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(Research Article)

Contribution of regional integration to economic development of member states, case study: East African community (EAC)

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Abstract

The main focus of this paper is about the contribution of regional integration on economic development to member states with East African community as our case study. The efforts of EAC in pursing integration dates back to the colonial periods, it is one of the oldest regional economic communities in African continent with its headquarters in Arusha, Tanzania. The researcher used historical and descriptive analysis method in the study, with reference from secondary data related to this study. The study concluded that EAC integration has promoted trade creation as all the partners have experienced economic growth due to the integration process and therefore recommended that EAC's success depends on the support and commitment it gets from the member states. Moving towards a Common Market, the progressive institutionalization of key organs is fundamental in sustained integration process.

Keywords: Regional Economic Communities (RECs); East African community (EAC); East African custom union (EACU); European Economic Community (EEC); East African custom union (EACU)

1. Introduction

Regional integration continues to be one of the cornerstone of African economic development as well as the continents efforts to ensure sustainability peace across Africa. Hence, the Regional Economic Communities (RECs) commitment to integrating economies remains unwavering, even if the efforts so far have proven uneven across regional blocks. Nonetheless, real progress has been achieved as per the principle of Abuja Treaty, and the African Unions Agenda 2063 and its First Ten-Year Implementation Plan. Buildi.ng on the opening up of borders to achieve regional integration is one of the key enablers of sustainability development. In this respect, it could help the continent leverage its demographic dividends and provide opportunities for its youth development. Encouraging cross-border integration that facilitates intra- African migration is an integral objective of the African Union. It could also be a key policy lever to enhance Africa's sustainability economic growth by ensuring access to high quality goods and services and contributing to Africa's financing for development, thereby providing job opportunity for the youth. On that note, our research study aims at the East African Community (EAC) as a regional economic development in Africa. The community was formerly consisting of three major countries namely Kenya, Uganda and Tanzania, which have engaged in various forms of integration since colonial times, and there cooperation has increased after independence. Other countries like Rwanda, Burundi, and South Sudan joined the community as new members. The EAC has high inter-regional trade when compared to other regional agreements in Africa. They established a custom union, East African custom union (EACU). There are signs of both trade creation (expensive domestic production is replaced by cheaper imports from member countries) and the trade diversion (imports from third world country is replaced with more expensive imports from a member country) in different time periods during the 1990s and the 2000, but since 2002, there is only evidence of trade creation. As the official launch of the EAC was in 2000, this is a positive development showing the benefits of the cooperation. However, EAC efforts suffered a severe blow in 1977 with the collapse of the defunct EAC, the founder partner states of Kenya, Uganda and Tanzania revived it in 2000. Though the reestablished EAC has adopted the linear

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approach to economic integration, it has leaped the first stage of a free trade area and moved immediately to the establishment of a customs union. Furthermore, the Kenyan dominance is shown to be pressing the cooperation, which is troublesome since this dominance was the main reason for the collapse of the first EAC in 1977. Although the EAC has some problems that it must overcome in order to fulfill its ultimate goal of forming a political federation, the region as a whole will mostly benefit from the cooperation.

1.1. Statement of the problem

Regional economic communities are formed because of the expected benefits from them. Important feature of the higher levels of economic integration is free trade among members and this free trade is expected to lead to a rapid increase of trade which in turn is likely to lead to rapid economic growth. These gains result from the dynamic effects of integration which are cumulative in nature and lead to growth. Some economic communities and in particular the European Economic Community (EEC) have shown that the larger the integration (in terms of the size) the more likely it is to lead to growth since the larger the integration, the larger the market created and so on. Several attempts of regional economic integration in Africa have been put into place over time but they have been ineffective in promoting trade and attracting Foreign Direct Investment (FDI) in the continent. Relatively high external trade barriers and low resource complementarity between Partner States limit internal and external regional trade. Small market size, poor transport facilities and high trading costs make it difficult for African countries to reap the potential benefits of economic integration. In Africa, however, there are several regional economic communities with a long history of existence but in most cases they are not very effective and the benefits from them are limited. Resources similarities and overlapping memberships are among the main problems for the limited benefits. Given the current increasing trend of regionalism, developing countries in Africa need to carefully assess, taking experience from the EU and other successful economic communities, the extent in which they can benefit from effectively integrating their economies. It is through this reasoning that this study aims to reexamine how economic integration can be advantageous to the developing countries in Africa. This will be done by considering the benefits which EAC member countries are enjoying as an outcome of their economic integration.

Objectives of the Study

The objectives of the study are

- To examine the East African Community regional integration efforts and contributions to the Economic Development of the East African Region member states.
- To access the integration concept and the role of East African Community in the Economic Development of the East African Region.

