member states must devise a mechanism to address the problem. There are other economic constraints that have hindered the successful implementation of the EAC treaty; among these are capacity and resource constraints that have crippled capacity development.

There is a great deal of fear of competition among the EAC countries. Some member states still believe that Kenya will gain more economically from the EAC but it is important for partner states to overcome the negative perception and work towards strengthening the regional bloc that will eventually lead to greater gains for all partner states. It is said that the slow pace of progress in regional integration process in East Africa that would otherwise be fast tracked is blamed on fears that faster economic integration could benefit some states at the expense of others.<sup>149</sup>

#### *4.2.3 Lack of Political Will from Member States*

It has been argued that the ability of regional integration in Africa to serve as a solution to socio-economic and development challenges facing the continent lies in the political leadership willingness and commitment to the integration process and the pursuit of its objectives. In Africa, political leadership more often lacks focus. This situation has threatened to undermine the success of regional integration initiatives in many parts of the African continent. Most African regional groupings have been politicised and turned into political outfits pursuing individual country's political interests instead of socio-economic and development initiatives that benefits the regional grouping at large.

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<sup>149</sup> EAC integration, [www.standardmedia.co.ke/](http://www.standardmedia.co.ke/).

One of the reasons the initial EAC that brought together Kenya, Tanzania and Uganda collapsed, and which the now five partner states must navigate with caution, is the different political ideologies each of the three member states practiced at the time. Socialism, Capitalism and dictatorial tendencies topped the list of issues that the first EAC faced in the late 1960s and throughout the 1970s.<sup>150</sup> Lack of political will from member state countries presents a challenge to the success of the regional economic integration process in the East African region as some member states fail to timely implement policies or ratify agreed protocols in a timely framework. This eventually slows down the integration process and delays achievement of the integration goals. Political will from member state governments is necessary for effective implementation of integration policies and programmes. However, many member countries are not unwilling to bear the implementation cost and in the case where there is political will; constraints can result from institutional weaknesses and lack of capacity. In order for any form of regional cooperation and integration to be successful, stability must exist in both areas. The pursuit of regional integration objectives should have the effect of enhancing both socio-economic and political convergence without which not much may be realised of the regional integration initiatives. Political instability at national level from member states affects the running of the integration process. This became most evident, for example, by the post-election violence in 2007-08 in Kenya that affected peace and stability in the region. Internally displaced people from the Kenyan political violence went as far as settling in Uganda.<sup>151</sup> This situation may have some implications in the integration process of the region as Kenya, considered a main player, still reels with consolidating its unity as a country. The recent Burundi elections which were marred by irregularities as well as the lack of democratic space in Rwanda remain thorny issues for the EAC countries. Uganda's long history with rebel forces fighting the government remains an issue that might derail the promotion of territorial cohesion of the East African states as these pursue their regional economic goals and objectives.<sup>152</sup>

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<sup>150</sup> EAC integration, [www.standardmedia.co.ke/](http://www.standardmedia.co.ke/)

<sup>151</sup> Digital archive for economics and business studies <http://www.econstor.eu>.

<sup>152</sup> East Africa Integration review net, <http://www.debatingeastafrika.org>.

A most recent issue of conflict is the on-going fight and dispute over the ownership of Migingo Islands located on L. Victoria by Kenyan and Ugandan governments.<sup>153</sup> This trend is likely to derail the integration process in the East Africa. Lack of democracy and good governance is an impediment to the success of regional integration in East Africa. This situation is not conducive for any form of integration and pursuit of economic objectives that would otherwise result in development. African countries have a track of fighting wars and conflicts and this has brought with it huge financial burdens to the already struggling poor economies. The EAC member states should overcome the view that they are individual states but embrace the integration process by striving to be unified and avoid any in fighting that may threaten the integration of the East African region.

#### *4.2.4 Unharmonised Trade and Economic Policies*

Lack of harmonised economic policies amongst member states negatively affects the regional economic integration process resulting in lack of development. In his writing “Regional Integration in Africa: An Unfinished Agenda” P.A. Nyong’o asserts, “It is possible that the failure of nearly every initiative towards regional integration has been as much the result of flawed conception, defective policy formation and haphazard execution of such policies.”<sup>154</sup> In considering this view, there seems to be a lack of practical policies that guide the integration process in the East African region. There is lack of policy coordination and harmonisation. The present situation shows that there is no clear-cut and serious development strategy that guides harmonisation of economic policies for the East African countries.

In a few cases, where few policies could be clear, the lack of political, technological, economic and financial infrastructure to execute the same becomes a huge impediment to the integration process and formulated policies delay in implementation stage regional integration. On the other hand, not all EAC member states put the same effort to implement policies passed. It is more often the case to see countries unwilling and quite reluctant to implement policies that are not in their immediate national interest.<sup>155</sup> There is a need for sound economic policies to be formulated

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<sup>153</sup> Ibid.

<sup>154</sup> Nyong’o, A.P. (ed.). 1990. *Regional Integration in Africa: An Unfinished Agenda*. Nairobi: Academy of Science Publishers.

<sup>155</sup> EAC <http://www.infrastructure.eac.int>

and adopted by member states. EAC should strive for a policy action matrix with a detailed, clear roadmap and time-bound action plans to facilitate implementation and achievement of set policies. The relationship between national and regional policies and strategies should be harmonised.<sup>156</sup>

The flow of trade amongst the EAC member states can be termed as modest but notably it has recorded some growth in the recent years and the implementation of the EAC Customs Union is expected to create room for greater achievements on this front thus the need to harmonise economic policies amongst the member state countries.<sup>157</sup> However, disaggregated trade flows reveal that intra-regional trade is characterised by imbalances with a country like Kenya exporting more to the other member states than it is importing.<sup>158</sup> This scenario is, however, expected to change once the Customs Union's policies become fully operational in all the member state countries, thus reducing the trade imbalances. A challenge to regional economic integration in the East African region rests with the commitment of member states to increase intra-regional trade via the creation of Free Trade Areas (FTAs). A Free Trade Area and agreement help to secure Foreign Direct Investment (FDI) in order to enhance regional development.

There is still a challenge to free trade in the EAC territory. Border delays and the absence of enforceable means to settle disputes and promote integration is a challenge that is hindering trade between the EAC partner states. In the border points, despite the implementation of the Common Market Protocol to increase trade through free movement of goods, services, capital and people; movement is still fairly restricted across the borders. Citizens complain that they cannot move freely to the neighbouring states and seek employment, or start a business, while exporters complain of duplicate checks at the border points as well disparate quality and safety standards in the different states of the regional bloc and many times these non-tariff barriers delay entry of goods.<sup>159</sup> Some partner states have not fully complied with the provisions of the Customs Union protocol which allows for the free movement of goods in the region. There are reported cases

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<sup>156</sup> Ibid.

