THE ROLE OF REGIONAL INTEGRATION IN REDUCING DEPENDENCY: THE CASE OF KENYA IN THE EAST AFRICAN COMMUNITY

BY

WINNIE KWAMBOKA MOKAYA

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University Africa in Nairobi for academic credit.

Signed: __________________________ Date: __________________________
Winnie Kwamboka Mokaya (644082)

This research project has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________ Date: __________________________
Weldon Ng’eno

Signed: __________________________ Date: __________________________
Dean, School of Humanity and Social Science
DEDICATION

I dedicate this work to the almighty God, the creator of heaven and earth in whom I firmly believe and through whom I have been able to go through the MA International Relations program. It is only through Him that all this has been possible. It is not by my own strength but through His mercy and grace that all things have been made possible.
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ABSTRACT

This study brought out the analysis of dependency level brought about by EAC economic integration among its member states; Kenya, Uganda, Tanzania, Burundi, and Rwanda. A comparative analysis of the failures and achievement of the old and new EAC was focused on to bring out the level of reduction in over reliance to the foreign aid into the region. This analysis was based on the level of reduction of trade barriers, and elimination of some of these restrictions. Therefore, elements such as market integration, institutional integrations, as well as political uniformity were some of the factors which were embraced towards realizing the independence of the region. This approach follows the three objective perspectives; to analyze the various perspective of regional integration and their effectiveness in the world; to determine the challenges and opportunities experienced in EAC integration; to assess factors influencing intra-EAC trade; and to analyze the level of sustainability in EAC development. The study findings notes that there has been considerable steps taken in reducing foreign aid dependency through expanding infrastructure, opening up markets, integrating customs; and integrating regional institutions, which is given some level of sovereignty. This step however has experienced some challenges especially with the overlapping of membership such as Tanzania having membership with SADC, Uganda and Kenya having membership with COMESA, and others as well. This reduces the level of concentration in contributing towards regional bodies with the same policy requirements.
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OPERATIONAL DEFINITIONS OF TERMS

**Domestic economies** – The wealth of a particular nation

**Single market** – an association of countries trading with each other without restrictions

**Maastricht Treaty** – The treaty ratified by a number of European states in 1993 that led to the formation of the European Union (EU)

**Free market** – An economic system where prices are determined by unrestricted privately owned businesses

**Preferential Trade Area (PTA)** – This a trading bloc where member states are given preferential access to particular products

**Free Trade Area (FTA)** - This a trading bloc within a region in which the member states have signed a free trade agreement to reduce or eliminate trade barriers amongst them so as to increase the level of trade within the region

**Custom Union** – This is a group of countries that have agreed to charge a common external tariff on imports from non-member countries

**Common Markets** – A group of countries that encourage free movement of capital and labor among each other by imposing few or no duties on each other and charge a common external tariff for imports from non-member countries

**Economic Community** – A trade and/or political alliance that is meant to foster trade cooperation among its member countries

**Trading Agreement** – An agreement between states on the condition of trade of goods and services among them
LIST OF ACRONYMS AND ABBREVIATIONS

**EAC** – East African Community

**OAU** – Organisation of African Unity

**EU** – European Union

**COMESA** – Common Market for Eastern and Southern Africa

**ECOWAS** – Economic Community of West African States

**ECCAS** – Economic Community for Central African States

**SADC** – South African Development Community

**AU** – African Union

**RECs** – Regional Economic Communities

**ASEAN** – Association of South East Asian Nations
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The genesis of regionalism can be traced back to the pan Africanist thinkers such as the likes of Julius Nyerere and Kwame Nkrumah. According to Nyerere (1963), there exist a sense of “African-ness” which links the cultural and political life in the African continent. In Nyerere’s argument, he notes that African unity can only be expressed through positive impact on politics and economy in African countries. Therefore, indissoluble unity in Africa acts as a stone bridge which enables the continent to safely overcome the pressure presented in economic, political and social uncertainty. As further noted in Nyerere’s article ‘A united States of Africa’ cooperation among African states should initiate more than education but consistent struggle towards realizing a united Africa. The efforts towards realizing United States of Africa was slow but consistently reflected through talks in Monrovia bloc, Casablanca bloc, and Pafbec bloc. However, Kwame Nkrumah in his journal “Law in Africa’ reflects that Africa scholars should come together and learn laws from neighboring African states and protect it from destruction from the western powers. Nkrumah (1962) views that for Africa to be recognized in the world I has to be united rather than scattered in thought thus our scholars have to work together despite inheriting foreign activities.
Labele, *et al.* (2009) notes that economic integration and co-operation in regional bodies is an essential to regional members as it enhances while consolidating social and economic development in the continent. The post-colonial era led to the African governments adopting the regional integration concept initially aimed at stabilizing regional politics but transformed latter into a development focused strategy. This was aimed at challenges presented in landlocked states, smaller markets, as well as widening opportunity scope through large market scale in trade and production. Madyo (2008) notes that, the world as well as Africa as a continent in the globalized context risk alienated in the multi-polar word if they fail to adjust to the trading bloc (China, South East Asia, North America, and Europe) dominated environment. Moreover, Labele, *et al.* (2009) indicates that regional integration may cause market enlargement, polling of regional resources towards production stimulation, investment and trade. In addition, the current element of economic and financial crisis impacting on African state economies via reduction in the ODA (Official Development Assistance), investment and imports, increase in intra-African trade inject development plan for diversification in trade.

According to Kyambales and Houngnikpo (2016) many countries have organized themselves into groups that have worked in various ways to *protect and enhance their domestic economies*, their *social status* and *level of development* in Africa and even in the world at large, for example the European Union (EU). These Social and economic groupings often help create a *single market*, such as was the case with the EU. To use EU
as an example, The European Union is an economic and political union of 27 member states which are located in Europe which was formed in 1957. The EU was fully established when the *Maastricht Treaty* came into force on *1st November 1993*. The original objective of the EU was to create such *Single Market*, so that there was the *free circulation of goods, capital, people and services* within it. The integration of the economies helps to build a single market by easing trade and travel by eliminating issues of exchange rate around the regions which is a good thing. The single market is eased in to existence by the creation of a customs union with a common *external tariff* on all goods entering the market. The free trade that takes place within this bloc can often *increase competition* creating more businesses and reasonable prices, or they can *offer subsidies* to assist in the *development* of a particular sector, such as in the Common Agricultural Policy (Kyambales and Houngnikpo, 2016).

However, by establishing a *free market*, it can be criticized for *restricting the rest of the world*. With the EU seeing the benefits of the grouping there is greater *Polarization* with the rest of the world and these people are getting further and further behind. Furthermore, with tariff cuts in place within the EU, they are less likely to *globalize* in to other countries due to the breaks that the EU offers them. Yet it is arguable that this might *manipulate other countries*, especially in to forming *competitive markets*, *offering matching deals* to the EU that it ends up being a catalyst to globalization. It can therefore *undercut farmers* in the developing world, who arguably need the economic benefits
more urgently. Important to Note is that the EU has allocated funds to support the underdeveloped regions of the EU. They have provided funds to support their countries to conform to the standards of the EU. Poland for instance has benefited from investment to shift to a greater market orientation from a state-controlled economy, infrastructure funds to improve the road system and particularly its links to EU neighbors, such as Germany (Kyambales & Houngnikpo, 2016).

According to the researcher, Economic groupings often work in common interest for the benefit of the world as a whole. The European Development Fund directs aid from the EU to developing countries. In 2008-13 it is expected to allocate over 10 billion Euros of aid. The G8 similarly is working towards global energy efficiency, and brought in the International Partnership for Energy Efficiency.

Over a long period of time, the European Union has been intact with its member states in the region. However, the decision for Britain, a conservative government under the leadership of Prime Minster David Cameron conducted in 2017 an in-out referendum. The move led to diverse impact in the integration bloc as well as the United Kingdom. It is deemed that UK dependency level on EU is marked as higher that the vice versa notion, as UK 12.6% GDP is related to exports within EU. Only 3.1% GDP is realized amongst its relation with the rest of 27 member states export linkage to UK. In this aspect, EU is noted to be an important export destination for UK products holding about
44% of its export where the total sum of 60% in UK trade is linked to export within the 27 member states and 53 markets offering preferential access outside the integrated region. The United Kingdom has been service oriented economy where the service sector composes about 80% of the economy, despite the fact that having a net deficit in trade with EU; United Kingdom possessed a net surplus in trade approximated to 10.3 billion in service industry. This makes EU one of the major players in the UK market.

Despite the trading relations, UK has been a major player in defining EU operations thus the region has lost a powerful player in its operation. Other global actors such as Asian tigers have realized positive impact in their growth through ASEAN regional integration in Asia. This has led to the region gaining international recognition in trade activities. However, the Asia regional integration is not much advanced as that in EU.