1.2. Research Question of the study

The main research question which guided this study is ‘What are the economic contributions which EAC member countries are getting or expecting to get as a result of being in such a regional economic community?

1.3. Previous Studies

- Angela Mutile Muema Atsiaya, the degree of master of arts in international studies, institute of diplomacy and international studies (IDIS), university of Nairobi, challenges facing economic integration: a case study of east Africa community (EAC) 2000– 2012 august, 2014.

The author indicated in her study that: The East Africa Community (EAC) is one of the Regional Economic Communities (RECs) in Africa. However, the integration process has achieved less than desired as witnessed with the collapse of the previous EAC in 1977. This study critically reviews the challenges facing economic integration in the EAC by first tracing the history of the integration process, its successes and failures, and identifies the challenges of the present EAC economic integration process. The major conclusions that emerge from the study are: First, the overlapping REC’s membership by partner states continue to posing harmonization and coordination challenges. In addition this indicates a lack of political commitment among partner states. Second, the EAC institutions are weak as they lack the capacity to enforce sanctions against partner states who fail to implement agreements. The selection process of the members of these institutions is not democratic as they are handpicked by partner states with the absence of the citizens’ views. Finally, issues of Non- Trade barriers (NTBs), poor infrastructure and limited private sector engagement are an impediment to economic growth in the region. These problems seem to have made building a successful integration process a daunting task for the EAC, despite its perceived importance in the increasingly globalized world. Thus, partner states need to take integration not only as a pan African ideology but more importantly as economic survival strategy.

- United Nations publication issued by the United Nations Conference on Trade and Development (UNCTAD), East African Community Regional Integration: Trade and Gender Implications. United nations 2018:

This report presents the economic, trade, and gender profiles of partner states of the East African Community (EAC) within the context of regional integration (chapter 1), and analyses the impact of EAC regional integration on women's well-being with a focus on women's employment (chapter 2). Both descriptive and quantitative analyses are used to this end. Chapter 3 of the report presents the main findings which presented the economic, trade, and gender profiles of EAC member states and has examined the impact of EAC regional integration on women's employment and well-being and policy recommendations like Achieving gender equality through regional initiatives.

2. Theoretical framework

2.1. Regional Integration in Africa

The model of integration pursued by African governments is characterized by a sequence beginning with the establishment of a free trade area, followed by a customs union, a common market, and finally an economic union with a currency union as the highlight, this is the same model adopted by the successful EU and has been advance for African economies to adopt. However, the applicability of this model within the Africa's economies has been questioned, while acknowledging the lessons from the EU. While regional integration is seen as imperative for the development of African economies, the way in which integration is used to address the constraint of the 'small economy' has itself become a serious obstacle to effective and meaningful integration. The linear model is more likely to benefit a member if the member economies are at a certain level of development and diversification. The weaker the economies are, the greater the chances for trade diversion (Muthaura F, (2001). The integration of these smaller economies should include an anchor economy in each region, the African case economies are small and, allowing for a few exceptions in the form of regional growth poles, trade is oriented towards northern markets rather than neighbors and specialization is rooted in basic comparative advantage. Thus the economic basis for meaningful exchange and complex specialization is so crucial to ensuring distribution of the gains. Furthermore, whilst major unilateral tariff reductions have been made across the sub-continent in the last two decades, they still remain relatively high compared to developed country levels[1]. Consequently, without the opportunities for complex specialization in intra-bloc trade the danger of trade diversion resulting from intra-REC tariff decreases is substantially higher than in the European case (Fosu A. K (2003). African development performance fragmentation is associated with an uneven distribution of natural resources, the absence of scale economies in the production and delivery of goods and services and the impact of scale on the cost of public goods. Since these conditions are difficult to meet in the African context, the liberal peace paradigm represented by the European Union is a very challenging proposition for African states. The implementation of the linear approach has in itself posed difficulties given the difference in terms of economies and politics between developed and African countries (Thomas N. Kibua and Arne Tostensen 2005).