<sup>157</sup> East African Community. 2007. *EAC Development Strategy 2006-2010: Deepening and Accelerating Integration*. Arusha: EAC Secretariat.

<sup>158</sup> Ibid.

<sup>159</sup> EAC integration, [www.standardmedia.co.ke/](http://www.standardmedia.co.ke/).

whereby some member states still charge taxes and levies of goods traded across inter-regional borders.<sup>160</sup> There seems to be a critical information gap between policy makers, implementers and other stakeholders in the integration process; gaps that can undermine policy implementation and even slow down the speed of the integration process.<sup>161</sup> It has been reported that the business community within the East African region loses more than \$9 million annually due to Non-Tariff Barriers. The cost of doing business in the EAC continues to soar due to the time and financial losses incurred as a result of the imposition of NTBs by some member states.<sup>162</sup> The NTBs come in many forms including laws, rules and regulations that have adverse effects on intra-regional trade and in the EAC; it is typically the red tape measures such as safety standards, anti-dumping laws, quotas and import licensing requirements.<sup>163</sup> The other challenge is that work permits have been removed by some member states and while others have not. This calls for a mechanism to be put in place to help monitor and evaluate the application of such barriers that unnecessarily hinder trade between partner states. The stakeholders need to also be sensitised on the importance of adherence to fair trade practices and EAC partner states should focus on consolidating the gains from the implementation of the Customs Union and the Common Market Protocol to ensure that its benefits is enjoyed by all citizens and businesses in the region.

#### *4.2.5 Overlapping Membership to Regional Economic and Cooperation Blocs*

The duplication of membership in regional economic blocs is a common occurrence in the quest for regional integration in Africa and the EAC member states have fallen victim to this trend. The practice is not cost effective since it increases the burden of membership costs to integration blocs for the countries involved.<sup>164</sup> Membership to different regional blocs exposes countries that are already economically and financially weak to financial constraints in maintaining membership in the different regional blocs. In essence this practice contradicts the very aim of pursuing regional integration which is for partner states to pool together regional resources and unite as a bloc so as to drive the socio-economic agenda of the region. This entrenched practice results in inefficiency as it delays integration programmes and projects as well as

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<sup>160</sup> Ministry of East African Community. January-March, 2010. *Jumuiya Newsletter*, Issue 17. Nairobi: MEAC Secretariat.

<sup>161</sup> Ibid.

<sup>162</sup> Ministry of East African Community. July-September, 2010. *Jumuiya Newsletter*, Issue 18. Nairobi: MEAC Secretariat.

<sup>163</sup> Ibid.

<sup>164</sup> East Africa Integration Review.net.www. debatingeastfrica.org

complicates monitoring of the progress of the integration process.<sup>165</sup> This trend threatens to derail the attainment of integration goals and objectives of the regional bloc. Each of the EAC partner states is a member of at least one or two other regional bodies within and across the region. The irony is that these regional integration blocs have similar goals and objectives leading to duplication and overlapping of integration goals and objectives.

Multiple memberships to regional blocs are problematic to regional integration; currently there is a proliferation of regional groupings especially in the Southern and Eastern parts of Africa that is almost rendering it impossible for regional groupings to run effectively. Tanzania, for example, is a member of EAC and SADC whilst the other four members are partner states of COMESA. Burundi and Rwanda are members of ECCAS while Kenya is a member of IGAD.<sup>166</sup> This development has caused a major setback in pursuing EAC's strategic and developmental plans in that there are overlapping policies, strategies, rules and regulations from the different regional bodies which a member state country is party to creating a duplication of functions and roles.<sup>167</sup> According to Richard Gibbs, multiple memberships of overlapping Custom Unions with different trade regimes are geographically, economically and politically unsupportable and unsustainable.<sup>168</sup> Furthermore, loyalty to many regional groupings becomes an expensive venture, with time and lack of commitment to a particular bloc being displayed. This common scenario in regional integration in Africa has created many logistical problems such as managing finances, payment of membership fees, divided loyalties and commitment to different regional blocs.<sup>169</sup> This raises the cost of membership to the integration bodies and the result is that many countries suffer financial constraints, and more often are not able to carry out their integration roles and expectations effectively. This definitely affects the strength and unity of the regional economic body in moving towards achieving its integration goals as there is conflict of interests.

The practice of multiple memberships has resulted in an overstretched and divided loyalty in terms of obligation to roles and responsibilities thus affecting efficiency of regional economic

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<sup>165</sup> Ibid.

<sup>166</sup> EAC in brief <http://www.eastafricaresources.org>.

<sup>167</sup> Ibid.

<sup>168</sup> Gibb R. 2009. Regional Integration and Africa's Development Trajectory: Meta-Theories, Expectations and Reality. *Third World Quarterly*, Vol. 30, No. 4: 701-721.

<sup>169</sup> Ibid.

bodies. Nnadozie argues that it has been established that an average African country belongs to two or more sub-continental regional integration schemes.<sup>170</sup> This is a great dilemma in terms of loyalty and responsibilities. Margaret Lee adds that such overlapping fundamentally undermines regionalism as a result of the inevitable abrogation of rules, regulations, and commitments resulting from the impossible task of simultaneously fulfilling the obligations of more than one organisation with similar goals and objectives.<sup>171</sup> Lee also cites inefficiency arising from duplication and the overstretching of financial and human resources. Lee argues that the overlapping membership in regional economic organisations is symptomatic of a larger problem, which is the failure of African leaders and their governments to make a political commitment to regionalism.<sup>172</sup> Kenya, Uganda, Rwanda and Burundi are in EAC and COMESA while Tanzania is in both EAC and SADC.

#### *4.2.6 Transport, Communication and Technological Challenges*

The economic prosperity of the East African region is pegged on the ability of the EAC member states to revamp the dilapidated transport and communications infrastructure of the region so as to hasten transportation of goods, delivery of services and lower the cost of doing business. The present state of the region's transport network is inadequate and unresponsive to the region's investment needs. The primary challenge of the EAC member states since the launch of the Customs Union and the Common Market Protocol is therefore, in revamping the deficient infrastructure in order to increase the economic production capacity of the region and be able to realise meaningful integration benefits. Presently, the East Africa region suffers lack of infrastructure exhibiting poor road networks, poor airport infrastructure, inefficient port facilities, inadequate supply of electricity, and poor telecommunication, poor ICT knowledge transfer among other infrastructural challenges that highly increases business transaction costs, decreases access to markets and affects intra- regional trade.<sup>173</sup> There is also poor communication and technology transfer in the East African region. There is no infrastructure for the modern global communication systems and majority of the East African population have no skills in modern technology. This has become a serious challenge to development as it increases

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<sup>170</sup> Nnadozie, E. 2003. *African Economic Development*. California: Academic Press.