According to Peterson and Shackleton (2012), one of the main objectives for the grouping of nations was to Promote Peace; for example within the African countries and their regional block; COMESA or even EU. These groupings cause a lack of sovereignty so many fear that such groupings lead to a decentralized Government, as we have mentioned earlier and it is evident in some as a super power or to some even foreshadowing of global governance. For example, In the United Kingdom there has already been a loss of financial controls to the European Central Bank and the necessity to adopt central legislation and regulations, which could potentially damage even The
African Countries economically that, are affiliated to them especially in terms of funding. It also reduces the amount of choice that a citizen has; it’s harder for them to migrate to somewhere where they can join a different society if they dislike the one that they live in. It can also lead to cultural homogenization, which is viewed as sad by many, with places almost losing their identity. So as we can see our dependence on these dominant states affects along of our sovereignty in operation.

Regionalism is about removing physical political and economic barriers that isolate countries from their neighbors. This enables them to collaborate in addressing shared challenges and opportunities that can lead to more trade and investment. It also enables better management of shared resources e.g. the River Nile flows through nine countries, namely Egypt, Tanzania, Rwanda, Uganda, Burundi, Kenya, Ethiopia, Sudan, and the Democratic Republic of Congo. On the other hand, integration may lead to conflicts and a feeling of national sovereignty lost (Aryeetey & Oduro, 1996). Therefore, in order for integration to be effective, there has to be strong commitment towards implementation of the agreed issues and a fair structure to solve conflict as well as equitable resource distribution. For the various integration structures to be effective, the leadership use international relations theories and ideologies to identify analyse and solve the required situation in a given context in integration.

As a continent, Africa has signed agreement with several regional integration bodies
leading to most if not all countries in the continent being a member of a specific regional bloc (Alemayehu & Haile, 2002). The regional arrangements in Africa can be seen in EAC (East African Community) in the Eastern part of Africa, the Western Africa being represented by ECOWAS (Economic Community of West African States), Central Africa composed of ECCAS (Economic Community of Central African States), South Africa being represented by SADC (South African Development Community), and finally Eastern and South Africa being represented in COMESA (Common Markets for Eastern and Southern Africa).

In this perspective, Alemayehu and Haile (2004) identifies that within the regional levels linked to agreements, effective economic integration have been experienced at a continental level in African countries. This is in line with the African leaders aspiration to unite the continent, leading to development of LPA (Lagos Plan of Action) in 1980 April by OAU’s (Organization of African Unity) Head of States. Hatzernberg (2011) indicates that the purpose of adoption of LPA was to increase the continents self-sufficiency level while minimizing dependency rate on western states for aid. The African vision in Abuja treat was ascended to on 1991 acting as a foundation to the continents’ integration agenda.

The treaty vision focused on self-reliance, endogenous development plan, and African solidarity. This treaty was entrenched into member states in 1994 leading to creation of
“an African Economic Community” by the year 2028. A plan was set up in the AU convention in 2012 January under the banner “enhancing intra-African trade.” This theme was a leeway for developing CFTA (Continental Free Trade Area) by the year 2017 and was aimed at enhancing AU’s strategy within the continent by 25 to 30 percent for the next 10 years (International Centre for Trade and Sustainable Development, 2012). As a matter of fact, there are considerable steps achieved towards realizing Africa regional integration focusing on poverty alleviation, employment creation, as well as enhance income per capita and the general living standards in the African States. This is realized through boosting trade operation amongst member States in African continent. Despite all the efforts set by the RECs (Regional Economic Communities) in the continent, Africa has not yet fully realized its vision. The study therefore focused on EAC as a tool toward reducing dependency and enhancing growth in the region in line with African Union vision.

1.1.1 OAU Guidelines on Sub Regional Groupings

The OAU resolution guidelines on governance of sub regional groupings indicated there should be a common geographical realities as well as cultural, economic, and social factors within participating countries. Secondly, there should be a reflection of cultural, economic, and social activities coordination peculiar to the concerned state. However, the guideline omitted inclusion of elements such as security, defense, and politics
reflected that OAU was to be the sole responsible unit in these activities. The guideline further indicated that those already existing groupings ought to adopt the Charter presented by OAU while inviting upcoming groupings to adhere to the set principles in the Charter. The noted groupings were to integrate their activities with those of the OAU prior to operating.

The Heads of State and Government Assembly therefore conducted a meeting on 1967 September at Kinshasha to assist in implementing the enacted resolutions. This led to economic groupings being formed by member states in which the secretariat at OAU encourages harmonization and co-operation between sub region segments focusing on economic field (Boutros-Ghali, 1963). Despite all these effort the results in different economic groupings were extremely poor adding to the failure reflected in various attempts to inject regional pluralism pattern. This as elaborated by Ramolefe and Sanders (1971) could be seen in where more input required where very essential links could be seen between certain English speaking and French speaking states. This is linked to diverse root factors such as deplorable conditions reflected in areas such as infrastructure and administrative systems aligned toward port motivated rather than regional coordinated, deviating cultural background, small markets, and alliances adopted from the previous colonial rulers.
1.1.2 East African Community (EAC)

Historical collaboration among the East Africa community members is traceable on the basis of the member countries (Kenya, Uganda, and Tanzania) not only being neighbors but also their citizens getting involved in cross border trade as well as sharing a common British colonial master. The states, according to Mwasha (2014) article, in the 1967 created the East African Community (EAC) which only lasted until 1977, when it crumpled due to diverse reason and different approaches in their political ideologies. The failure of EAC reflected in 1977, the member’s countries negotiated and ratified the East African Community Mediation Agreement in the year 1984 (EAC Development Strategy, 2006-2010). The agreement developed enabled the countries to divide among themselves liabilities and assets of the redundant Community marking the culmination of the structured tripartite co-operation, despite the fact that bilateral relations between the initial members states thrived. The Mediation Agreement made a provision for possibility of existence of future cooperation between the member states thus opening up ways for re-creation of the new EAC of 1999. The developed Treaty was assented to by the Head of States in Arusha Tanzania in 1999 November 30th, and in 2000 July 7th it started its operation. According to the Treaty for the Establishment of East African Community 2002 report, in 2001 January 15th, the new EAC was officially and formally launched with the help of Head of States.
The major Goal of the new EAC was enshrined in the Treaty which developed to enlarge and deepen integration among member states in economic, political, cultural, and social arena, technology and research field, security, defense and judicial and legal affairs towards enhancing mutual benefits. The vision presented in the renewed institution is to poses a competitive, prosperous, secure and united politically in East Africa (EAC Development Strategy, 2006-2010). Moreover, the EAC Development Strategy 2006-2010 report notes that the EAC mission do focuses on enlarge and deepen cultural, social, political, and economic cooperation so as to enhance the life quality of the EAC citizens via increased competition, investment and trade, and value added production. More emphasis is placed on the aspect of building and nurturing the capacity to effectively compete in the global economy.

Attempt to achieve enlargement policy was reflected in 2007 July in the Community when countries such as Burundi and Rwanda were officially initiated as members of the regional body. This led to the community expounding its membership to compose five members’ states (Kenya, Tanzania, Uganda, Burundi, and Rwanda). Currently, as East African Development Strategy 2006-2010 report notes that the New EAC is working on integration of customs union, in which negotiation for common market has already started taking place.
1.2 Statement of the Problem

Africa has been considered to be having continued dependency on developed countries has been an issue for decades. This has given a leeway for these countries to have influence on African politics and leverage for control of the continents resources. The trade and economic ties with the developed countries therefore have to be managed in order to manage the extent to which these states have control over the continent. One of the ways of managing these ties is through regional integration.

Regional integration is viewed as a device which is essential in enhancing socio-economic and political development in various countries in the world. Different countries in the world have taken initiative to engage themselves in regional integration programmes as a result of high success realized in catalyzing development. RECs (Regional Economic Communities) in the third world countries have as well realized substantial levels of success impacted by regional integration. This is reflected through increased engagement of countries in intra-regional operations which lead to increase in economic development and growth. The positive effect of intra-regional trade can be seen in the cases of EU (European Union and ASEAN (the Association of South East Asian Nations) in the western world and Asia. In African continent various intra-regional operations is evident in EAC (East Africa Community), COMESA (Common Markets for East and South Africa), ECOWAS (Economic Community of West Africa Society) and
SADC (South African Development Community). The impact of these regional bodies have had substantial impact in Africa though not as to the levels exhibited in Asia and Europe towards stabilizing economic, political, and social growth of their member states.

The African solution to African problems such as economic development and poverty reduction highly rests on regional integration. This is reflected in the African Union's target of creating by the year 2028 and African Economic Community despite the fact that the arrangement towards nurturing regional integration bodies has not been fully realized. This presents an opportunity to make analysis on the economic structure development, opportunities as well as challenges presented in the regional integration process within the continent towards achieving African Regional Integration.

