
BY

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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 for academic credit.

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DEDICATION

This thesis is dedicated to my late father who always had confidence in me and offered me encouragement and support in all my endeavors.
ABSTRACT
Regional integration has been a constant feature in East African region’s states relations. After independence Kenya, Uganda and Tanzania formed the East African Community (EAC) which later collapsed. Attempts to revive integration were successful, culminating in the revival of the community. This study looked at integration of the East African Community during these two periods. The study also focused on the economic interests pursued by the region’s biggest economies namely Kenya and Tanzania within the context of the East African Community. Thirdly, the study looked at factors underpinning these economic interests, and their impact on various levels of integration. The findings of this research indicate that pursuit of economic interests in the EAC, by the two countries has had a dual effect on various aspects of integration, and a net negative effect on overall integration. The main recommendation of this study is strengthening of key EAC institutions, and dispute resolution mechanisms in addition to ensuring a people driven integration process.
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<td>ADR</td>
<td>Alternative Dispute Resolution</td>
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<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<td>CMP</td>
<td>Common Market Protocol</td>
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<td>CU</td>
<td>Customs Union</td>
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<td>DRC</td>
<td>Democratic Republic of Congo</td>
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<td>EAA</td>
<td>East African Airways</td>
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<td>EAC</td>
<td>East African Community</td>
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<td>EACB</td>
<td>East African Currency Board</td>
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<td>EACSO</td>
<td>East African Common Services Organization</td>
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<td>EAHC</td>
<td>East African High Commission</td>
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<td>EACLA</td>
<td>East African Central Legislative Assembly</td>
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<td>EAMU</td>
<td>East Africa Monetary Union</td>
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<td>ECCAS</td>
<td>Economic Community of Central African States</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EU</td>
<td>European Union</td>
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<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<td>GATT</td>
<td>General Agreement on Trade and Tariffs</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IPO</td>
<td>Initial Public Offering</td>
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<td>KENATCO</td>
<td>Kenya National Trading Corporation</td>
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<tr>
<td>LDCs</td>
<td>Least Developed Countries</td>
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<td>LEGCO</td>
<td>Legislative Council</td>
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<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>MU</td>
<td>Monetary Union</td>
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<td>NTBs</td>
<td>Non Tariff Barriers</td>
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<td>PTA</td>
<td>Preferential Trade Area</td>
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<td>SADC</td>
<td>Southern Africa Development Community</td>
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<td>SGR</td>
<td>Standard Gauge Railway</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>STRI</td>
<td>Services Trade Restrictiveness Index (STRI)</td>
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<tr>
<td>TAFFA</td>
<td>Tanzanian Freight Forwarders Association</td>
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<td>UN</td>
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

As globalization becomes a way of life world over, countries are becoming more interdependent on one another in various aspects, including trade and security among others. As these countries seek to achieve development, the idea of co-operation through regional integration has increasingly gained ground. Africa has not been left behind in this aforementioned co-operation since the post-independence era in the 1960s and 1970s, many African countries took on the idea of regional integration, as a way of addressing various challenges faced by these nations (Qobo, 2007).

Today, Africa is home to a number of various regional blocs among them the Economic Community of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Southern African Development Community (SADC), and the East African Community (EAC) among others.

The East African Community was originally formed in the early 1960s, and constituted Kenya, Uganda and Tanzania. In the initial stage of its formation, the main agenda driving its formation at that moment was political federation, however it became clear that this was not achievable due to competing national interests. This led to a paradigm shift with member states focusing on economic driven regional integration, leading to the signing of the East African Community Treaty in 1967.

Competing interests between member countries coupled with national differences led to disintegration of the community in 1977. In spite of this, the need for co-operation still remained and over the years, East African countries leaders signed various forms of co-operations,
culminating in the signing of the East African Treaty in 1999. This Treaty focused on a gradual form of cooperation staring with a customs union, common market, progressing into a monetary union, and ultimately a political federation.

Today, the EAC has made progress in terms of integration. However, this progress is hampered by a number of issues within the community, not least of them relationship between member states. Kenya and Tanzania are some of the prominent members of the bloc, with the two countries being the largest economies of the EAC. Over the years, Kenya and Tanzania have pursued various economic interests within the EAC. It is thus imperative to understand these economic interests, various dynamics driving these interests, in addition to their effect on EAC integration.