2.2. East African Community (EAC) Preview

Historically, cooperation in East Africa (Kenya, Uganda and Tanzania) goes back a long way on account of these countries being neighbors, their people engaging in trade across the borders, and on having the shared common colonial administration under the British. These countries in 1967 established the East African Community (EAC) which lasted until 1977 when it collapsed for different reasons including different political ideologies. After the demise of the East African Community in 1977, the East African countries negotiated and signed the East African Community Mediation Agreement in 1984. Through this agreement the countries divided among themselves the assets and liabilities of the defunct Community which marked the end of the structured tripartite co-operation, although bilateral relations between the three countries continued. One of the positive elements of that Mediation Agreement was a provision for the possibility of a future of co-operation between the three countries . The new treaty that established the East African Community (EAC) was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the three original partner states – Kenya, the united republic of Tanzania, and Uganda. Rwanda and Burundi acceded to the EAC Treaty on 18 June 2007, and became full members of the community on 1 July 2007. South Sudan acceded to the treaty on 15 April 2016 and became a full member on 15 August 2016. The main objective of the EAC is to introduce policies and programs to promote cooperation among its member states for their mutual benefit in a wide range of areas including political, economic, social, and cultural affairs, research and technology, defense, security, and legal and judicial affairs. EAC partner states signed the Customs Union Treaty in March 2004 to establish a common external tariff on imports from third countries and to gradually eliminate internal tariffs (Oyejide A, I. El Badawi and (et.al), (2000). The protocol became effective in January 2005, and the gradual process of establishing a Customs Union was completed in January 2010. Although the introduction of the Customs Union largely eliminated some of the barriers to trade, other impediments remain. Non-harmonized technical regulations, sanitary and phytosanitary requirements, customs procedures and documentation, rules of origin, and police road blocks are among the major trade barriers in the EAC. The Customs Union Treaty was followed by the signing of the Protocol on the Establishment of the East African Community Common Market in November 2009. The Common Market came into effect in July 2010. This shifted the emphasis from solely liberalizing goods and tariffs to furthering the free movement of goods, services, labour, and capital. More recently, the Protocol for the Establishment of the EAC Monetary Union was signed in November 2013. Currently, the process towards an East African Federation is being fast-tracked with the aim of building a sustainable and powerful economic and political bloc in East Africa (Draper, P. (2010).

2.3. EAC Country Profile

Kenya is the largest economy in the EAC and the only non-least-developed country among the EAC members, owing to its favorable geographic location, good economic infrastructure, relatively skilled labour force, and strong institutions compared to its neighbors. However, Kenya has experienced limited structural transformation with respect to its output, exports, and employment over the past few decades. Although Kenya is not considered as a fragile state by the African Development Bank, the country faces both political and socio-economic sources of fragility due to the politicization of ethnicity, poor adherence to law, and other factors (Matthew Lockwood 2005).The economy of Kenya is a market-based economy with a liberalized external trade system and a few state enterprises. Major industries include agriculture, forestry, fishing, mining, manufacturing, energy, tourism and financial services. As of 2019, Kenya had an estimated GDP of $99.246 billion and per capita GDP of $2,010 making it the 62nd largest economy in the world. As of September 2018, economic prospects were positive with above 6% GDP growth expected, largely because of expansions in the telecommunications, transport and construction sectors, and a recovery in agriculture. These improvements are supported by a large pool of highly educated professional workers. There is a high level of IT literacy and innovation, especially among young Kenyans.

The United Republic of Tanzania is known as a politically stable country. The economy of Tanzania is the second largest in the East African Community and the tenth largest in Africa. Gross Domestic Product of Tanzania grew to 7% in 2018 compared to 2017. This rate is a little higher than the figure of 6.8% published in 2017. The GDP figure in 2018 was $56,852 million, being number 81 in the ranking of GDP of the 196 countries according to IMF. The absolute value of GDP in Tanzania raised $3,625 million with respect to 2017. Tanzania also plays an important role for its landlocked neighbours, serving them with its seaport and transport corridor system. Similar to Rwanda, it is one of the fastest-growing economies in Eastern Africa. Despite its impressive growth performance, however, the country suffers from a number of vulnerabilities. For example, minerals form a significant share of exports, exposing the country to fluctuations in commodity prices (East African Community Secretariat. 2019)

Uganda with GDP figures of $28,116 million in 2018, it is number 103 in the ranking of GDP of the 196 countries published by World Bank. The absolute value of GDP in Uganda raised $1,652 million with respect to 2017. The GDP per capita of Uganda in 2018 was $658, $15 less than in 2017, when it was $643. Uganda has been growing faster than the world and Africa on average since 2000, the country lags behind Rwanda and the Tanzania in growth performance. Since the 1990s, the country has made significant progress in reducing poverty. However, demographic pressure in Uganda is among the most pronounced in Africa, and the country needs financial resources for education and health care. Another challenge is related to the institutional structure. A non-conducive business environment negatively affects the private sector. The agricultural sector also needs the introduction of value chains and measures to increase productivity (East African Community Secretariat. 2019)

In 2018, GDP of Rwanda was 9.51 billion US dollars. It therefore increased from 1.8 billion US dollars in 1999 to 9.51 billion US dollars in 2018 growing at an average annual rate of 9.50 %. Rwanda has faced challenging ethnicity problems since gaining independence in 1962 – problems that led to the 1994 genocide. The economic structure of the country was severely affected by the genocide, but the country has achieved significant progress in rebuilding its economic and social infrastructure since the mid-1990s .There is a general consensus that the Rwandan economy performed extremely well in terms of macroeconomic stability and growth, infrastructure provision, and human and social development. Rwanda is also considered to have among the best institutional capacity in Africa, ranking second after Mauritius in the World Bank's Ease of Doing Business ranking in 2018.