In this perspective, the African Union indicates integration and economic co-operation as major catalysts for regional economic development as well as Africa's integration. This is reflected in the case of EAC which is valued as a foundation to development and integration in the continent (Chigano & Nakana, 2008). In line with this view, it will be prudent to focus on the opportunities and challenges presented in EAC's integration so as necessary action can be taken to realize the best out of the regional integration. The analysis on EAC surrounds countries such as Kenya, Tanzania, Uganda (who were initial members) and Rwanda, Burundi, and South Sudan who are new member in the new integration.
Ramoleffe and Sanders (1971) however discredits the OAU in its failure to effect social and economic progress as well as political unity in the continent. This is further linked to the notion that development is more likely to be felt in micro homogeneous sub regional segmentations. As result there was consistent emergence of diverse grouping which had limited participation in the African continent. The disgruntled nature of groupings is viewed by Ramoleffe and Sanders (1971) to be reflected in the absence of OAU Charter to bind member states in adhering arrangements in the sub-regional level. This led to lack of conflict settlement mechanism in Addis-Ababa in realization of crisis among pan-Africanist Casablanca group and UAM states in 1963 May.

The major fears presented by the Pan Africanist Casablanca were that regional sub grouping would slow down growth in focus of United Africa. This group promoted the view that interstate co-operation enhanced through OAU would impact growth in Africa. Those members in the Union of Africa States (UAM) in collaboration with African Charter signatories at Casablanca opted to disband their institutions in support of OAU. However, Francophone black African country as well as Madagascar did not support the dissolution of UAM and their supporting economic unions. This led to OAU on 10th August 1963 to adopt “Regional Groupings” to solve the consistent political friction among its members. This resolution assented on July 1964 by the Head of States Assembly emphasized on the importance reflected by inter-African collaboration via
OAU while still conditionally supporting other regional groupings

Most studies have been focusing on the importance of the integration to attract foreign aid and investment in the region due to the large scope of market presented. This element banks on the foreign donor and investors in improving the region’s economy as well as Africa's development. However, this study attempts to reflect on the element of regional integration towards minimizing the dependency aspect by African regional members towards foreign donors and investors. This is in attempt to inject industrialization in the continent and finance themselves towards realizing growth and development. The concept backs up the pan-Africanists minds such as Julius Nyerere, Kwame Nkuruma, Jomo Kenyatta, and other African scholars.

1.3 Objective of the Study

1. To analyze the various perspective of regional integration and their effectiveness in the world

2. To determine the challenges and opportunities experienced in EAC integration

3. To assess factors influencing intra-EAC trade.

4. To analyze the level of sustainability EAC development.
1.4 Hypothesis

Regional integration reduces dependency level in the African Continent on Western aid and trade.

1.5 Significance of the Study

This study will be of great importance to the following actors at national and international level:

1.5.1 Policy Makers

This research will assist policy makers by availing additional information on regional groupings i.e. COMESA, EAC etc. Also help tackle the great problem of dependency.

1.5.2 The Researcher

It will enable her get reward in my Master of Arts in International Relations in School of Humanities.

1.5.3 Community

The research findings will necessitate change amongst the individuals involved in dependency and help improve on the society norms.
1.5.4 Regional Groupings

It will help all related groupings to contribute in changing the dependency theories.

1.6 SCOPE OF THE STUDY

This study is limited to data relating to Kenya as a member of the EAC since its revival in the year 1999.

1.7 Limitations of the Study

1. The time scope for the researcher to carry out her research was limited.

2. Some of the information found was outdated and to some extent irrelevant to the study

3. Budgetary constraints. There might not be enough funds for the researcher to carry out the research the best way possible.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section focuses on the literature presented by various authors on the aspect of EAC’s ability toward reducing dependency and alleviating poverty in the region. The section discusses the following objectives: to determine the challenges and opportunities experienced in EAC integration; to assess factors influencing intra-EAC trade; and finally to analyze the level of sustainability EAC development.

According to Maruping (2014) integration is ‘a process whereby two or more countries come together, usually via mutual preferential covenants based on the preferential trade area (PTA), Free trade area (FTA), custom union, common markets, economic community. PTA the signatories charge minimal to imports within the member states while the FTA is a covenant by PTA members not to impose tariffs on goods delivered by their citizens. The custom union is element presented by FTA states where they use a common tariffs imposition by imports made by non-member state. However, the common market is part of a custom union where there is free movement of goods and services while the economic community presents the usage of common monetary and fiscal policies. However, where political sovereignty is compromised the economic society transforms into a political union or a federal union where there is a common political structure and legislation.

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2.2 Theoretical Framework

There are diverse theories making up international relations field this includes but not limited to dependency theory, neoclassical theory, functionalism, and relativism. This study however, opts for dependency theory due to the Pan Africanist view upheld in the EAC regional bloc vision.

2.2.1 Dependency Theory

Inotai (1991) views that regional blocs is perceived as an essential device for minimizing and slowly eliminating historical structural and economic dependence on developed countries by developing States. According to dependence theorists concept poverty levels in the third world economies or peripheral countries due to how they get integrated into the global system but not the fact that they are either partially or fully integrated into the global world system as presented by free market scholars. In these same context, third world countries provide an easy source of cheap labour, damping of obsolete technology, market for the first world economies, and avail natural resources, an aspect which supported stability of developed nations. The industrialized countries ensured that dependency state by the low income countries remain through development and maintenance of initiatives and policy supporting the dependency system. The sustainability of dependency system thrives due to its multifaceted nature initiating politics, media, economic, and other development aspects. Therefore, any attempt as
noted by Baylis and Smith (2012) to resist the dependency systems’ influence on third world economies’ reliance status leads to control, military invasion and economic sanctions.

Dependency theory advocates for the dependency solution which lies within minimization of relationship with the core countries or industrialized countries through south to South collaboration, as well as industrialization in import substitution. This is realized through co-operation among or between third world countries or better known as integration. However, according to Friedmann and Wayne (1977) as cited in Inotai and Constance (2014) gives dependency theory opponents views that perceives that there is lack of clear realistic plan on how third world States will alienate itself from reliance on industrialized states while despising the internal indigenous factors in the African countries. This hinders development in peripheral countries. In reality, Regional blocs in third world States have otherwise not minimized the level of dependency on the Core States. This is affirmed by Inotia(1991) as cited in Inotia and Constance(2014) who notes that dependency level by the developing States on industrialized countries have risen over the years despite initiation of Regional Integration Areas, as manegrial skills, technology, financial flows, and trade relations lacked a substitution element in intra-regional assets.

EAC in this case is not left out in the donor dependence elements toward supporting their operation and programmes support. A larger part of the regional body’s funds comes from
annual contribution by regional member States as well as support from ICPs (International Co-operation Support) such as European Union, African Union, and the African Development Bank. The contribution formulae are usually based on GDP calculation in a member country. Programmes ownership by developing countries receiving funding from donors should be high to ensure they have a say on how to control the operations (McLeod, 2003). This is because in situation where a donor pressurizes the recipient States on programme operation, then the programme is unlikely to succeed hence undermining programmes stability. Therefore, it is important to identify whether EAC establishment is sustainable in cases where the international partner or donors pullout of support.

2.3 Effectiveness of Regional Integration Models Perspectives

2.3.1 Regionalism in Europe and Dependency

European integration not has been supported through various integration theories in international relations. As Laursen (2008) notes, The Europe acted as a global wheel where integration of regions began in the 1950s with ECSC (European Coal and Steel Community) operating from 1952. European Union is noted to be one of the most effective and influential as well as replicated integration model in the regional integration process in the world. The model began as a functional collaboration amongst six states in the Western Europe surrounding mining regions. Peterson-berries(2010) elaborates that
the regional integration architects in the Western Europe upheld the element of curbing future conflict between Germany and France as well as acting as a counterbalance to the hegemonic Soviet influence which controlled Eastern Europe. All this aspect was intertwined with specific economic interest focusing on sufficient supply of raw materials in steel and energy production with intent to avail the scarcely needed ingredients essential for revamping economy among the member States (Peterson-Berries, 2010). This was hoped to enhance integration process among the member States in Europe. The effectiveness of the integration process is realized through free trade within EU member states via customs union creation. This is confirmed by presence of approximately 66% intra-regional transactions among the EU’s member states. This further backed by the free movement of individuals within the 15 major State with EU citizens being free to choose where to stay, invest, work, and travel without border controls and restrictions. The membership number in EU has increased by the year 2014 to 28 State members. The citizens in this integrated region are identified through Schengen passport which is a European recognized passport. The orientation of single currency known as the Euro was realized in many States by the year 2002. This was in line with harmonization of regulations and laws in environmental, economic, transport, social, and economic issues, elements which aided shift of national sovereignty towards supranational European Union existing institutions.
The achievements realized in EU can be pegged on feedback mechanism inculcated in the general European integrated population. This ensured that lobbying would be carried out by no state actors towards specific framework or policies which they are interested in; however, member states in EU are in a position to vote in or out the chosen policies in the integrated region. Cameron (2010) the United States formed a major foundation for development of EU regional bloc and ensured presence of political will towards devolving states sovereignty while creating democratic common institutions to assist in overseeing the integration process. The legal institution ensured that tolerance and solidarity existed with member states in the region. Therefore, Cameroon (2010) notes that EU’s approach is based on consolidating the integration process by not alienating any member states in case of emergence of a challenge. This could be seen in the economic crisis experience in Greece, the EU member states halted policy implementation operation till majority of the member states were in a better position. There was substantial will by the integrated region to avail some level of financial transfers to assist the economic challenges member state to improve its welfare.