<sup>171</sup> Lee, M. 2003. *The Political Economy of Regionalism in Southern Africa*. London: Lynne Rienner.

<sup>172</sup> Ibid.

<sup>173</sup> Ministry of East African Community. July-September, 2010. *Jumuiya Newsletter*, Issue 18. Nairobi: MEAC Secretariat.

the cost of trade and thus discourages investors. Nnadozie articulates that unless there are appropriate and adequate skills for particular capital or labour intensive economic activity, it is unlikely that foreign or local investors will be attracted and that can only happen if the appropriate skills are available and adequate.<sup>174</sup>

In the recent years, the EAC has emphasised the development of regional infrastructure, taking its strategic development plans to higher stages of implementation. The highest priority for EAC since the rebirth of the integration initiative is infrastructure. Major projects in roads, railways, inland waterways, ports and harbours, communications/ICT, energy and civil aviation are being pursued.<sup>175</sup> Construction works commenced on the Arusha-Namanga-Athi River road in April 2009, a vital section of the East African Road Network that provides linkages through Tanzania and Kenya to Uganda and to Rwanda and Burundi.<sup>176</sup> The ambitious East African Railways Master Plan intended to rehabilitate and revamp the railway system has also been launched. The East African sea ports of Mombasa and Dar es Salam are considered quite strategic trade routes for exports and imports for the region and beyond. The efficiency of the ports operations is however tied to the development of adequate railway, road and telecommunication systems.

The EAC is currently investing more resources in developing infrastructure in the region. EAC is turning focus to projects aimed at simplifying transport and communications in the region. It has developed a six-year master plan to address infrastructural challenges in the region.<sup>177</sup>

The thrust would be improving road and rail networks, marine and air transport, minimising border posts delays and attraction of investment in infrastructure development. The East African Railways Master Plan and East African Road Network Project have projects in the pipeline aiming to bring up and extend comprehensive network of modern rail, roads, inland waterways and telecommunication systems. The systems would effectively connect centers of production and markets throughout the East Africa Community region and the neighbouring countries, in particular the semi-autonomous Southern Sudan, Ethiopia and the Democratic Republic of

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<sup>174</sup> Nnadozie, E. 2003. *African Economic Development*. California: Academic Press.

<sup>175</sup> Ministry of East African Community. July-September, 2010. *Jumuiya Newsletter*, Issue 18. Nairobi: MEAC Secretariat.

<sup>176</sup> East African Community. 2007. *EAC Development Strategy 2006-2010: Deepening and Accelerating Integration*. Arusha: EAC Secretariat.

<sup>177</sup> Ministry of East African Community. July-September, 2010. *Jumuiya Newsletter*, Issue 18. Nairobi: MEAC Secretariat.

Congo (DRC).<sup>178</sup> The EAC is therefore faced with the challenge of putting in place a robust and reliable infrastructure that would enhance the region's competitiveness. There are also infrastructural projects underway through the Tripartite (EAC-SADC-COMESA) Arrangement aimed at establishing the EAC as a hub to linked transport and communications networks with Northern and Southern Africa trade centres that would vastly contribute to increased intra-EAC and intra-African trade.<sup>179</sup>

Transport and border clearance laws need to be harmonised in order to ensure that there is speedy movement of goods from from one country to another. There are reported cases of unnecessary roadblocks when ferrying goods from Mombasa to Kigali and Burundi. In all the EAC five states, the border posts face a lot of challenges including minimal and inadequate facilities, poor supply of electricity, prolonged delays visible in queues of transit vehicles and citizens awaiting clearance and some locals who are yet to fully understand the benefits of integration are using illegal routes to ferry goods across borders thus denying the government some revenue.<sup>180</sup> The EAC is moving fast to address this issue through recently launched concept of One-Stop-Border-Post (OSBP) in all key border points of the EAC. This strategy involves government agencies operating at both sides of the borders jointly undertaking the necessary clearance of cargo and passengers.<sup>181</sup> This is a positive step that will definitely ease movement of goods and people and will facilitate trade in the region and although it is not yet in place, the EAC is seeking ways to fast track its implementation.

#### *4.2.7 Human Security Issue in the East African Region*

Human security is an issue that can be a huge impediment to achievement of regional integration goals since meaningful integration can only thrive in a peaceful and politically stable environment. The EAC countries just like many African countries struggle with a wide range of issues of human security that have plagued the continent for many decades. Many political conflicts and military coups in the world today occur in the African continent and this situation has continued to severely disrupt political and socio-economic activities that would otherwise

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<sup>178</sup> Ibid.

<sup>179</sup> Ibid.

<sup>180</sup> EAC regional infrastructure development <http://www.infrastructure.eac.int>.

<sup>181</sup> Ibid.

result in meaningful development. There are other natural factors prevalent in Africa that cause threats to human security in the the African continent. EAC states have not been spared from dealing with the human security issue which adversely hinders unity and cohesion in the region. The regional integration aims and objectives cannot be pursued adequately without the existence of effective, peaceful, stable, well-governed, and strong states.

#### *Poverty & HIV/AIDS Pandemic*

Poverty and disease are rife in East Africa. Poverty has remained a stubborn issue in the socio-economic dynamics of the East African region and the general characteristics of its adverse effects are similar across the five EAC countries. The East African region is riddled with high rates of poverty despite its immense economical potential. East Africa is greatly endowed with vast natural resources with a huge economic potential in arable agriculture, fisheries, tourism, manufacturing industry among others which, however, remain largely untapped even as the majority of its citizens live in abject poverty.<sup>182</sup> These challenges continue to pose a serious human security threat in the East African region. The fight against HIV/AIDS is causing financial and social constraints to the already poor economies of the partner states. The effect of HIV/AIDS is also quite severe as the most productive and economically viable members of the society easily become victims to the diseases and this causes a deficiency in human resource development needed drive the integration process.<sup>183</sup>

There is no regional economic growth and prosperity that EAC Member States can be attained through regional integration while its population suffers from hunger, and disease The EAC integration process may not attain its goals if issues of human security affecting its citizens are not adequately addressed since regional integration is more than just a process to increase trade, and investment so as to attain industrial and economic development.

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<sup>182</sup> EAC in brief <http://www.eastafricaresources.org>.

<sup>183</sup> Ibid.