Burundi is the smallest and most fragile economy of EAC with a GDP figure of $3,078 million in 2018. It is number 166 in the ranking of GDP of the 196 countries published by World Bank. The absolute value of GDP in Burundi dropped $94 million with respect to 2017. The Burundian civil war lasted from 1993 to 2005 and ended with the 2005 constitution that guaranteed representation of the Hutu and Tutsi, and parliamentary elections. A new political crisis emerged in 2015 related to the presidential elections. As a result of the political crisis, the Burundian economy fell into economic crisis, with shrinking GDP in 2015. There are over 400,000 registered Burundian refugees who have fled the country due to the socio-economic crisis, with the United republic of Tanzania being the main destination for refugees (United Nations Development Programme (UNDP) (2016a).

3. Literature review

3.1. Contributions of EAC to Economic Development of East African Member States

3.1.1. Transport Sector

Transport has increasingly gained importance in the EAC agenda. This trend can be seen in the focus on infrastructure at the EAC Ordinary Summits in recent years. In spite of a de facto focus on road construction and maintenance among EAC member states - primarily due to the rise of politically connected trucking lobbies in Kenya and Tanzania – the current EAC agenda focuses mainly on railways, not roads. In order to revive the railway sector, the Summit of Heads of State directed in 2004 the preparation of a Railway Master Plan, which led to a feasibility study in 2009. The Master Plan is centered on Kenya's new standard gauge railway, which is envisioned to extend to Uganda, Rwanda, Burundi, the DRC, Tanzania and South Sudan. In addition to the Railway Master Plan, an EAC Transport strategy was adopted for the period 2010-2015. The existing focus on railways was carried over into the 2010-2015 Strategy, which identifies a number of general obstacles to trade integration and specific obstacles to joint EAC action in the railway sector, namely, differences in laws, regulatory frameworks and licensing systems (East African Community Secretariat. 2020a). EAC transport policies have faced a complex implementation record. While progress on the EAC Railways Master Plan has been good in Kenya, plans to develop the regional standard gauge line in Kenya and Uganda have faced lengthy delays and disruption in each country due to wrangles and competition over contracts between Chinese contractors, brokers, and different arms of government. A major challenge has been the cost of the railways and in particular its opportunity cost (related to its economic and financial rate of return)[1]. In general, recent years have seen a notable improvement in the implementation of EAC infrastructure policy. After a number of years of slow progress in improving East Africa's railways, 2017 saw significant progress in implementing the EAC Railways Master Plan with Kenya inaugurating Nairobi – Mombasa (500km) standard gauge railway and 2019 Kenya again inaugurating Nairobi – Naivasha (120km) SGR. Ad additionally, strides forward have been made with regards to road interconnections and ports, as well as in overarching regulatory frameworks (CPSC. 2011 The East African Railway Master Plan Study).. Increasing attention is also paid to the concept of intermodal transport through transport corridors. These achievements have in turn led to declining travel time and costs. However, many of the recent successes in the area of transport have been the result of national level decision making and interstate coordination that have occurred independently of the EAC transport sector policies (UNECA (2021). One major parallel interstate initiative has been the Northern Corridor Integration Project, driven by Kenya but also involving Uganda and Rwanda. This initiative allows for rapid progress that, given the divergent interests of Tanzania and Burundi, would not have been possible at EAC level. However, as such initiatives occur with no oversight or control from the EAC Secretariat, they potentially undermine the EAC's role. Another example is the Standard Gauge Railway While it is in line with the EAC Railways Master plan; it seems to have been added to the Master plan only after its completion. Generally, through the EAC, member countries have worked together to improve transport and communication infrastructure within and across the borders of member states (CPSC. 2011 The East African Railway Master Plan Study).. Several projects have been initiated with the view to modernize transportation and communication aiming at facilitating trade in the region. Regional cooperation on public goods such as water basins (Lake Victoria), infrastructure (roads, railways), the environment, hydroelectric and other sources of energy and fisheries have generated benefits to member states (East African Community Secretariat. 2021a).