Though European Union is termed as one of the most advanced regional integration models in the world, the bloc was severely affected by the current economic crisis. This led to emergence of criticism on the capability of regional integration model to improve a country’s wellbeing (Cameron, 2010). These doubts were enhanced by absence of
coherent and timely response towards Euro Crisis exposed by global financial crises. This concept is still propagated by Peter-Berries (2010) who acknowledge that though there was some level of achievements in the region, there has been a consistent reduction in the regional integration levels over the year. The fear in some member states to relinquish some level of their national sovereignty reduced the expected integration speed by EU member states.

However, Peter-Berries (2010) still hold that EU is still the most advanced and envied model in the contemporary global society. The relevance lessons reflected by EU integration is that economic interest should not be the sole focus toward integration as political will is required to ensure stability and consistent progress in the growth. In the same capacity, Peter-Berriers(2010) identifies that the weaker or smaller states interest ought to be safeguarded and respected in the process of integration to avoid politically and economically powerful states from dominating the regional bloc. Therefore, effective regional integration will be realized where institutional mechanisms are put in place to ensure equitable distribution of benefits and costs acquired from the process of integration. The regional integration unity is realized through shared historical political values and cultures and adherence to common legal and democratic standards in the process of integration by the member states.
2.3.2 Regionalism in Asia and Dependency

Ko (2013) notes that the region Asia realized doubling of trade operation as from 1995 to 2010. This is deemed by Peters-Berries(2010) as an attribution to ASEAN (the Association of Southeastern Asian Nations) founded in the year 1967 in Bangkok by Malaysia, Indonesia, Philippines, Singapore, and Thailand, with its capital in Jakarta in Indonesia. ASEAN always has relied on anti-communist approach targeting on strengthening their national sovereignty while consolidating their member states’ independence (Peter-Berries, 2010). ASEAN foundation never focused on absolutely shift of national rights towards regional institutions but rather aimed at serving the national interest, an aspect which contradicted the European Union’s approach. Ko (2013) therefore, notes that due to introduction of more concentration being focused on national sovereignty where principle of noninterference was upheld within a member states’ internal affairs. In this aspect, the Asian achievement records should be awakening call to the African continent that has been relying on the western powers for development.

Through initiating integration in the region, Asia as a region was in a position to nurture regional value links hence increasing their operation efficiency. This step led Asia to be a major global economic actor transacting about 30% of the world trade. The ASEAN region bloc is however, an intergovernmental focused institution which is not interested in sharing of member states sovereignty. This brings out the views that there still lacks a
regional body which competes EU in economic and political co-operation and integration. Cameron (2010) conquers with this notion by presenting that lack of true reconciliation between China and Japan, as well Korea and Japan’s makes it challenging for East Asia in Asia to realize integration. The element of true reconciliation was only realized between Germany and France both in EU presents a major historical reconciliation which has led to effective integration in the development of single market, custom unions, pursuance of common foreign policy, and accepting a common passport region (Cameroon, 2010).

2.4 Challenges and Opportunities for Regional Integration

2.4.1 Economic Advantage in Regional Integration

The foundation of regional blocs is pegged on the theory of standard trade which indicates that free trade is much more powerful as compared to the rest mode of trade (Geda & Kebret, 2008). The standard trade concept acknowledges that trading blocs is realized when countries collaborate in their activities. However, as noted by Geda and Kebret (2008), free trade will only enhance the member States’ welfare through the arrangements set by regional integration towards realizing net trade development. This view is further supported by Tau (2000) analysis which noted that despite economic integration theories indicating that collaboration may possess both negative and positive outcomes; most of individual perceives the trade blocs may impact member States
welfare improvement.

There has been consistent emergence of critiques on the importance of trading bloc’s agreement. As Keane et al. (2010) identifies, the key issues debated on is whether the agreements are stepping stones that elevates actors to global free trade, or an obstacle towards growth through trade diversion to countries benefiting free trade initiated by other States. Though these raised issues are factors to be put into consideration by the global trading agreements, several operations hinders realization of a consensus on the preferential trading agreement impact on member state economy. There is realization of reduction of barriers such as tariffs realized through regional integration programmes towards member states. In this aspect, Economic Theory indicates that State members in a regional bloc will benefit from free trade through enhancing welfare of the nation by empowering individuals in the country to buy products and services at affordable sources. This as noted by UNECA (2010), calls for resources reallocation based on the element of comparative advantage. In this aspect, it may sound prudent to conclude that arrangements carried out in regional blocs leads to welfare gains.

Winters (2003) also notes that the level of welfare impact on the regional integration members relies heavily on the level of balance between trade diversion and creation in the region. In their views, saving of real resources in a region occurs when inefficient production is reduced through creation of trade but the same is lost when imports are
exchanged to high cost from low cost partner sources via trade diversion. Therefore, impacts realized from regional integration programme entry can be segmented into dynamic and static effects. In this aspect, Lebale, Nkurunziza, Kasahara, and Halle (2009) indicates that static impact emerges due to allocation of resources as a result of evolving relative prices. However, dynamic impact, occurs when there is shift in efficiency, competition effect, exploitation capacity on economic of scale, as well as growth and investment levels.

2.4.2 Measurement of Economic Integration

Variables such as market expansion are targeted towards enlarging population, GDP, and the area of operation. However, such proxies are not substantial to measure a more complex scenario such as that found in developed regional blocs as European Union member states. Therefore, Bandiger (2001) indicates that the more suitable measurement to be used on advanced regional blocs’ economic growth should focus on reduction of tariffs as per General Agreement on Tariffs and Trade (GATT); harmonization of external tariff; elimination of tariffs between member countries (including EFTA countries and the EC In the 1970s); and creation of Common Market in which the EU initiated the European Economic Area (EEA) during the 1990s. Bandiger (2001) further adds that an ideal regional economic growth measure should initiate non-tariff barriers elimination and initiate positive integration elements such as developing common policies and
common institutions.

Petri (1993) analysis on “The East Asian Trading Bloc...” notes that the success of trading blocs lies within its preference for inside rather than outside partners based on low intra-bloc transaction costs in contrast to outside bloc transaction costs. As a matter of fact, intra-bloc transaction costs can be minimized through investing in intra-block linkages such as in economic policies that facilitate integration, transport links, or offering information on regional business opportunities. Petri (1993) adds that investment in these sectors relays on economic and political development that draws the regional member states together. The process of regional bloc formation is noted to be dynamic as intra-bloc trade volume increases providing incentives for investing in linkages.

Interdependence among the East Asian countries was effected through developing Asian treaty port in the 19th Century establishing trade networks such as Shanghai, Manila, Hong Kong, and Singapore ports; high economic integration enhanced by Japans imperialistic expansion; and the region emerging as a new force for integrating thus closing down their ties as the invest heavily in linkages.

2.4.3 Growth Impact of Economic Integration

Balasa (1961) analysis “dynamic effects of integration” notes that the dynamic impact are linked to external and internal economies of scales, enhanced technology development due to economies of scale in the Research and Development field, 29
improved competition, nurturing of a more favorable economic activity environment, reduced uncertainty, and lower capital cost due to market integration. The notable effects in the economic integration in regional bodies on growth is reflected in the permanent growth effect which results to consistent growth rate of the state leading to an inclined economic growth rate path. However, presence of level effects or temporal growth effect may cause an upward shift of regions growth path in which the growth slope remains the same for a long period of time. Baldwin (1993, p. 131) notes that after the period of transition, the rate of growth falls back to its stable consistent state level. The level effect, according to Baldwin (1993, p. 131) can be segmented further into static effects, that occurs when more output is produced from the same amount of input, and dynamic effects, where there is influence on accumulation of factors.