1.2 Statement of the Problem

“The difficulty has always been that the benefits of this greater growth have tended to be concentrated in Kenya and so far we have been totally incapable of rectifying this except by narrow autarchic policies which may have benefitted us but, if so, then certainly at the expense of growth in East Africa as a whole. This concentration of benefits should not, on the whole, surprise us. Regional concentration and imbalance is a characteristic of capitalistic development throughout the world and one which history has showed, tends to be aggravated over time.” - Amon Nsekela, Member of the East African Assembly and Head of the Tanzanian National Bank of Commerce, 1974

Regional integration in East Africa has taken various forms over the years. Moreover, this integration has been impacted by economic interests pursued by EAC member states. Kenya and Tanzania have been involved in the two periods of EAC integration under study. Various studies have looked at EAC integration. However, specific economic interests pursued by Kenya and Tanzania within the bloc putting into account other regional integration commitments
outside the EAC, underlying factors driving these economic interests and their impact on integration have not been highlighted. This study therefore examines Kenya’s and Tanzania’s economic interests in the EAC bloc, dynamics driving these economic interests, in addition to their effect on EAC integration.

1.3 Objectives of the Study

Research objectives of this study are:

- Analyze the context and progress of integration in the East African Community.
- Analyze Kenya’s and Tanzania’s economic interests, within the East African Community.
- Analyze the factors driving economic interests pursued by Kenya and Tanzania within the East African Community.
- Examine the effects of Kenya’s and Tanzania’s economic interests in the East African Community, on integration.

1.4 Research Questions

Research questions of this study are:

1. What is the context and progress of integration within the East African Community?
2. What are the economic interests pursued by Kenya and Tanzania within the East African Community?
3. What are the factors driving economic interests pursued by Kenya and Tanzania within the East African Community?
4. What are the effects of Kenya’s and Tanzania’s economic interests in the East African Community, on integration?

1.5 Significance of the Study

As EAC integration progresses, it is vital to identify some of the factors affecting the process. An important aspect of this integration is relations between member states. Relations between member states are imperative, and influence to a great extent the success of regional blocs. Kenya and Tanzania constitute the two biggest economies of the EAC (IMF, 2012). Consequently, analyzing the economic interests of the two countries in the bloc is important in determining their effect on integration.

From the findings of this study, recommendations will be offered to EAC members states namely Kenya and Tanzania on the impact they have had on integration. In addition, the study highlights key areas of integration that require government intervention to fast track the process, and how various challenges affecting integration could be addressed.

For scholars and academics, this study contributes to the existing body of knowledge on EAC integration in addition to possible reference material for further research on the subject. For various non-state actors and nongovernmental organizations, the study provides insight on the integration process, and areas requiring their intervention, which could inform advocacy programmes. For the business community and other professionals, this study gives insight into the integration process, identifying challenges affecting trade in the region which could inform various lobbying positions to tackle the aforementioned challenges.
1.6 Scope of the Study

The study focuses on the first and second period of EAC integration. The first period focuses on the EAC from 1967 to its disintegration in 1977. The second period that the study focuses on is from 2000, when the EAC Treaty signed in 1999 came into effect to 2016. This study will focus on Kenya and Tanzania, but also put into perspective other countries in the bloc. In addition, the study will also draw parallels with other similar regional groupings specifically the European Union (EU).

1.7 Definition of Terms

Key terms used in this study were constructed from through various reports and publications on integration. These key terms were instrumental in putting integration into context, and ensuring clarity on the same.

**Economic Interests:** Refers to a country’s economic goals and ambitions domestically, regionally and internationally.

**Regional Integration:** The process by which two or more states agree to co-operate in various areas, to achieve defined economic and/or political objectives. Integration involves written agreements on areas of cooperation in addition to coordinating bodies overseeing such co-operation. In many instances regional integration begins with economic integration and progresses to political integration.

**Customs Union:** An association between two or more countries, where these countries do not impose tariffs on each other’s goods. However these countries have common external tariffs on goods from countries outside the customs union.
Common Market: An association between two or more countries which entails a free trade area allowing movement of goods, services, labour and capital among member states.

Monetary Union: Association between two or more countries with a single currency or different currencies with a fixed exchange rate which is controlled by one central bank.

1.7 Chapter Outline

This study contains five chapters. Chapter 1 introduces the study, and puts in into perspective EAC integration in the two periods under study. This chapter also highlights the research objectives in addition to significance and scope of the study. Key terms used in the study are also defined in this chapter.