3.1.2. Provision of public –goods through EAC cooperation

There is general recognition that infrastructure barriers are more important than trade barriers to growth, especially pro-poor growth, in East Africa, particularly for Uganda and up-country Tanzania and Kenya. Under-investment in infrastructure, especially transport, power and water, has national causes, but regional cooperation in the provision of these key public goods may be part of the solution. Quality standards, branding and marketing are other very important areas for export sectors, and figure among the preconditions for creating a common market. If gains can be made on these issues – as well as on managing common-pool natural resources such as lakes and rivers – there will be benefits to international as well as regional trade, and hence more of an impact on the poor. But to what extent has effective cooperation been achieved in these areas? Enhanced cooperation on security and crime (antiterrorism, armed robbery and drug trade) is one area that appears to have yielded benefits already. Progress is good on standards. In contrast, progress on infrastructure investment has been painfully slow; given the priority it should be accorded. Transport and power are the constraints most often cited – the latter in a critical state currently, with regular load-shedding in the industrial areas of both Dar es Salaam and Kampala. Given legal obstacles and the rules of the major lending agencies, cooperation can only take the form of coordinated national initiatives. These may be sufficient but they are not appropriate where there are substantial externalities over and above the gains to individual countries. The countries cannot borrow jointly and therefore planning processes cannot be merged. This slows progress, including progress in integrating the EAC arrangements with those for Southern Africa, in which Tanzania is a formal partner (Muthaura, F (2001). East Africans have a variety of views on the factors behind this disappointing progress. Some observers lay the main blame on the unwillingness of country leaders to delegate decision making, while others stress the limited capacity of the EAC Secretariat, which implies that agreements are not well facilitated or sufficiently supported technically. They agree that so long as there is no empowered and properly funded executive body in Arusha, processes of agreement and decision will likely be slow and inefficient. Observers hope that the new current Tanzanian Secretary-General, will be proactive on some of these issues (East African Community Secretariat. 2020).

3.1.3. EAC common market

As argued at the beginning, stable policies and investment friendly institutions are among the most important missing preconditions for widely spread, poverty-reducing growth in East Africa. This makes the EAC a more important initiative than appears when it is approached only as a trade bloc or cooperation platform. An interesting potential for change arises from the method and the mechanisms that will be used in the next stage of EA integration – namely the negotiation of rules governing the regional common market. Institutions and bargaining about institutions are at the center of the common-market project. This opens up the possibility that it will help to transform some of the fundamental conditions for growth and poverty reduction in the region. The EAC Treaty (1999) affirms that the Community will be people-centered and market-driven. Many would say that these principles are still far from being realised. However, integration initiatives now involve a well-established pattern of consultation and involvement of stakeholders, particularly from business. New or much strengthened interest groups spanning the region have been formed to take advantage of these opportunities. This creates a set of opportunities, as well as some risks, for institutional development that do not present them at the level of each country (East African Community Secretariat. 2021).

3.1.4. Security stability and conflict resolution

Regional integration reduces the risk of conflict in two ways. First, increasing interdependence among members makes conflict more costly. Economic integration may pave the way for political integration, substantially reducing the risk of internal conflict. Second, regular political contact among members can build trust and facilitate cooperation, including on security. Security and political matters are among the issues raised in the broad goal of the EAC. The EAC has already established two important institutions, the East African Court of Justices and the East African Legislative Assembly, which are very important in conflict resolution and also serve as building blocks to a political federation. Enhanced cooperation in security and defense matters is important in ensuring that the region is peaceful so as to provide a conducive environment for sustainable development (Economic Commission for Africa (ECA). 2020)

3.1.5. Increased EAC market

Regional cooperation offers one route to overcome the disadvantages of economic smallness, by pooling resources or combining markets. Tanzania, Kenya and Uganda are all developing countries with small economies. In 2018, Kenya had a GDP of $87,928 million, Tanzania $56,852 million and Uganda $28,116 million these economies are too small on their own to attract any major investment in this globalized economy. By moving towards the economic integration via the EAC they have created a single market of over 172 million people (2019) and a combined GDP of around US$172.896 million. Thus, we can say that the EAC provides its partner states with a wider market within which investors can take advantage of economies of scale and thereby produce competitively. Furthermore it provides a training ground and facilitates them to survive within the liberalized and competitive world market (Economic Commission for Africa (ECA). 2021).