Baldwin and Seghezza (1996) do bring a new aspect of integration induced technology which result to growth, and integration induced investment which result to growth. Perri (2008) do conquer with Baldwin and Seghezza (1996) analysis noting that knowledge flows across and within countries may result to essential effect in both innovation and productivity of a country. Perri (2008) used 1.5 million patented data to approximate the knowledge flows at the frontier of technology across 147 sub national regions during 1975 to 1996 in which only 20% of average knowledge was acquired outside the average region and 9% was learned outside the country of origin. Therefore, knowledge in computer flows reach many people in relation to trade flows hence external R & D
acquired through these flows leads to strong positive effect in the economy and innovative activities.

Both dynamic and Static effect does occur in regional integration blocs. The Static effect emerges from aspects such as; *improved mobility factor, increased competition, and lower trade cost*. As Baldwim (1993) elaborates the enhancement of efficiency in the economic integration results to more output emerging from the same amount of inputs in the static effect. Moreover, where there is constant presence in ratio of investment, the output increase results to a higher investment as well as an increase in the capital stock which in turn enhances output in the dynamic effect.

Romer (1990) notes that human capital will be essential to regional member states when the knowledge is in a position to be disseminated internationally and where integration process leads to scale effect in research and development sector. On the other hand, integration may as well lead to international and inter-sectoral reallocation effects, an aspect reflected by Wiltz (1998) analysis on market liberalization.

According to Narendra (2014) Regional economic integration encourages economic growth amongst member states. This is in line with provision of additional gains from free trade which goes beyond global agreements such as the General Agreement Tariffs and Trade (GATT) and the WTO. In addition, economic interdependence creates incentives for political cooperation which minimizes potential violent confrontations.
However, there are some critics of regional integration who perceive the process as an aspect of trade creation and trade diversion. Trade creation is realized when low cost producers within the free trade region replacing the high cost domestic producers. On the contrary, trade diversion emerges when higher cost suppliers within the free trade region replaces the lower cost external suppliers (Muriuki & Kosimbei, 2015).

Angola is noted by Muriuki and Kosimbei, (2015) as a success in the integration mechanism in improving their economic welfare. However, there are some states in Africa still lagging behind as per their GDP growth, per capita income, capital inflows, as well as the general living standards.

Africa for a long period of time was linked to thriving in high poverty rate and rapid increase in population rate (Potts, 1995). Therefore, it has been the desire of every African nation to have a strong synergy and look for the most appropriate means to cooperate and collectively realize development and growth in their economy. This will lead to job creation opportunities and encouraging foreign and domestic investments to emerge. However, corruption and leadership wrangles over the years have led to regional blocks not realizing their vision and mission to date. Haussmann (2006) clarifies that successful integration is essential when states grow fast even in export perspective. This however, has not been the case on the ground as some states experience difficulties in cooperation or as well attempting to implement set initiative.
2.5 Summary and Research Gap

Many scholars have studied regional integration from the perspective of increasing trade activities in a region but not how it affects the members’ interaction with “outsiders”. This study therefore seeks to fill this gap but specifically in relation to dependency.

2.6 Chapter Summary

This chapter focuses on various perspectives of regional integration models in the world and their effectiveness in comparison to Africa. The study therefore makes analysis on European Union model of integration and ASEAN in Asia model of integration, and the model fit for Africa to pursue to ensure sustainable growth protecting them from dependency on the western aid reliance. The chapter therefore as well presents the various instruments used in regional models and their impact on the regional integration. This is effective towards identifying the gap in the study.
CHAPTER THREE: METHODOLOGY

3.1 Introduction

This study attempts to tackle the objective of the study through using descriptive research method in its data collection process. The process involves research design, population, sample population, data collection method, data collection procedure, data analysis, and presented the ethical issues to be considered in the research process. These elements incorporated in the research process provides valid and reliable data for the study.

3.2 Research Design

The study involves a descriptive type of research which involves survey method. The descriptive survey method according to Shaw (1999) is presented as efficient means in research method as it enhances data gathering and data analysis across the variables under study as well as other environmental impact. In addition, Judith (2003) brings out the idea that descriptive method of data collection enables measurement presentation relating between the causes as well as impact of variable in the research. This linkage is presented through content analysis of data retrieved from secondary data like articles, journals, books, documentaries, official websites, as well as government gazettes. This is conducted through pursuing a comparative analysis of the diverse study variables while involving contextualized information presentation which cut across the evolving
documented information over a period of time, from 1977, when the first EAC was created and 2008 when the second EAC gained effectiveness. This scope of study permits a larger ground to retrieve information relevant to the study within a very short period aligned with the study objectives. The findings will therefore offer a platform for further research or act as a point of reference to future research in the field.

3.2.1 Sampling Design

3.2.1.1 Sampling Frame

According to Desombe (1998) sample frame should include a list of population from where a researcher can make reference while collecting data essential for the study. In this case a wholesome and reliable list of members composing the population will be focused on. This study will retrieve essential data from AU official website, the Humanitarian and human rights institution official website and the policy papers written on behalf of the a. The AU and EAC official website and scholarly articles focusing on the economic integration of EAC and its independence level to supporting its member states. This enabled easy collection of authentic information from a centralized point within a short time. The data collected surrounded the area of the relationship between foreign aid, economic integration and EAC member state role in reducing dependency in the region and the achievement and challenges experienced in the enhancing growth and development in the region. This data was analyzed through a comparative content
analysis as deduced from the scholarly articles, the government gazette AU website, and EAC website.

3.2.1.2 Sampling Technique

The study opted for convenient sampling technique as it offers the right information required for the study within the given period (Cooper & Schindler, 2008). This method assists in filtering the large amount of information required for the study from the official websites. This presented gathering, analyzing, and presenting of reliable information within the required period.

3.3 Data Collection

This study was interested in retrieving information from secondary data, where journals, articles, books, documentary, and government gazettes forms the basis of required materials. Most of the data targeted for analysis was retrieved from official website of regional institutions such as AU and EAC official website, Journal and articles touching of EAC, and Government Gazettes. The method was preferred due to the short time allocated for the study to be accomplished and lack of funding to enhance the data collection in primary form. Therefore, secondary data befitting the study objective acquired in content form, presented reliable information which can be used for critical analysis of various variables in play.
3.4 Data Collection Procedure

The secondary information was acquired with the assistance of the United States International University of Africa Library and the subscribed online Journal as well as articles. This enabled easy access to valid documented information which assisted in developing the study credibility. This offered unlimited access to broad information within the shortest time possible.

3.5 Data Analysis

The information collected will be assessed using a convenient deductive approach towards analyzing content, an element known as direct content analysis. The process concentrates on content analysis, as it intends to initiate comparison of the various data category represented within a specific period. As noted by Bryman (2012), qualitative method gives a descriptive content analysis which focuses on presenting conflicting ideas and unresolved issues within the focus on concepts, procedures, and interpretations required for the data. The focus presented in direct content analysis approach aims at validating or extending theory (Marying, 2000). This opened up avenues for predictions to be carried out on the specific study variables or as well concentrate on the link between study variables thus encouraging deductive approach application. Therefore, content analysis was presented as a flexible analysis point of approach where family description on different analytic perspectives like, impressionistic; intuitive; as well as systemic
interpretive analysis and strict content analysis is carried out. The interest within content analysis relies heavily on the researcher’s choice as per theoretical and substantive concern on individuals or elements as well as the emerging challenges in the study. The content analysis approach is usually more structured as earlier study finding or concepts can be initiated through key concepts or variable being identified first in the analysis phase. This is because the earlier findings act as a platform to follow in discussion and analysis where contrasting opinions may emerge hence presenting potential and reliable discussion, conclusion and recommendations.

3.6 Ethical Issues

The study upheld ethical values managing the process of data collection, analysis and presentation. Bryman(2012) indicates that ethical values is a motivation point promoting privacy protection, absence of deceptive approaches, consent acknowledgement, and presence of security in the process of researching. In this definition, the researcher as well as the participants’ wellbeing has to be ensured in the process, therefore, safety measures is ensured by the authority where data is gathered to prevent any harm. The consent of the authority archiving the data has to be acquired. Most of the information may require membership subscription which was enhanced through the United States International University online subscription to journal, articles, and other scholarly sites which were relevant for this study. USIU library offered a potential ground to retrieve
content for analysis from the CD, books, and journals in the library. Through directive from the supervisor entrusted by the learning institution, the researcher was in a position to acknowledge other authors work through proper referencing and citing in the process of gathering, analyzing, and collecting data.