Chapter 2 identifies the theoretical framework, highlighting the key theories that will guide the study. This chapter also entails a review of literature on EAC integration covering the two periods under study. Chapter 3 highlights the methodology used in the study which includes the research design and the data collection and analysis methods. This chapter also highlights ethical considerations taken into account, during the research.

Chapter 4 contains findings and analysis of the study including progress of EAC integration, economic interests of Kenya and Tanzania within the EAC bloc, factors driving these economic interests, and their effect on regional integration. Chapter 5 highlights the findings and conclusions of the study. The chapter also entails various recommendations that should be considered to ensure successful integration in the region.
CHAPTER TWO: THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 Theoretical Framework

Different theories have been advanced by various scholars to explain integration. In the contemporary world, integration is traced back to the post war period after the Second World War. After the war, attention was shifted from the nation state which hitherto had been the most important unit of analysis in the international system to some form of integration or co-operation entailing functional activities. This approach as espoused by various functionalists was seen in the development of European integration, a precursor to various regional integration blocs today, including the EAC. Neo Functionalism and economic integration theories are key in explaining development of the EAC during the two periods under study.

2.1.1 Neo-functionalism

One of the key theories that can be used to explain integration on the EAC is neo-functionalism. Neo-functionalism is one of the most prominent theories that explained European integration in the 1950s. The theory was advanced by Ernst Haas in his 1958 book The Uniting of Europe. Haas built on David Mitrany’s functionalism theory, adapting it into the dynamics that faced the nascent European Coal and Steel Community in the 1950s (Moga, 2009).

According to this theory, co-operation or regional integration creates incentives which bring about a spillover effect. This spillover effect entails the expansion of integrated activities from one sphere to another e.g. from a customs union to a monetary union. Neo-functionalists postulate that the snowball effect of neo-functionalism is not only limited to sectoral areas but also geographical areas whereby co-operation among a group of states is likely to influence another state to join the grouping.
Neo-functionalism further argue that integration is driven by three key factors. Positive spillover effect is one of these factors. Positive spillover is seen when the original goals of cooperation are expanded to encompass other key areas. Transfer of alliances is seen as another key factor driving integration. Here, national interest groups shift their focus from national institutions to a supranational authority’s institutions, through which their interests are better catered for. The third factor driving integration is technocratic automacity. In this instance, the supranational authority’s institutions become key drivers of the integration process.

2.1.2 Economic Integration

Secondly the theory of economic integration, advanced by Bela Balassa, a political economy professor is important in this study. This theory has its roots in the post war period after 1945, with economists keen on economic integration and its subsequent impact on welfare. According to this theory, economic integration is seen as a process or a state of affairs. Economic integration takes various forms including customs union, common market or an economic union. This integration evolves from a customs union where trade tariffs are harmonized to a common market where restrictions on trade and movement are abolished. A common market progresses to an economic union which encompasses removing restrictions on commodity and factor policies, among nations in such an association (Balassa, 1961).

Finally, total economic integration encompassing fiscal, monetary and social policies necessitates the establishment of a supranational authority, whose decisions are binding on member countries. This theory also argues that if this co-operation is to be successful, countries should carry out necessary readjustments which include abolishing abolish tariffs and other trade
barriers. Balassa further argues that total economic integration necessitates the establishment of a supra national authority to enforce decisions, thus alluding to political union.

2.2 Literature Review

2.2.1 Globalization and Integration

Integration is not a new ideal today, but has been present in ancient times. However, the first notable economic integration can be traced to Europe in the 19th Century with the establishment of the German Customs Union, or the Zollverein in 1818 (Selimi, 2012). The second half of the 20th Century saw increased integration with countries joining various regional and continental blocs throughout the world (Selimi, 2012).

With the advent of globalization, attention has shifted from the distinct national economies to a global economy whereby production is internationalized and capital flows freely between countries. Technology, especially information technology has played a significant role in globalization, increasing interconnectedness of societies, improving transport, and enhancing production and trade among others.

Another aspect of globalization is trade liberalization, which entails opening up of markets, and allowing the market forces of demand and supply. Key institutions most notably the World Trade Organization (WTO) and its predecessor, the General Agreements on Tariffs and Trade (GATT) have played a role in the promotion of free trade and addressing barriers affecting the opening up of markets. Globalization has not only affected the economic sphere, but also the political and social spheres. (Idris & Abdullahi, 2016).