### *Food Insecurity and Climate Change Effects*

Issues of climate change and food security are closely related and are intertwined. The East African region is frequently affected by severe droughts and famine resulting in serious issues of food shortages. Regional food shortage remains a challenge for the EAC member states even though partner states, individually and collectively have the capacity to produce enough food for domestic consumption and a surplus for the export market. The negative and adverse effects of climate change such as severe droughts, floods and extreme weather changes are occurring with greater frequency and intensity in the East African region and threatening the livelihoods of the East African population becoming a human security issue. The food shortages are occasioned mainly by two factors; one, limited trade between times and/or places of abundance on the one hand, and those without food on the other; and two, huge variations in food production due to changes in weather patterns which are becoming erratic due to global climate change effects.<sup>184</sup> The EAC member states could facilitate the movement of food from surplus areas to deficit regions thus benefit the whole region.<sup>185</sup> Besides aggravating food security in the region, climate change also poses a threat to the drivers of economic growth in the region such as water resources, agriculture, energy, transport, health, forestry, tourism and wildlife, land and infrastructure.<sup>186</sup> There is need for free flow of agricultural products across borders of member states which would in turn have immense benefits to all, as producers would stand to profit from enlarged markets and consumers will have adequate supply of commodities.<sup>187</sup> In a recent meeting held by heads of states in Arusha, Tanzania on December, 2010, regional leaders appealed for faster harmonisation of East African Community staple food standards to facilitate trade.<sup>188</sup> The meeting adopted a joint food security plan as well as a climate change policy resulting from erratic rainfall in the last few years that have characterised the region.<sup>189</sup> Eight months earlier, the East African Legislative Assembly had adopted a common strategy to enhance food security in the region. Under that set strategy, member state countries agreed that money would be invested in attaining food security through increasing production and cultivation of unutilised lands.

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<sup>184</sup> Ministry of East African Community. October-December, 2010. *Jumuiya Newsletter*, Issue 19. Nairobi: MEAC Secretariat.

<sup>185</sup> Ibid.

<sup>186</sup> Ibid.

<sup>187</sup> <http://eastafrikaresources.org>

<sup>188</sup> EAC integration process [www.nation.co.ke/](http://www.nation.co.ke/).

<sup>189</sup> Ibid.

The EAC challenge on food security calls for adopting innovative ways of sustaining food security by member states. The EAC Food Security Action Plan and the EAC Climate Change Policy are action steps that EAC member states recently adopted which will help steer efforts to improve food security and mitigate the effects of climate change in East Africa.<sup>190</sup> The EAC should strive to facilitate the elimination of NTBs that continuously hinder trade in the region to allow the free flow of agricultural produce in the region. This will certainly benefit both producers and consumers in the regional bloc and boost food security in East Africa.

Human Security in East Africa especially in the advent of globalisation remains a great concern for member states as it can drive away potential investors in the region. It is important to look into how regional economic integration strategies can act as a tool to mitigate the challenges. The concept of human security initiated a paradigm shift in international security structure after the 1994 United Nations Development Programme (UNDP) Human Report. According to the report, human security encompasses many facets, including “economic, food, health, environmental, personal, community and political considerations.”<sup>191</sup> A regional approach to the issues of food security and climate change is inevitable for the EAC member states as they share close geographical territories with similar climatic conditions that affect their natural resources, ecosystems and the factors of production. The outcome of the EAC’s strategy to counteract food security and climate change challenges will go a long way in the quest for achievement of food security and rational agricultural production in the region.

### *Political Instability, Peace and Security Issues and proliferation of Small-arms and Light Weapons*

The East African region, like the rest of the African continent, is beset with macro-economic instability, largely resulting from economic mismanagement and corruption, marginalisation within the world economy, abject poverty, unacceptable levels of unemployment, poor educational and social service facilities, HIV/AIDS pandemic and economic policies imposed

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<sup>190</sup> Ministry of East African Community. October-December, 2010. *Jumuiya Newsletters*, Issue 19. Nairobi: MEAC Secretariat.

<sup>191</sup> Grant, J.A., Soderbaum, F. 2003. Introduction: The New Regionalism in Africa, in J.A. Grant and F. Soderbaum (eds.). *The New Regionalism in Africa*. Burlington: Ashgate, p.9.

by international financial institutions such as the World Bank (WB) and the International Monetary Fund (IMF) and the powerful western governments.<sup>192</sup>

In East Africa, there are many forms of conflict that have threatened human security but the recent ascension of Rwanda and Burundi to the EAC has opened avenues for enhancing regional security. Besides Tanzania, most East African countries have or are experiencing some form of conflict either directly or indirectly.

The contagion effect of political conflicts especially in the Horn of Africa threatens personal security amongst the EAC member states. This is exemplified by the existing conflict in the Horn of Africa; the long and persistent political impasse in Somalia conflict and the crisis in South Sudan's conflict with Northern Sudan have resulted in an influx of refugees and subsequent proliferation of small-arms that has raised the issue of insecurity in the East African region.<sup>193</sup> This has given rise to insurgency and terrorist attacks in some EAC member state countries in most recent times. The lack of political stability in the neighbouring Somalia has also given rise to piracy which has led to serious crimes issues such as terrorism, illicit trade, smuggling and drug trafficking along the coastal parts of East Africa. This threatens investment in the region as well as intra-regional trade. It is imperative, then, that EAC has to grapple with the issue of insecurity as it seeks to integrate the region economically. This precarious situation scares away investors that would otherwise create trade opportunities in the region. The EAC Member States may have to add security as part of their mandate to enhance security in the region.

The Human Security problem in East Africa is clearly not pegged to one country. Human security problems have become a regional issue that requires collective regional responses. The East African regional economic body should initiate approaches to be adopted and embraced as a key to unlocking the region's development potential as well as used to address the prevalent human security threats.<sup>194</sup> The easy availability of small-arms is fuelling insecurity in East Africa. This situation threatens the integration efforts of Member States. The EAC region is

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<sup>192</sup>EAC in brief <http://www.eastafricaresources.org>.

<sup>193</sup> East African Community, 2003. *EAC Treaty and Challenges to the Community*. Arusha: GTZ.

<sup>194</sup> EAC integration [www.eac.int](http://www.eac.int)

currently facing a number of security challenges that include terrorist attacks, armed robberies, carjacking, cattle rustling and piracy in the Indian Ocean; all of which are fuelled by the proliferation of small-arms and light weapons.<sup>195</sup>

There is a threat to regional security posed by the war ravaged Somalia. The East African sea ports that are strategic to the import and export trade are now vulnerable to heightened piracy which is not only a major trade hindrance for the EAC member states but is also a serious threat to peace and security in the region. Al Qaeda and Al Shabaab terrorist attacks are not new to some EAC members. Uganda, Tanzania and Kenya have become victims of Al Qaeda and Al Shabaab insurgents' attacks that have led to loss of lives.<sup>196</sup> The attacks are mainly due to the porous borderlines and pose a military challenge to the EAC member states who should team up to boost security in the region and guarantee sustainable economic development of the East African region.