3.7 Chapter Summary

This chapter focused on the methodology of the study. The chapter incorporated the Study design, Population, Sample frame, sample size, data collection method, data analysis, as well as ethical issues involved in the research process. This ensured that the data gathered and presented is reliable and effective in coming up with valid conclusion and recommendations.
CHAPTER FOUR: REGIONAL ECONOMIC INTEGRATION OF EAST AFRICAN COMMUNITY

4.1 Introduction

There are several achievements and challenges of the new East African Community Co-operation, created in November 1999. A prior East African Community Co-operation collapsed in 1977 for various reasons. The East African Community is among the most developing Regional Economic Communities (RECs) on the African Continent in economic terms. Although industrialized economies have struggled to achieve economic growth in the wake of the global financial crisis of 2007-08, developing nations have in many cases achieved high growth rates. In Africa, the potential for growth is enormous. Despite historical political conflict and widespread government mismanagement standing in the way of poverty reduction and economic development, growth rates have been consistently high in many areas and dramatic changes are taking place across the continent.

In East Africa, five nations have decided to seek deep economic and political integration in the hopes of combining strengths and operating as a formidable economic unit in the global economy. Kenya, Tanzania, Rwanda, Uganda, and Burundi comprise the modern iteration of the East African Community, formed in 2000. Widespread efforts have been made since that year to accomplish expansive integration plans, although progress has
been painfully slow in some areas. Even so, the East African Community, as a whole, is capable of becoming one of Africa’s leading economic powers if integration is successful and handled properly. The focus of this paper is to evaluate the modern economic integration of the region, and the implications of its plans for economic cooperation and political unity. In particular, pressing economic needs must be first addressed, and the steps of integration must not be rushed or implemented without widespread support and great care (EAC, 2014).

4.2 East African Community Partner States

The East African Community (EAC) is the regional co-operation that comprises The Republic of Tanzania, Kenya and Uganda, with its headquarters in Arusha, Tanzania. These three East African countries cover an area of 1.8 million square kilometres with a population of over 90 million people who share a common history, language, culture and infrastructure. The region’s principal exports are agricultural products. These include horticulture, tea, coffee, cotton, tobacco, pyrethrum, fish, and hides and skins. Other exports include handcrafts and minerals such as gold, diamonds, gemstones, soda ash and limestone. Tourism is also one of the major sources of foreign exchange for EAC countries.

The region’s major imports are machinery and other capital equipment, industrial supplies and raw materials, motor vehicles and motor vehicle parts, fertilizer, and crude
and refined petroleum products. Prior to the re-launching of the East African Community in 1999, Kenya, Tanzania and Uganda enjoyed a long history of co-operation under successive regional integration arrangements. These included the Customs Union between Kenya and Uganda in 1917, which Tanganyika later joined in 1927; the East African High Commission (1948-1961), the East African Common Services Organization (1961-1967), and the previous East African Community that lasted from 1967 until its collapse in 1977. Among the reasons cited for the collapse of the East African Community in 1977 were, among many, ideological differences, structural problems that impinged upon the management of common services, limited participation by people in decision-making, and a lack of compensatory mechanisms for addressing inequalities in the sharing of costs and benefits of integration.

The economic performance of EAC partner states indicates that Kenya’s economy is larger than the economy of Tanzania and Uganda. However, it is worth noting that the economy of Tanzania has grown significantly, and that in 2002 it was 72 percent of the size of Kenya’s economy, compared to 57 percent in 1990. The same growth trend has happened to Uganda’s economy in comparison to Kenya’s economy. This fact suggests that the Tanzanian and Ugandan economies have been converging towards the Kenya economy. On average, from 1990 to 2002 Tanzania’s economy was growing faster than those of Kenya and Uganda.
4.3 Achievements of the New East African Community Cooperation

The achievements presented in the new East African Community Co-operation are institutional achievements: the success of the EAC Custom Union, the strengthening of East African community identity, steps towards harmonization of monetary and fiscal policies, the implementation of transport and communications projects and the launching of the Lake Victoria Commission. Other achievements have been in areas of co-operation such as joint promotion of the tourism industry, collective employment and poverty reduction strategies and initiatives towards foreign policy co-ordination and fast tracking for EAC Federation. Institutional Achievements the first achievement of EAC was to put in place the organs of the community as stated in the EAC treaty (2002). The East African Court of Justice and the East African Legislative Assembly were formally launched in November 2001 and became operational pillars of the EAC. The East African Legislative Assembly comprises twenty-seven members of parliament. Each partner state is represented by nine members of parliament elected by the National Assembly of each partner state. Since the establishment of the East African Legislative Assembly, at least nine Acts have been passed and enacted including:

- The Community Emblem Act
- The EAC Legislative Assembly Power and Privileges Acts
• The Acts of the Community

• The EAC Customs Management Act

• The EAC Interpretation Act, and


From November 2001 to March 2006, thirty-one questions have been tabled before the East African Legislative Assembly. Kenyan members of parliament raised five questions, Tanzania raised eight questions and Ugandan members of Parliament have raised eighteen questions. However, the East African Court of Justice has only received one case. However, it is envisaged that the implementation of Custom Union protocol and the extension of the EAC Court’s jurisdiction will create business for the court. The fact that the court does exist remains a major achievement for the EAC.

4.3.1 Custom Union

The most important achievement was the establishment of the EAC Custom Union. The Custom Union Protocol was signed in March 2004 and came into effect on January 1, 2005. According to EAC (2004:20), the Custom Union protocol requires that Kenya eliminate its tariffs on imports originating in Tanzania and Uganda respectively with immediate effect on day one of the Protocol implementation. However, charges of
gradually declining taxes remain for 859 products originating from Kenya and exported to Tanzania and 426 products originating from Kenya and exported to Uganda, based on the asymmetry principle. These taxes started to gradually decline from 5% in 2005 and will reach 0% in 2010. Apart from the elimination of tariffs and nontariff barriers among partner states, the Custom Union Protocol establishes three bands of Common External Tariff on imports originating from third countries. Stahl (2005:7) lists the three Common External Tariff bands as: “0% on raw materials imports; 10% on intermediate products; and 25% on finished products.” Although coordinated by the Customs and Trade Directorate at the EAC Secretariat, the implementation of the EAC Custom Union is managed by revenue authorities of the partner states. Under Customs Union arrangements, goods produced within the EAC move across the border of partner states without taxation provided they qualify under rules of origin. In future, the implementation of the Custom Union Protocol will result in increased intra-trade among partner states, increased competition that will increase consumer’s choice, reduction of costs, and attraction of foreign direct investments.

4.3.2 Strengthening of an East African Identity

There have been developments designed to foster the feeling of integration among the people of the EAC and to facilitate an East African identity. These have included the introduction of the East African Community flag, the launching of an East African
anthem and the East African passport. The East African passport is issued in all three East African partner states. The holder of an East African passport can enter any East African country for a period of six months without the need to stamp his/her passport. The East African passport is a travel document designed to ease border crossing for East Africans. It is a document valid for travel only within the countries of the East African community and allows the holder a multi-entry, renewable, stay of up to six months in any of the three partner states. Modalities of internationalizing the East African passport are under discussion. In other measures to ease border crossing for East Africans, issuance of inter-state passes commenced on July 1, 2003 and the partner states have adopted a single immigration departure/entry card.

4.3.3 Harmonization of Monetary and Fiscal Policies

Steps toward the harmonization of monetary and fiscal policies have included convertibility of the partner states’ currencies, harmonization of banking rules and regulations, harmonization of Finance Ministries’ pre- and post-budget consultations, regular sharing of information on budgets, and reading of budget statements on the same day. In capital markets, there have been changes in the policies and trading practices and regulations in the three stock exchanges. The committee for The Establishment of Capital Markets Development that oversees development of the capital markets in the East
African Community aims to develop East African Community Capital Markets including managing cross-listing of stocks.

4.3.4 Transport and Communications

A Tripartite Agreement on Road Transport has been ratified by partner states. The main objectives of the agreement are to facilitate interstate road transport through reduced documentation for crews and vehicles at border crossing, harmonized requirements for operation licensing and customs and immigration regulations, among others. In order to fast-track decisions on transport and communications, the EAC established the Sectoral Council on Transport, Communications and Meteorology. The East African Road Network Project is currently working to improve East African Infrastructure.

An estimated US $1 billion has been utilized in the implementation of these projects with a target for implementation by 2008. Partner states directly implement components of the project within their borders with the support of the World Bank, European Union, and the African Development Bank among others, with the Secretariat coordinating the realization of the whole project on a regional basis through regular consultative meetings and conferences. The task force is studying the harmonization of road transit charges, and addressing road safety issues in the region. On railway transport, projects are ongoing for the construction of railways that would make substantial impact on the efficiency of the East African railway system. The partner states are currently working on modalities to
establish an East Africa Railways Master Plan that aims at improving the railway network. The improvement of the railway network goes together with the improvement of the ports at Mombasa and Dar-es-Salaam that act as the gateway to landlocked East African countries. Other achievements in transport and communications include the implementation of the Cross-Border Telecommunication Conductivity, implementation of the East African Postal Automation Project, conclusion of a Tripartite Inland Waterways Agreement and completion of the study on the assessment of the status of Lake Victoria Ports.