In the face of this transnational phenomenon, it is imperative for countries especially developing ones to take advantage of this global market. Developing strong regional and sub-
regional groupings is one way through which nations can align themselves to benefit from globalization. Africa is home to a number of these regional groupings at various stages of integration. Integration entails a process of moving from one level to another i.e. from a custom union to a common market, later evolving to an economic union entailing fiscal and monetary policies (Balassa, 1961), which largely explains integration in the East African region.

2.2.2 Integration in the East African region

The origins of East African Community can be traced back to the colonial period. Transformation of the East African region, particularly Kenya, Uganda and Tanzania (then Tanganyika) into a functioning entity in international relations dates back to the time when the three colonies were still objects of international law (Adar, 2011). He further notes that completion of the Uganda Railways from Kenya to Uganda by the colonial administration set the stage for Phase I (1903-1947) of the formal political and socio-economic cooperation and integration in the region.

In 1917, Britain had established a Customs Union between Kenya and Uganda, which Tanganyika later joined in 1927. This was followed by the establishment of the East African Income Tax Board and the Joint Economic Council in 1940 (Magu, 2014). In 1948, a more structured co-operation was realized with the setting up of the East Africa High Commission (EAHC) to run integrated services. The EAHC was a corporate judicial body which consisted of the colonial office of the three Governors of Kenya, Uganda and Tanganyika. In addition, the East African Central Legislative Assembly (EACLA), also known as the Legislative Council (LEGCO) was formed as the main decision-making body (Adar, 2011).
In December 1961, prior union institutions were replaced by the East African Common Services Organization (EACSO), a similar but more native-controlled inter-territorial structure. Power was centered in an Authority consisting of the elected head of each of the partner states and acting only by unanimous resolution. (Birmingham, 1969). A major problem arising from the working of the Common Market was the uneven distribution of benefits. The colonial Customs Union had resulted in significant net gains for Kenya, net losses for Tanzania and approximate equality of gains and losses for Uganda (Nasibambi, 1972). By 1963 the ties that held EACSO together were becoming frayed.

EACSO handled a number of major common services. These included Railways and Harbours, Income Tax and Customs, Posts and Telegraphs, Airways and Air Traffic Control, research bodies, currency, and industrial licensing. For some time Tanzania had a favorable balance of trade outside the EACSO, but an unfavorable one within it. This was attributed to the fact that many services and goods were supplied by Uganda and Kenya. On the other hand within EACSO itself Tanzania did fairly well from management of Railways and Harbours, in addition to Posts and Telegraphs, which provided the country with important services at the expense of Uganda and Kenya (Bailey, 1993).

In light of this, Tanzania threatened to withdraw from EACSO, which led to the signing of the Kampala Agreement of 1964. The Agreement was signed by an Emergency Committee authorized by the heads of their governments earlier in the month in response to a Tanzania’s threat. The Kampala Agreement laid down an agreed basis for dealing with inequalities of the common market and provided a framework for continuing economic co-operation between the three countries. A key feature of this agreement was elimination of trade imbalances between
member states through industrial location and relocation agreements in addition to trade restrictions (Robson, 1968).

In spite of this initiative, Kenya declined to formally ratify the Kampala Agreement that embodied “corrective measures that would have arrested growing inequalities among EAC members (Gathii, 2011). From 1965-1966, the East African Currency Board collapsed, leading to the setting up of three separate central banks which started issuing national currencies. In 1966, a commission made up of three ministers and headed by former Danish finance minister and UN expert Kjeld Phillips was appointed to look at the problems bedeviling East Africa’s integration (Kasaija, 2004).

Inequitable distribution of its benefits to member countries was the major challenge of integration in the early 1960s. Kenya due to her advanced administrative and economic structure took advantage of the common market arrangement among the three countries. By 1966, it was clear that the country was industrializing much faster, with the economic development gap between Kenya, Uganda and Tanzania widening (Mbogoro, 1978).

2.2.3 Establishment of the first East African Community

The Phillip Commission, adopted in June 1967, recommended the establishment of the East African Community (EAC). On 1st December 1967, the Treaty for East African Cooperation came into force. The EAC took over the entire range of joint services institutions belonging to the former EACSO. The organization was headquartered in Arusha, Tanzania, a decision which was based on the need to spread economic benefits of integration among the three countries (Katembo, 2008).
This treaty was significant in a number of ways. For starters, it placed the common market and the common services within one framework. Secondly, it made provisions aimed at achieving equitable distribution of cost and benefits. Thirdly, the treaty created a number of community organs to coordinate activities and also give executive direction. The treaty provided for a Community Minister who was appointed by each state to promote the Community’s interests and project its viewpoints in his or her own cabinet (Kasaija, 2004).