Some EAC partner states have had to grapple with issues of lack of democracy and good governance. The instability of a regional member state can affect the functions of the regional body in general. It is, however, encouraging noting that political stability in the East African region has been improving greatly. Most partner states have held peaceful, free and fair elections in recent change of governmental leadership.<sup>197</sup>

It is important that all EAC partner states promote good governance and entrench provisions that promote participation by people at the grassroots in governance issues. The EAC partner states can initiate and implement strategies that promote accountability of leaders towards the East African citizens and that citizens should be made aware that good governance goes beyond holding regular elections. It is, however, encouraging to note that the EAC is keen to tackle issues of insecurity in the region. The most recent move by the Kenya Defence Forces (KDF) to fight Al Shabab in Somalia which is causing security threats in the country and in the region joins troops from two other EAC member states; Uganda and Burundi who had already joined the effort of restoring political stability and the rule of law in Somalia through African Union

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<sup>195</sup> EAC in brief found at [www.eastafricaresources.org](http://www.eastafricaresources.org).

<sup>196</sup> Ministry of East African Community. July-September, 2010. *Jumuiya Newsletter*, Issue 18. Nairobi: MEAC Secretariat.

<sup>197</sup> Ibid.

Mission in Somalia (AMISOM).<sup>198</sup> The regional security in East Africa will be compromised if Somalia will not attain peace and stability and this will derail the integration process but EAC partner states are not taking chances but are seriously engaging to restore order in Somalia as they are committed to pursue their integration efforts in a peaceful and stable environment. The success of the regional bloc will be dependent on the events around the larger East African region including the Horn of Africa. In 2006, The EAC Council adopted a Regional Strategy for Peace and Security, with one of the goals being implementation of measures to combat the easy availability and misuse of small-arms and light weapons in the region.<sup>199</sup>

#### 4.2.8 Threat of Globalisation and Marginalisation in International Markets

“There is little doubt that Sub-Saharan Africa has become increasingly marginalised since the end of the Cold War.”<sup>200</sup> The end of the Cold War presented huge socio-economic challenges for Africa and any attempt by the continent to integrate into the newly established neo-liberal global political economy has resulted in its further marginalisation and economic isolation. Undoubtedly, the neo-liberal agenda advocated by the West coupled with globalisation has had an economically marginalising effect on developing countries. World trade has grown rapidly over the past years and at consistently higher rates than world GDP. It is a fact that the major industrial economies of the world dominate the international trade and markets and Africa is arguably no player in global markets and makes no impact on global relations due to its weak economic standing in world rankings.

The EAC regional economic integration and cooperation initiative can provide a workable solution that can aid East African countries to bring down unfair trade barriers and restrictions, codify as a regional bloc the terms of global competition affecting trade and investments with external partners. As a regional bloc, EAC can administer a unified package of agreements to which all members are committed. The East African regional bloc can advise member states to pursue economic and development policies that are practical. Regional integration may not completely solve Africa’s economic challenges; but it can eliminate some impediments to

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<sup>198</sup> East Africa Integration Review.net found at [journal.debatingeastfrica.org](http://journal.debatingeastfrica.org).

<sup>199</sup> Ministry of East African Community. October-December, 2010. *Jumuiya Newsletter*, Issue 19. Nairobi: MEAC Secretariat.

<sup>200</sup> Stephan, H., Power, M., Hervey, F.A., Fonseca, S.R. 2006. *The Scramble for Africa in the 21st Century: A View from the South*. Cape Town: Renaissance Press.

economic growth and make countries have a greater bargaining power in the international trade arena.

EAC regional economic venture can help East African countries reposition themselves in the face of globalisation and seek to bring to closure the ever-widening gap of economic isolation and marginalisation that is presently threatening to tear its economic development fabric and throw the region into an acute poor economy thus threatening the security of the continent's human population.

Lack of openness to foreign trade and foreign direct investment has increased economic inequality among African countries. This factor has resulted in the marginalisation of developing countries of Sub-Saharan Africa in international trade and markets more so in the new wave of globalisation. African countries have continuously suffered from declining incomes and rising poverty levels due to their inability to achieve greater integration in the world market as they remain weak economies fighting powerful economies. The developing economies of Sub-Saharan Africa still primarily depend on the export of a narrow range of primary commodities and often suffer from deteriorating and volatile terms of trade in world markets due to existing trade restrictions and barriers. These barriers are caused by continued protectionism in key world markets.<sup>201</sup> In light of these effects caused by external markets, regional economic integration processes can therefore play a crucial role in counteracting such negative distortions that have threatened to weaken and to some extent even kill local production in developing countries in Africa. The EAC member states can work to spearhead the protection of local markets of member states if they succeed to integrate fully. A regional economic bloc with clear economic policies will facilitate free trade practices according to an agreed set of international rules and regulations that help promote fair and equal trade practices among members. A united and vibrant regional economic integration initiative in the East African region with sound economic and developmental agendas will serve to codify the terms of global competition and help administer a unified package of agreements among member states to which all members are committed. This will raise the ability of the regional bloc to speak in unity as one voice, empower member states to develop a bargaining power to pursue economic interests. This will

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<sup>201</sup> Ibid.

bring tangible benefits to its population without allowing Western hegemonic free trade practices to impose orders on the international trading system at the cost of developing countries economic interests which in turn adversely affect local markets.

Regional integration initiatives in East Africa will assist in addressing the lack of policy consistency and security for private capital that currently remains one of the main reasons for Africa's marginalisation in relation to Foreign Direct Investment. Regional economic initiatives can spur meaningful economic growth in the region unlike when an individual country is left to act on its own. Even in cases where individual countries have put in place adjustment policies and rigorously implement them, most Sub-Saharan African economies have failed to establish a sustained process of accumulation linking investment with savings and exports. More often, it is thus a common scenario to see economic growth in African countries continuing to be at the mercy of world commodity prices and aid flows.<sup>202</sup>

If regional economic integration initiatives in East Africa are positively embraced and adopted, they can help break another set of constraints that has led to the marginalisation of Sub-Saharan African countries in international trade. Africa's role and participation in international markets is continually being threatened by existing non-tariff barriers such as food safety standards, restrictive preferential trade agreements and other unfair conditions governing present day global economic markets. The emergence of these standards and technical regulations, including the procedures and technical mechanisms for the assessment of their conformity, contributes further to global economic marginalisation of the ill-equipped countries of Sub-Saharan Africa.<sup>203</sup> These factors can be addressed effectively if the East African countries come up with a strong regional economic bloc and set to effectively advance and protect their own economic interests, thus thwarting efforts of any form of marginalisation or unfair treatment in global trade.