4.3.5 Launching of Lake Victoria Commission

Lake Victoria is a common factor shared by the three partner states of East Africa. Lake Victoria is facing problems of persistent decline of water levels and increasing levels of pollution. East African partner states have taken several steps to preserve the lake through the implementation of the Lake Victoria Environmental Management Program. A draft of the Lake Victoria Transport Bill is under consideration and partner states ratified the Tripartite Agreement on Inland Waterways Transport in 2004 that provides a harmonized legislation covering Inland Waterways Transport in the EAC to enhance transport and safety on the lake. The establishment of the Lake Victoria Commission mandated by the East African partner states in ensuring sustainable use of Lake Victoria is vital for the sustainability of Lake Victoria. Furthermore, in the April 2006 Summit, the heads of state
of East Africa agreed to hold a special Summit that will deliberate on key issues of controlling and managing the sustainable use of Lake Victoria.

4.3.6 Collective Employment and Poverty Reduction Strategies

The partner states have adopted an action program that will focus on increased employment and poverty reduction in the EAC. Repinski (2005:5) points out that “EAC policies, projects and programmes intend to contribute implicitly and automatically to poverty reduction through their general focus on integration.” The East African Sub-regional Conference on Employment and Poverty Alleviation was held in Zanzibar in May 2005 and adopted a plan of action. In this regard, the EAC projects and programs are assessed as to how they contribute towards poverty eradication in the region. Furthermore, the East African Community established an annual Ministerial Forum to focus on employment creation and poverty reduction.

4.3.7 Foreign Policy Co-Ordination

Activities in co-operation in foreign affairs are ongoing in line with the EAC Memorandum of Understanding on Foreign Policy Co-ordination. In the year 2002, the Ministers responsible for foreign affairs discussed the modalities and strategies for bringing about common foreign policy for East Africa. The modalities include collaboration in diplomatic and consular activities; collaboration in economic and social
activities; liaison and exchange of information; and collaboration in administration and capacity building. In the meantime, the study on the implementation of Article 123 of the Treaty on the Establishment of Common Foreign Policy has begun.

4.3.8 Joint Tourism Promotion Initiatives

The East African Community partner states signed important protocols that will promote tourism in East Africa. These protocols are: the protocol on Environment and Natural Resources Management and the protocol for the Standards Criteria for the Classification of Hotels, Restaurants and other Tourist Facilities. The two protocols will help in promoting East Africa as a single tourist destination and will result in attracting more tourists and increasing the contribution of the tourism industry to the East African economy. As part of the joint effort to promote East Africa as a single tourist destination, partner states have participated in major international travel markets forums including the World Travel Market in London November 2005 and the International Tourism Bourse in Berlin in March 2006.

4.3.9 Fast Tracking the East African Community Federation

During the implementation of the EAC Development strategy (2001–2005), the heads of state decided in 2004 to explore options for fast tracking the process towards achieving political federation, and set up a committee to work on this matter. The committee
produced a report named the Report of the Committee on Fast Tracking East African Federation, November 2004. The prevailing view is that the determination of regional issues and the pace of the integration process would be more expeditious if conducted within a clear, definite and enabling political framework. During the extraordinary Summit held in Dar-es-Salaam on May 29-30, 2005, the heads of state considered the report of the committee and reaffirmed their vision of federation. The heads of states established the post of Deputy Secretary General in charge of fast tracking the process of political federation. The April 2006 EAC Summit held in Arusha appointed a Ugandan to the post and extended the time for consultations among stakeholders in the region. The third EAC Development Strategy 2005-2010 places emphasis on consolidating the Customs Union and completing negotiations for a Common Market Protocol while laying the necessary conditions for monetary union.

4.4 Challenges Facing the New East African Community

The challenges facing the new East African Co-operation are economic, global, political, and social challenges concerning financial resources.

4.4.1 Economic Challenge

One of the reasons for the collapse of the previous East African Community in 1977 was the perception of disproportionate sharing of economic benefits accruing from regional
markets and lack of a formula for dealing with the problem. It is a challenge to the community to address problems arising from the implementation of the treaty. Partner states must recognize that, in the short run, benefits to accrue from implementation of the treaty will not all happen at the same time. However, eventually, all the partner states will benefit from the implementation of the treaty. The treaty provides safeguard measures that a partner state may take to remedy any adverse economic effects arising out of the application of provisions on trade liberalization and co-operation.

4.4.2 Globalization Challenge

The East African Community does not exist in isolation; it exists in the world of global competition. In order to withstand the challenges of globalization, the EAC needs to unite and participate in the World Trade Organization negotiations as a block, participate in European Union trade arrangements as a single trading block, and take advantage of the United States of America - African Growth and Opportunity Act and European Union initiatives of Everything but Arms. Furthermore, in order for the EAC to benefit, then globalization must improve supply conditions. Deliberate efforts must reduce the cost of doing business, ensure availability of business services, and improve EAC infrastructure. Improving the performance of major ports such as Mombasa and Dar-es-Salaam, and the East Africa Road Network and East Africa Railway Network are key challenges facing
the East African Community. Improving supply conditions will enhance EAC capacity to withstand the forces of globalization.

4.4.3 Political Challenge

The sustainability of the East African Community and the achievement of a political federation will depend on a level of political goodwill. That is why there is a need for sustaining political goodwill and public support. The implementation of the EAC treaty requires successful negotiation of a number of protocols. In order for negotiations to succeed quickly, political goodwill is essential. It is a good thing to note that currently all three partner states believe in market-driven policies, good governance and rule of law. These factors help to shape common political ground that will help in shaping economic, political and social integration and eventually the establishment of a political federation. However, the EAC report on Fast Tracking (2004:81) reports that the fear of loss of sovereignty is an issue in the minds of some members of the political elite of East Africa. The fear is that as a Federation, the nation states would cease to have any meaningful powers; that they would be relegated to mere provinces within the Federation. This fear cannot be ignored and a mechanism is needed to eliminate such fears. This is a political challenge for East Africans.

4.4.4 Social Challenge
Participation by citizens is at the core of the new East African Community. The treaty advocates the need for people-driven and people-centered development. East African people should play an active role in determining the progress of the new community. The Community will therefore have to live up to the expectations of the peoples of East Africa through implementing the treaty’s provisions for the creation of an enabling environment for the private sector and civil society participation, the strengthening of the private sector; and enhancement of co-operation among business organizations and professional bodies.

4.4.5 Financial Resources Challenge

Experience indicates that contributions to the EAC budget always arrive not only late but also that partner states contribute less than their requirement. Inadequate financing is one of the main barriers to regional integration in Africa (Odhiambo, 2005:150 and Lwarukwa et al, 2002). Furthermore, donor contributions for studies/research do not only come with strings attached they also take too long to access and are inflexible for short-term requirements for the community. A substantial amount of resources is required to implement the treaty. In addition to internal mobilization of resources, there will be a need for a sustained mobilization of external resources, especially for the development of infrastructure. In addition, substantial resources will also be required for adequate funding of the organs and institutions of the community. In April 2006, the EAC Summit
held in Arusha in Tanzania established the EAC Fund. The fund will help in financing projects that will benefit partner states and to some extent the fund will act as a compensatory mechanism for those at the periphery of the community with poor infrastructure, and those with an underdeveloped industrial sector. The question that remains is whether the partner states will live up to their commitment of contributing the agreed amount of funds to the community.

4.5 Chapter Summary

The decision for re-establishing the East African Community is a right decision taken at the right time. It is a right decision that will enable East African partner states to withstand the forces of globalization, provide an enabling environment for attracting foreign direct investments, create a large market of over 90 million people, remove barriers and obstacles of trade within the East African Community, reduce the cost of doing business in East Africa, and eventually improve the standard of living for East Africans. However, establishing the East African Community Co-operation alone is not a panacea and requires deliberate efforts to avoid the collapse of the new East African Community, as happened to the previous East African Community. Tanzanians, Ugandans and Kenyans must start thinking as East Africans and stop thinking as individual nations, and economic, global, social and financial resource challenges need to be addressed for the survival of the community. The success of the East African Community will be
achieved through the application of political will, adherence to good governance, and the implementation of market-driven economic policies. This will happen with the support of a strong private sector, sustainable institutional development, the development of an efficient and effective compensatory mechanism and putting in place an effective system for raising resources for the community, both from partner states and from other sources (EAC, 2014).
CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter will present a brief summary of the study findings while presenting the necessary recommendations for the study in accordance with the study objectives. The chapter also brings out a competent conclusion guided by the findings of the study. This will allow further studies into the field by interested scholars. In addition, this conclusion and recommendations will also act as point of reference to those interested in the field.