3.1.6. Free movement of people across the border

As a result of the EAC, citizens of member countries are now moving freely across the border by the use of East African Passports which are issued in all member countries. To facilitate more the movement of people in the region, EAC member countries have agreed to remove visa requirements for their citizens. Free movement of people is very important because it eases cross border trade and it also creates a sense of unity and community through increased interaction of the citizens of the member states. East African citizens can easily move from one country to another and do their business activities there. This is a good step towards the deeper integration including the East African Common Market of which negotiations have already been launched by the member states. The East African passport was launched on 1 April 1999. The East African passport has been introduced as a travel document to ease border crossing for EAC residents. It is valid for travel within the EAC countries only and will entitle the holder to a multi-entry stay of renewable six months' validity in any of the countries. The passport is issued in three of the five EAC member states (Kenya, Uganda and Tanzania) (East African Community Secretariat. 2019a).

3.1.7. Emerging business trends

Business leaders are far more positive than economists about the benefits of EAC integration, its customs union as a step in the process, as well as the wider integration under COMESA. The larger economic players perceive long-term benefits in a progressively expanding regional market. Pattern of regional development are already emerging, including: Kenyan firms have successfully aligned to the lower protection afforded by the EAC CET and fears that firms would not adjust to a 25% maximum CET, or would relocate to Tanzania or Uganda have not been realized. An intraregional division of labour is developing those results in basic import-processing relocating to the coast to supply the hinterland. The final stages of import-processing (especially those bulky finished goods that involve high transportation costs) and natural-resource based activities, are moving up-country and up-region, either within value chains of large companies or different segments located by firms in different countries. Trade in goods and services have already increased as service provision to Kenyans and Tanzanians is already important for Uganda (in education and in health). Kenya exports financial services, for example via the Kenya Commercial Bank and purchase and upgrading of local operators in Tanzania, Uganda and south Sudan. Uganda hopes integration will help support its tourism potential through integration with established regional circuits. There are signs of a business culture oriented to making profits through economies of scale and not on protectionism (Alemayehu and Haile, (2007)

3.1.8. Trade

Rationalizing investments and the full use of established industries to promote efficiency in production, as well as harmonizing trade policies, investment incentives and product standards, with a view to promote the Community as a single investment area.

3.1.9. Market size, access, trade policies

Regional trade integration is a cornerstone of EAC Partner States' trade policies. This involves strengthening of public institutions and private sector organizations involved in export promotion (Draper, P. (2010).

3.1.10. Market size

The internal EAC market has about 146 million consumers, while the Common Market for Eastern and Southern Africa (COMESA) comprises 20 member states with a population of over 460 million. Rwanda, Kenya, Uganda and Burundi are all members of COMESA. The Southern African Development Community (SADC), established in 1992, and is now composed of 15 member states among which is Tanzania - the only EAC state that also belongs to the SADC bloc, with all EAC having ratified to the African Continental Free Trade Agreement (AfCFTA) which is a trade agreement in force between 27 African Union member states by April 2019 (Comesa annual report 2017).

Market access

Burundi, Rwanda, Tanzania and Uganda are covered by the EU's Arms initiative, under which all products from Least Developed Countries except arms and ammunitions have preferential access to the EU market. Together with other sub-Saharan African countries, the EAC Partner States also qualify for duty-free access to the US market under the African Growth and Opportunity Act, with the exception of Burundi whose eligibility has been revoked with effect from 01 January 2016. Products from EAC countries can access various markets in the developed world through the Generalised System of Preferences (GSP), which offers preferential treatment to a wide range of products originating from developing countries. Membership in the African, Caribbean and Pacific States and the GSP enables products from Partner States to qualify for preferential tariffs on exports to member countries. Burundi is also a member of the Economic Community of Central African States, which aims at establishing a Central African Common Market (CIA World Factbook).

3.1.11. Measures to enhance trade

A number of measures have been taken at the Community level to enhance trade, and these include the following:

The Customs Union Protocol

Signed in March 2004, the protocol came into force upon ratification by the then three EAC member countries and became effective on 1 January 2005.

The objectives of the Customs Union include furthering the liberalisation of intra-regional trade in goods; promoting production efficiency in the Community; enhancing domestic, cross-border and foreign investment; and promoting economic development and industrial diversification.

The Common Market Protocol

EAC Partner States signed the Protocol in November 2009, and it came into force on 1 July 2010. The Common Market is the first of its kind in Africa.

The EAC seeks to progressively transform into a single market that allows for free movement of goods, persons, services, labour and capital while guaranteeing rights to residence and establishment. Reviews of the relevant laws to ensure the smooth operation of the EAC Common Market are ongoing in all the Partner States (McIntyre, M. 2005).