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<sup>202</sup> Ibid.

<sup>203</sup> Ibid.

#### 4.2.9 Threat of Counterfeit Products

The EAC partner states are facing a new challenge in the market. There is a growing trade in counterfeit products in their regional markets. There is evidence of high prevalence of counterfeit products such as electrical and electronic products, motor vehicle spares, cell batteries, household goods, computer programmes and accessories, medicines among others that pose a danger to unsuspecting consumers in addition to threatening genuine and upcoming industries in the region.<sup>204</sup> There is a sharp rise in the sale of the contraband goods within East Africa which is blamed on crafty traders and entrepreneurs, both local and international exploiting the relaxed trade regime in the region brought about by the launch of the Customs Union and the Common Market Protocols.<sup>205</sup> The situation calls for a combined effort by EAC member states to fight the vice and the strengthening of Intellectual Property Policies as well as putting up adequate mechanisms to scrutinise entry points that remain porous and unchecked. The EAC can also establish a regional institution to certify the quality of goods imported into the region and to ensure safety regulations are adhered to.

#### 4.3 Conclusion

Africa is undoubtedly faced with serious developmental struggles in the 21<sup>st</sup> century and unlocking these problems remains a topic for debate and discussion for many scholars and policy makers on African economic development strategies. Many solutions and various approaches to Africa's socio-economic and development challenges have been pursued but it remains to be seen which approach will effectively deliver the African continent from its economic woes. It has proven difficult for Sub-Saharan African countries to play competitively and take a pivotal role in the liberalised world markets and global trade. However, a fact that is almost clear is that there is a huge potential and enormous benefit for the African continent if regional economic integration initiatives and other regional trading organisational efforts are consolidated and empowered to play a role in negotiating unfair terms of trade and address globalisation threats while at the same time preventing the marginalisation of African countries in global markets.

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<sup>204</sup> Ministry of East African Community. July-September, 2010. *Jumuiya Newsletter*, Issue 18. Nairobi: MEAC Secretariat.

<sup>205</sup> Ibid.

It is, however, important to note that the formation of regional economic groupings in Africa is not a new phenomenon; attempts have been made since the post-independence period. African countries therefore don't have to 'reinvent the wheel' but work with full commitment towards the realisation of these initiatives, acknowledging and addressing any obstacles to the formation of strong and effective regional economic groupings with institutional capacities to create large-scale infrastructure that is capable of addressing the present day economic challenges in Africa and bring real economic benefits to the African population.

Regional economic integration in East Africa can stimulate increased economic growth and development and partner states stand a better chance to articulate the region's interests in international trade. The successful integration of the East Africa region is a great opportunity for member states to bring to closure the ever-widening gap of economic marginalisation in global markets and to effectively address the negative effects of globalisation as well as tap into tangible benefits of the integration process. This will translate into an expansion of its industrial base leading to increased socio-economic development in the region. In order to avoid the many challenges faced by the regional economic bloc, member states should strive to back up the integration efforts by putting in place the right legal and institutional frameworks with appropriate economic and political governance mechanisms to boost the process of integration in the East African region.

In conclusion, full regional economic integration in East Africa can be realised if some of the aforementioned challenges and obstacles are effectively addressed so that some actualisation of political and socio-economic empowerment in the region can be achieved. There is a huge possibility that the regional economic integration initiative been pursued by EAC partner states will spur economic growth and development if the above challenges are adequately addressed. The new interest in regional economic integration in the East African region can help mitigate the challenges of underdevelopment and poor economic growth a situation that is a reality in many parts of the continent.

The ability to improve the competitiveness and participation of the East African region in world economy will steer the region towards maximising on the gains from globalisation as well as

thwart exclusion on the transformation occurring in the present day global economic world. The EAC countries should strive to make the region more appealing to both domestic and foreign investment. There is limited financial, human and institutional capacity amongst the EAC countries to tackle these multiple challenges of integration but with increased effort and commitment from all member states, the problems can be surmounted.

It is important to also note that poor infrastructure and non-tariff barriers pose a serious challenge to the full realisation of EAC integration process. This is because poor transport logistics currently faced along the borders of the EAC partner states continues to inhibit the free movement of goods within East Africa.

The EAC integration process is currently stable and relatively moving in the right direction towards integrating the East African region. member states have most recently shown political maturity in conducting the national elections. The successful, peaceful elections held most recently in Tanzania, Rwanda and Burundi and the constitutional referendum carried out in Kenya is a good sign that the region is ushering in a new era of political tolerance and are prepared to engage in free, fair and peaceful elections and this will impact positively on the integration process as the citizens will build confidence in the regional leadership, be assured of peace and political stability in the region and this can translate into meaningful economic growth. The argument here is that there can be no meaningful development gained through regional economic integration in East Africa if human security issues are not effectively addressed.

## **CHAPTER FIVE**

### **FUTURE PROSPECTS, PRESCRIPTIONS AND OPPORTUNITIES FOR THE EAC**

#### **5.1 Introduction**

This chapter summarises the ideas discussed in the above chapters. It intends to explore prospects and opportunities for the new EAC in its efforts to further intensify regional integration in the East Africa region. The EAC member states have so far shown spirited commitment to pursue its integration goals and objectives but it must be stressed that this is only possible if pertinent issues that concern the integration process are adequately addressed. EAC seeks to strengthen its institutional capacity and this therefore, calls for partnerships with all stakeholders both internal and external who are willing to support the regional bloc to enhance its pursuit of economic growth and development and ensure delivery of tangible benefits of integration to the East African people. The EAC partner states must face up to the challenge of providing an enabling environment and investment opportunities to both regional and foreign investors so as to spur sustainable economic diversification and progress in the East African region.

#### **5.2 Opportunities for the Re-launched EAC**

Regional integration in East Africa has a huge potential of unlocking and enhancing the region's economic and industrial growth. The advantages of economies of scale and comparative advantage, the ability to access larger markets and trade opportunities that can attract foreign flows as well as the diversification of regional investment as well as a unified will to thwart marginalisation and globalisation among others are the regional integration benefits that EAC member states stand to gain from the integration process. member states should therefore and most importantly focus on the numerous opportunities and prospects for EAC by aggressively pursuing integration goals so as to reposition itself as a vibrant regional economic body that can raise East Africa's status in international economy . All the five member states have so far portrayed a committed attitude towards the integration process. One of the reasons for re-establishing the EAC is to get greater trade moving in East Africa. Member countries are also looking for trade and investments with other African regions as well intercontinental regions like India, Middle East, Asia and the rest of the world.