5.2 Summary of the Findings

The study brought out a comparative analysis of the old EAC (Uganda, Tanzania, and Kenya) and the New EAC (Tanzania, Uganda, Kenya, Rwanda, and Burundi). There were 4 main reasons why EAC ended up collapsing ten years later namely ideological factors, political factors, economic factors and newer regional alignments. The ideological differences among the 3 member states caused its collapse. The socialist ideology of Tanzania contrasted the Kenyan capitalistic one. On the other hand, Uganda shifted from humanism which was the ideology during Milton Obote’s regime to the totalitarianism of the Idi Amin regime. Tanzania characterized Kenya as a ‘man-eat-man society’ while Kenya characterized Tanzania as a ‘man-eat-nothing society’
Kenya, Tanzania and Uganda were new independents therefore each state was too busy maintaining and expanding their own national roles. This led to neglecting of the EAC given the lack of political will and political leadership by member states. This was the most crucial factor that led to the collapse of EAC. There was unequal development of member states. Allegedly, there was a belief that Kenya’s development was at the expense of both Uganda and Tanzania. These 2 member states were having a high imbalance of trade with Kenya. In addition, the issue of the headquarters of EAC being in Kenya turned out to be a big problem.

Given the prevailing conditions within the community causing massive dissatisfaction, member states started seeking new partners in Africa. For example, Tanzania went ahead and forged closer relations with Zambia. In 1993 the Permanent Tripartite Commission for Cooperation was set up for coordinating the institution that was produced in 1998 after a draft treaty for the later EAC. Cooperation on security matters was also initiated during this period. In November 1999, the Treaty for the Establishment of the East African Community was signed by the heads of state of Uganda, Kenya and Tanzania. It entered into force on July 2000. Rwanda and Burundi joined the Community in 2007.

The challenges facing the new East African Co-operation are presented in this section. The challenges are economic, global, political, and social challenges concerning financial resources. One of the reasons for the collapse of the previous East African Community in
1977 was the perception of disproportionate sharing of economic benefits accruing from regional markets and lack of a formula for dealing with the problem. It is a challenge to the community to address problems arising from the implementation of the treaty. Partner states must recognize that, in the short run, benefits to accrue from implementation of the treaty will not all happen at the same time.

The East African Community does not exist in isolation; it exists in the world of global competition. In order to withstand the challenges of globalization, the EAC needs to unite and participate in the World Trade Organization negotiations as a block. The sustainability of the East African Community and the achievement of a political federation will depend on a level of political goodwill. There is a need for sustaining political goodwill and public support. The implementation of the EAC treaty requires successful negotiation of a number of protocols. In order for negotiations to succeed quickly, political goodwill is essential. EAC members believe in market-driven policies, good governance and rule of law. These factors help to shape common political ground that will help in shaping economic, political and social integration and eventually the establishment of a political federation. Fear of loss of sovereignty is an issue in the minds of some members of the political elite of East Africa. The fear is that as a Federation, the nation states would cease to have any meaningful powers; that they would be relegated to mere provinces within the Federation. This fear cannot be ignored and a mechanism is needed to eliminate such fears.
Participation by citizens is at the core of the new East African Community. The treaty advocates the need for people-driven and people-centered development. East African people should play an active role in determining the progress of the new community. The Community will therefore have to live up to the expectations of the peoples of East Africa through implementing the treaty’s provisions for the creation of an enabling environment for the private sectors.

Liberalism is a theory that is associated with growth. This is achieved by making sure people are centered and private sector is driven. In EAC, there has been a challenge in infrastructure development because of inadequate finances and lack of plans to connect East Africa beyond national borders. Without proper infrastructure, the private sector cannot develop it because it lacks the huge financial resources to invest in infrastructure. Currently, the EAC faces multiple threats to peace from regional negative forces, including piracy in the Indian Ocean, Al Shabaab militia in neighboring Somalia, Democratic Forces for the Liberation of Rwanda (FDLR), the Lord Resistance Army in the region neighboring Uganda, and the Front National Pour la Liberation (FNL) in Burundi. These conflicts create no-go areas within the region and increase the overall business risk, thereby, reducing its attractiveness as a business destination.

Although Liberal values argues that there should be viable alternatives, this was a challenge to EAC. All EAC members belong to multiple regional unions. This poses a
concern for regional integration as it slows down the implementation of trade protocols due to clashes with those of the other regional unions. For example, Tanzania, a member of the EAC and SADC, may face complications when SADC establishes its own custom union protocols. Also, multiple memberships mean that human capital and other resources get divided between unions, slowing progress. Liberalism insists on the issues of equality. Among the East African Community had economic disparities in that country’s economy and the Gross Domestic Product was different. Kenya’s Economy was way higher compared to the other countries. There was also disparity in education and skills. Kenyans were more educated thus dominating the entrepreneur world. The other countries felt challenged and misuse of regional integration.

Common goal for the EAC is integration of the African Economic Community which the liberals mainly support. With integration of states, occurrence of war is minimal. Liberalists argue that state-relations is critical to understanding international relations; the agenda of international politics is extensive (realism agenda is security and state survival; liberalism is beyond this: they look at economic problem, human security, diseases etc. liberalism is about conflict and cooperation).

As the liberalists argue on a common market EAC launched its own common market for goods, labor and capital within the region in 2010 with the goal of creating a common
currency and eventually a full political federation. However, this did not work out as
countries still imposed tariffs and

Liberalists argue that EAC collapsed because they did not include other non-state actors.
Liberalists argue that economic or other forms of interdependence or interconnectedness
among states and non-state actors tend to have a pacifying effect on state behavior. The
Demands by Kenya for more seats than Uganda and Tanzania in decision making organs
for example only involved states. Only the Heads of State were involved. The youthful
mass of the states is not well informed about the EAC process in any of the countries,
while others point to an enhanced sense of East African identity developing from modern
communications. For example Idi Amin, Ugandan dictator, argued that Tanzania was a
socialist therefore it should not get involved in forces fighting to topple a government of
another member state. This therefore led to loss of co-operation among the three member
states. EAC also failed because of protectionism. Kenya which was the region’s largest
exporter continued paying duties on their goods entering the other four member states.
This went on until 2010 when they signed a common treaty of tariffs. This meant that
only goods imports from the third party countries were only to be charged for duties and
tariffs.

Liberalists also argue that the states selfish national interest is what led to the collapse of
the EAC. This is because of Tanzania wanting Pan-Africanism realization, Kenya’s wish
to export surplus capital and Uganda seeking an outlet for its surplus labour (Archwa & Johnstone, 2007).

5.3 Recommendations

The following recommendation is outlined in relation to the study findings, supporting enhancement of the liberalization in the EAC;

- So as to address the infrastructural deficit in the region as well as in Africa, regional policy formulators ought to give a priority in maintenance as well as incorporating private sector towards development of infrastructure in the region towards leveraging themselves from foreign dependency. The region is in a position of reaping more gains through enhancing connectivity within the existing infrastructures rather than initiating large scale projects. In attempt to alienate infrastructural barriers in trade, policy formulators ought to redefine citizenship, reduce roadblock cases, and harmonize interprovincial or interstate trade regulations and rules within their borders.

- United States and European Union should harmonize their specific preference programmes for East Africa Community and Africa as a whole. This will assist in advancing value chains as well as intraregional economic assimilation.

- Further expansion attempt in intra-EAC commerce requires sustained efforts geared towards minimization and finally elimination of various regulatory and institutional
barriers in the region. Therefore, agencies operating within border points needs to have a harmonized process of inspection that enable fast and effective process of commodities and people clearance, hence minimizing border delays. Moreover, diverse application forms used in the clearance process need to be simplified by the agencies to minimize bureaucratic and technical process.

Uganda specifically requires to solve the stock as well as infrastructure quality that impact on its traders and producers. Therefore, extensive government investment in energy, road, and railway sector should be initiated. Through private-public sector partnership in energy development with proper laws and regulation policy outlined, the region will experience growth.

5.4 Conclusion

The historical ambition provides the potential interest. The EAC institutions are meant to dispose and depose those who serve in them and bring in new powers. During the process of negotiations and decision-making both the state and its citizens should be involved. Challenges are yet to be resolved as EAC has not fully pledged implemented for the politicians to present themselves as statesmen of a higher order, as representatives of a greater regional customs union. States still impose duties on goods to member states which is seen as an obstacle to the regional integration.
Despite various challenges the new EAC has made consideration steps towards realizing integration, however, this process though marred by overlapping of membership, and reluctant in relaxing of some barriers by member states such as Tanzania, the region is geared towards becoming a fully integrated region.
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