Trade and Investment Framework Agreements

The EAC in 2011 signed framework agreements with the USA and China with the aim of boosting / promoting commodity trade, exchange visits by business people and co-operation in investment among others.

Trade Facilitation

The Partner States have agreed to co-operate in simplifying, standardising and harmonising trade information and documentation so as to facilitate trade in goods.

Anti-Dumping Measures

The Community has developed anti-dumping regulations, as elaborately highlighted in the EAC Customs Union Protocol (Economic Commission for Africa (ECA). 2020).

Competition Policy and Law

The EAC already has in place EAC Competition Policy and Law currently being implemented by the Partner States with an aim to deter any practice that adversely affects free trade within the Community[1].

Re-Export of Goods

Re-exports are to be exempted from the payment of import or export duties.

Removal of Non-Tariff Barriers to Trade

Under Article 13 of the Customs Union Protocol, the EAC Partner States have agreed to remove all existing non-tariff barriers to trade and not to impose any new ones.

Standards and Measures

Under Article 81 of the Treaty establishing the East African Community, the EAC Partner States recognized the importance of standardization, quality assurance, metrology and testing for the promotion of trade and investment, and consumer protection among other things (Common Market for Eastern and South Africa, 2015).

4. Methodology of the study

The gathering of the required information for the study came mostly from secondary information, largely collected from the EAC research reports, websites and journals. In addition, this study focused on some data about the East African Community mostly based on analysis of secondary data.

4.1. Scope of the Study

This study employs a case study approach in finding out how economic integration can contribute to developing countries in Africa, with the East African Community (EAC) as the case study. Although the EAC currently has seven member states (Tanzania, Kenya, Uganda, Rwanda, Burundi, Democratic Republic of Congo and south Sudan), the scope of this study is limited only to five member countries of the community namely; (Uganda, Kenya and Tanzania Rwanda and Burundi). This is primarily due to the unavailability of the data on south Sudan and the new EAC member DRC.

5. Results and discussion

The EAC has been carrying out comprehensive economic reforms since the 1990s in order to stimulate the growth of the private sector. One such reform has been the gradual liberalization of financial sectors and capital account mobility in order to enhance macroeconomic harmonization. Consequently, EAC member States have moved towards adopting more flexible exchange rate mechanisms. Moreover, macroeconomic policy convergence is mandated by article 83 and 84 of the Treaty establishing the EAC, which specifies the framework for macroeconomic coordination and monetary fiscal policy harmonization within the EAC. The Protocol on the Establishment of the EAC Common Market requires member States to pursue macroeconomic policy convergence to fully benefit from a Common Market. The free movement of capital has therefore been advanced in the Protocol, which states that the harmonization in other areas of cooperation, including investment promotion and private sector development, needs to be enacted. With regard to the investment climate, the EAC Secretariat recently finished implementing the components of the Financial Sector Development and the Regionalization Project for Africa between the EAC and the World Bank on Investment Climate Programme.

The EAC is in the preparatory stages of establishing an EAC Monetary Union. In November 2013, the Heads of States and Government signed a Protocol on the Establishment of the East African Community Monetary Union. The critical areas of harmonization include, monetary and exchange rate policy harmonization; statistic harmonization; fiscal policy coordination and harmonization; financial market coordination; banking supervision and financial stability; harmonization of payments and settlement systems; and cohesive accounting and financial standards. EAC also made the decision to establish the East African Monetary Institute and the East African Central Bank to fulfill these goals. Given the institutional foundations of the East African cooperation, some member States already traded with each other under the Preferential Trade Area for Eastern and Southern Africa. The trade and market integration processes are described under the provisions of article 5 of the Treaty Establishing EAC, stating that a Customs Union followed by a Common Market and a final culmination into an EAC Political Federation are the gradual steps of integration in the Community.

A Protocol for the Establishment of the EAC Customs Union was signed by three Heads of State – Kenya, Uganda and United Republic of Tanzania – on March 2004 in Arusha, United Republic of Tanzania. Rwanda and Burundi joined the Customs Union in 2008 and started applying its instruments in July 2009. In November 2009, the Heads of States signed the Protocol on the Establishment of the EAC Common Market that entered into force on July 2010 after the ratification by Burundi, Kenya, Rwanda, Uganda and United Republic of Tanzania. Member States agreed to, eliminate tariffs, remove non-tariff and technical barriers to trade; harmonize and mutually recognize standards and implement a common trade policy for EAC; and lastly, ease cross-border movement of persons and adopt an integrated border management system. Furthermore, the EAC also has a Model Investment Code that serves as a reference guide for member States to align their national investment policies in order to improve the business climate and promote trade that it adopted in 2006.In June 2015 the EAC, the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) agreed to establish a tripartite free trade area (TFTA). Although the Agreement has been signed, it has not yet entered into force due to outstanding technical work on tariff liberalization, rules of origin, trade remedies, and harmonization on trade-related policies. The TFTA is expected to be finalized within a year of the launching, which would effectively make it the largest free trade area in Africa and it could boost intra-regional trade by as much as one third.