### *5.2.1 Marketing and Promotion of Intra- Regional Trade*

The re-establishment of the East African Community has recorded increased intra-regional trade between member states. member states have reaped the benefits of the integration process though in minimal percentages but this trend can be increased. The EAC partner states have the challenge of ensuring the success and sustenance of the regional bloc in the East African region. member states ought to work closely to provide an enabling environment for business and intra-regional trade to thrive in the region. This can be done through strengthening capacity for development of intra-regional trade, enhancing trade policies, timely implementation of integration programmes and projects that support the integration process. The EAC through its four pillars has outlined a set of steps towards the ultimate achievement of a Political Federation of East African States. The onus is on the EAC nation states to strengthen capacity and enhance intra-regional trade and even extend it beyond the regional borders. The nation states have great opportunity in the region, in the continent and beyond to pursue increased larger markets access, attract foreign direct investment.

The EAC countries are endowed with many natural resources which through regional economic integration efforts, they can be fully maximised and tapped to benefit its population. Intra-regional trade provides many trading and investment opportunities for partner states. EAC member states should strive to increase intra-regional trade, especially in cases where readily available goods are sourced from outside the region which are otherwise very much available within the region.

It can be arguably said that the prospects for the EAC remain robust as efforts to integrate the economies of the five member states are being aggressively pursued. There has been a significant increase in trade amongst the member states since the revival of EAC. The creation of an intra-regional market is intended to maximise on the benefits of economies of scale. This exploitation of the economies of scale when a CU is fully implemented has always formed the rationale for regional economic integration for developing countries

The EAC member states are striving towards making the East African region a desirable investment destination by creating a positive investment climate that can attract Foreign Direct

Investments. EAC member states should seek to increase intra-regional trade, higher Foreign Direct Investment (FDI) and larger markets including exploring external markets outside the regional bloc.

### *5.2.2 Economic Partnership Agreements and Tripartite Processes*

The formation of regional economic blocs in Africa is expected to enhance the continent's economic development. Presently, intra-regional and inter-African trade is extremely low and the pursuit of regional economic integration could help reverse this trend. African countries can endeavour to build strong regional economic blocs that would increase Africa's share of world trade by boosting the continent's exports especially to Asia and the Middle East.<sup>206</sup> The EAC should therefore increase its integration pace and seek to pursue Economic Partnership Agreements (EPAs) with other regional economic groupings in Africa and in the world. EAC can seek membership in the World Trade Organisation (WTO) as a regional trading area and further can forge partnerships with other established regional integration groups and other supranational communities like the EU. In this way, the EAC can participate in AC/EU trade arrangements under the Cotonou Trade Agreement or take advantage of the US\$11,000 million market under the US African Growth and Opportunity Act (AGOA).<sup>207</sup> The EAC can further pursue trade and investment in key world trade centres like Europe, Asia and North America. The EAC nation states are pursuing negotiations with the EU on Economic Partnership Agreement and there is positive progress on the same.<sup>208</sup> The EAC Member States are determined to get the right EPA for the East African region that will address the needs of its population.

The EAC has initiated tripartite talks to integrate SADC, COMESA and the EAC. The process to create a COMESA-EAC-SADC Free Trade Agreement is progressing well and could eventually result in a market of around 500 million people in the near future. This is aimed at exploiting opportunities that are available in the continent for its further socio-economic development and advancement. The Tripartite Cooperation between COMESA-EAC-SADC is meant to foster greater trade and market links and raise investment levels amongst the different regions in the

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<sup>206</sup>East African Community. 2003. *EAC Treaty and Challenges to the Community*. Arusha: GTZ.

<sup>207</sup> Ibid.

<sup>208</sup> Ibid.

continent. The implementation of this will highly enhance EAC's competitiveness in Africa and in the larger world markets.<sup>209</sup> The establishment of a COMESA-EAC-SADC FTA will expand market opportunities to at least 25 countries for each of the members of the Regional Economic Community (REC) and will largely promote infrastructure development in the region. The agreement will deliver huge benefits for EAC as it will bring with it continued increases in trade, increased investment opportunities, collective bargaining power in international arena, greater and improved transport networks, and most importantly the free movement of goods and people across 25 countries in the continent. The discussions on the establishment of the Tripartite are still on-going amid challenges that need to be resolved including the different stages of integration of each REC, the overlapping membership issue of some partner states, rules of origin among others.<sup>210</sup> The tripartite FTA is greatly expected to take off so that the issue of overlapping membership in regional integration blocs may be erased. The EPAs places the EAC higher up the trade and investment ladder in the African continent and in the world. The success of such partnerships and especially the consolidation of the regional blocs in the continent will enable it live the dream of the post-independent leaders of uniting the continent and charting its socio-economic development through the establishment of an African Economic Community.

EAC member states should aspire to establish a common foreign policy that will help the Community to negotiate Economic Partnership Agreements and any other similar arrangements as it deepens its integration efforts in the region. The EAC partner states are currently benefiting from the increasing orientation of trade and investment to the faster growing Asian economies thus they should come out strongly and maximise on the benefits of this good working relations.

### *5.2.3 Public and Private Sector Partnerships*

If the EAC aspires to successfully implement its goals and objectives for the betterment of the livelihoods of its citizens, the private sector will have to play a pivotal role. The private sector must not only buy into the vision of EAC, but should undertake to be a leading partner in the process of integration. So far the East African Business Council (EABC) has been actively involved in the process. Throughout the Treaty's negotiation and implementation process; the

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<sup>209</sup>Ministry of East African Community. January-March, 2010. *Jumuiya Newsletter*, Issue 17. Nairobi: MEAC Secretariat.

<sup>210</sup> Ibid.

importance of the process to be people driven and people centered was acknowledged. The Treaty is designed to enable the private sector to fully participate and help shape the processes of regional economic integration in the Eastern Africa region.

The EAC acknowledges the inclusion and the participation of the private sector in the integration process in the region. The private sector will derive many benefits from regional integration such as reduced cost of doing business due to economies of scale arising from larger markets and open borders; increased scope, base and pool of human resource personnel, secure investment climate, reduced costs and increased efficiency emanating from free movement of labour, capital and goods, utilisation of the social infrastructure such as the rail, roads, waterways among other benefits.<sup>211</sup> The current EAC has seen the participation of both the public and private sector; which is an encouraging response to the integration process as opposed to the defunct EAC that was largely politically driven. This will greatly increase the economic power of the East African region.

The role of the private sector cannot be downplayed in the integration process of the East African region. The private sector which is mainly the business community plays a crucial role in advancing economic growth of the region. Since the inception and the establishment of the EAC, the civil society and the business community in the East African region have become increasingly aware of their role in the integration process and this will positively impact the integration initiative in the region. This means that the political elite will not be left to drive the process and will not enjoy unilateral action but will be held more accountable thus increasing the chances for the integration process to widen and deepen its integration efforts. The active participation of these two important players in the integration process will result in the search for balance in the pursuit of economic development and socio-political aspects of the integration quest in the region.

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<sup>211</sup> Ministry of East African Community. January-March, 2010. *Jumuiya Newsletter*, Issue 17. Nairobi: MEAC Secretariat.

### **5.3 Conclusion**

On the whole, the revival of the EAC is a vital step taken by the five East African nations. The newly revamped EAC gives hope to the peoples of East Africa and the African continent at large. It is a commitment by the partner states to chart the way forward for the socio-economic, industrial and political development of the region. EAC should spare no effort in working with and mobilising the East Africans towards the full realisation of the terms objectives and goals of the process of cooperation as enshrined in the Treaty for the reestablishment of EAC. The EAC can propel the integration process further by pushing for realistic policies that call for national and regional macroeconomic stability.

Member states should cooperate to develop comparative advantages and the sharing of regional resources for sustainable development. Political stability and political commitment to the integration process is paramount as well as harmonisation of fiscal and monetary policies. member states should commit to implementation of agreements and protocols that will give impetus to full integration of the region. The full potential of the East African regional economic integration can be realised if member states seriously take up its efforts to revamp and revitalise the integration process. The major challenge of the EAC is in its ability to stay on course and remain focused on the mission and vision of the regional bloc.

## CONCLUSION

The EAC can be said to be progressing positively in its integration process though at a slow pace. There is need for EAC to fast track its integration and increase its capacity for it to effectively and adequately achieve its integration goals and objectives. The EAC has the potential to transform itself into a vibrant regional integration bloc that could play a critical role in African and international economy if it sticks to and realises all its stated goals. A look at the achievements and challenges of EAC provides useful lessons on measures to be taken to avoid a repeat of the collapsed EAC in 1977. Some success has been recorded especially with the establishment of the Customs Union and the Common Market even though full implementation has not been realised, more effort is needed to navigate the existing integration challenges in order for EAC to achieve all its objectives and ultimately form the Federation of East African States which is the fourth and final pillar of the integration process. There is need for member states to evaluate their commitments to the regional integration process and realise that the only way to avoid further marginalisation in a globalising world is to regionalise.

There are vast potential benefits of regional economic integration for the East African countries. The member states should therefore look beyond the challenges and problems of the integration process and embrace it. The integration obstacles faced by EAC towards full integration provides vital lessons for other economic integration efforts in Africa and serve to highlight how regional integration constraints can be overcome in order for regional economic blocs to realise their full potential. The EAC should aspire to overcome existing integration challenges through full commitment to the regional integration process. This will help to insulate the East African countries from increasing marginalisation in global economy as well as shield member states from the adverse effects of globalisation while at the same time increasing their capacities to navigate the competitive international markets and be able to reap benefits from globalisation. In order for the East African countries to maximise the benefits of the revived regional economic integration body (EAC), it is important that the flow of information be made efficient and accessible to all economic players in a timely manner amongst member countries. Goods, services, human resource and other factors of production must flow to areas of highest potential returns in an efficient and timely manner. There is need for member countries to invest heavily on an efficient communication, technology transfer and modern transportation system. Many

African countries suffer from poor and inadequate infrastructure that has continually crippled its development and industrial initiatives. A successful regional economic initiative must aspire to encompass the grassroots, civil society, the private sector and other Non-Governmental actors in order for it to raise the living conditions of its population and address economic development.

It is clear that regional economic integration has a place in advancing economic development in East Africa and more relevant in the post-Cold War period whereby globalisation, liberalisation of markets characterise the world economic order. It is therefore imperative that the East African countries pool their limited resources and demonstrate a high level of commitment towards regional economic integration process. This can be achieved through unwavering support of regional agreements, upholding of the rule of law, resolving disputes amicably, investing in modern infrastructure and efficient communication and technology. The East African countries must invest in its human populace by raising the literacy levels. The civil society must be involved in the integration process as well as the Non-Governmental organisations while at the same time limiting the state and its agents from dominating the economy. Not only must the civil society be enlightened and actively involved in the integration process; but they should also be trained and fully equipped to contribute in development initiatives and obtain optimal economic performance in the regional bloc.

Regional economic integration can lift the East African citizens' out of abject poverty and place the member state countries onto the path of economic and industrial development. This can only happen if EAC countries purpose to surmount the aforementioned integration challenges. The EAC member states should also aim at mobilising the civil society, the private sector and all other stakeholders to engage actively in the integration process. Member states should ensure that implementation of policies and protocols are carried out without failure and within the required time frames in order that the integration initiative may benefit the East African population.

This research contributes positively to a better understanding of the deepening and newly accelerated interest in fostering regional economic integration process in East Africa. EAC seeks to integrate further and faster in the region so that socio-economic development and industrial

growth and other benefits of regional economic integration can be realised in East Africa. The EAC member countries need to work with Africa's external partners, including donor countries, UN agencies, the World Bank, the European Union(EU) and other regional organisations such as the African Union to mobilise external financial and diplomatic support for the new integration initiative to ensure its success in promoting intra-regional trade and industrial growth that will improve the living standards of the East African people and help in uniting the region as a bloc to fight other regional challenges and conflicts. EAC provides an opportunity to improve the welfare of the East African citizens; the five member states can harness and mobilise regional resources and invest in projects that result in mutual benefits for all the countries.

EAC member states should commit themselves to the attainment of sustainable regional peace, good governance, free trade, high infrastructure, increased delivery pace of integration goals and objectives, a results-based management system of the integration process, cost effectiveness, accountability, and knowledge management and communication so as to advance its integration agenda for the common good and mutual benefit for all its citizens. The EAC has shown vibrant and enthusiastic determination in its renewed effort to integrate the region socially, politically and economically. EAC should therefore aspire to consolidate its efforts and work towards boosting the regions exports to international markets such as Europe, Asia and the Middle East and rid the practice of getting everything from markets outside the regional bloc. This way, EAC will increase its economic power and base as well as its negotiating power in external markets and will stand a chance to be considered an important player in international trade.

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