In March 2016, EAC adopted a road map for member States to optimize the utilization of its resources to accelerate productivity and the social wellbeing of its people, called the Vision 2050. The Vision depicts a future East Africa with cohesive societies, competitive economies, and strong inter-regional cooperation that will transform the EAC region into an upper middle-income region based on the principles of inclusiveness and accountability. The TFTA will thus be instrumental in achieving the stated goals and a decisive step towards continent-wide integration.

The aim of EAC is to gradually establish among themselves a Customs Union, a Common Market, a Monetary Union, and ultimately a Political Federation of the East African States. The Treaty Establishing EAC stipulates the following principles to enhance policy harmonization and integration in the EAC region:

- The attainment of sustainable growth and development of the partner States by the promotion of a more balanced and harmonious development of the partner States.
- The strengthening and consolidation of cooperation in agreed fields that would lead to equitable economic development within the partner States and which would in turn, raise the standard of living and improve the quality of life of their populations.

- The promotion of sustainable utilization of the natural resources and taking of measures that would effectively protect the natural environment of the partner States.
- The strengthening and consolidation of the long-standing political, economic, social, cultural and traditional ties and associations between the peoples of the partner States so as to promote a people-centered mutual development of these ties and associations.
- The mainstreaming of gender in all its endeavors and the enhancement of the role of women in cultural, social, political, economic and technological development.
- The promotion of peace, security, and stability within, and good neighborliness among the partner States.
- The enhancement and strengthening of partnerships with the private sector and civil society in order to achieve sustainable socio-economic and political development.
- The undertaking of such other activities calculated to further the objectives of the community, as the partner States may from time to time decide to undertake in common.

6. Conclusion

The study provides evidence that the EAC integration has promoted trade creation as all the partners have experienced economic growth due to the integration process. However, the extent to which partner states would benefit from integration is dependent upon their levels of economic development. Where a partner state enjoys a relatively large industrial sector, then such a country is likely to gain more than other partners, this is the case with the EAC where Kenya which enjoys a relatively large industrial sector, then is likely to gain more than other partners.

Weak institutions lack the mandate to enforce and implement agreements; this is due to the reluctance by the partner states to sacrifice their sovereignty. This has also resulted in the slow harmonization and coordination of policies.

Security and instability in the region creates an environment not conductive for investors, with an example of Burundi and south Sudan, disputes and tension between communities further slows the integration process.

Lack of participation by the private sector and citizens who are actually the end beneficiaries of the integration process is lacking. The participation process of the citizens is yet to be institutionalized as the people have no avenues of participation unlike the EU, where the people directly participate in electing representatives of the EU parliament through political parties.

Recommendations

Regional integration provides the EAC countries with leverage for bargaining in international markets and a chance to collectively benefit from economies and large markets. Nevertheless, EAC's success depends on the support and commitment it gets from the member states. Moving towards a Common Market, the progressive institutionalization of key organs is fundamental in sustained integration process. Whereas leaders continue to send mixed signals, the EAC countries have no better alternative than to integrate.

Effective implementation requires a robust institutional, enforcement and evaluation mechanism, which implies structural transformation of regional organs and institutions at each stage. This will have to be accompanied by deeper commitment by partner States in respect of monitoring, enforcement and resource allocation for regional projects; and a robust institutional framework for customs for common market issues120. The region needs to put in additional efforts in addressing conflicts and insecurity as these may have a spill-over effect and do drive away investors.

More effort is needed in improving regional infrastructure within and across the borders of the member states. These include but are not limited to improvement of infrastructure (the roads, railways, airways, energy, and telecommunications), because it is fundamental to lowering costs of business and facilitating efficiency in production, transportation and delivery of goods and services. All member countries need to be well connected with a view to facilitate and increase trade within the region thus allowing partner states realize more profits.

Lastly, the National Monitoring Committee (NMCs) established in all the EAC member states to address the challenges of Non-Trade Barriers NTBs capacity should be enhanced. In order to deepen integration and transit to political federation, virtually all the organs and institutions of the EAC as set out in article 9 of the treaty will need to be reformed. This should address issues of core functions, membership, method of work, reporting and monitoring.

Compliance with ethical standards

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