However, the EAC was plagued by a number of issues including polarization of national development and the perception of unequal gains, inadequacy of compensatory and corrective measures as espoused by the 1967 Treaty, different ideological differences, impact of foreign influence in addition to the rise of economic nationalism (Mngomezulu, 2013). After independence, the most remarkable ideological statement on the economy path to be taken by Kenya came in the form of “Sessional Paper No. 10 of 1965: African socialism and its application to planning in Kenya”, which enshrined the principles of capitalism and the developmental role of the state.

At the same time, the Kenyatta administration sought to Africanize the economy, which in a number of instances contradicted the principle of its official policy framework, through undermining private property rights of Asians Kenyans (Bedasso, 2012). After establishment of the EAC, the common market secretariat commissioned a study on the possibility of establishing East African Industries (EAI) which were to be large scale industries producing basic and intermediate goods for the region.

The report submitted to the Economic Consultative Planning Council, was not implemented due to disagreements. On one hand, Tanzania supported the idea during the East
African Treaty Review Commission meetings, arguing that the proposed EAI should be included in the revised treaty as a way of solving the industrial imbalance between the member states. On the other hand, Kenya the most industrially advanced partner refused to accept this proposal which was aimed at spreading the benefits of industrialization among partner states. (Mbogoro, 1978).

2.2.4 Tanzania’s Socialist Experiment

In the years following independence, Tanzania continued championing the capitalistic system it had inherited from Britain. The government’s non interventionist economic policy had resulted in growing foreign investment in the country. In 1965, during review of the First Development Plan, President Julius Nyerere pointed out the need for Tanzania to be more self-reliant. This meant relying less on external grants and increasing domestically generated funds. In light of this, Nyerere announced the Arusha Declaration in February 1967, outlining the principles of Ujamaa which he called African Socialism.

This declaration was to guide Tanzania economic path, through government control of the economy and rooted in the concept of self-reliance. Nationalization of key sectors of the economy was a key aspect of Ujamaa. Economic activities were grouped into three categories namely those restricted exclusively to state ownership; those in which the state had a major shares and controlling power and those which the private sector could invest in with or without government participation (Ibhawoh & Dibua, 2003).

After the Arusha Declaration, the government immediately announced nationalization of banks and large industrial enterprises including large-scale agricultural processing industries. In addition, part of the trade sector and 60% of the dominant sisal industry were nationalized.
Consequently by the end of 1967, key sectors of the economy were under direct state control. International response to Tanzania’s policy was mixed, while some countries particularly Scandinavian countries were impressed, others e.g. Britain did not advocate for the idea. Three large British banks namely Standard, Grindleys and Barclays took on a strategy of non-co-operation to ensure lack of confidence in the Tanzanian public sector banking.

This included withdrawal of personnel, issuing “work to rule” instructions to staff in addition to statements aimed at destroying international confidence in the country’s export economy. It is worth noting that these statements were also geared towards preventing the spread of nationalization of banks across the continent (Ibhawoh & Dibua, 2003). Another principle under Ujamaa was villagization. Under this concept mainly driven by the need to be self-reliant as per the Arusha Declaration, Tanzania sought to align education, investment programmes and political thought with the needs of the rural areas.

Villagization was a central goal of Ujamaa, and its tenets were based on traditional African practices of communal living and social equity. According to Nyerere’s social policy titled “Ujamaa Vijijini (Socialism and Rural Development)” issued immediately after the Arusha Declaration, Tanzania would move from nation of peasants individual farmers to a nation of Ujamaa villages whereby people collaborated in small groups, with these groups later coming together for joint enterprises instead of living on scattered homestead plots and land farmed by cooperative groups rather than by individual farmers (Boesen, Madsen, & Moody, 1977).

This scheme soon ran into difficulties, with people reluctant to join the villages. In addition, there were rising costs associated with providing incentives in the collective villages. The government then resorted into forceful movement into these villages though various
operations, most notably “Operation Rufiji” and Operation Dodoma” in the early 1970s. In 1973, Nyerere revised the villagization policy making it compulsory for citizens to live in the villages for three years. By 1975, it was clear that this collectivized agriculture scheme had failed, leading to its abandonment in 1975 (Ibhawoh & Dibua, 2003).

This made other countries in the region especially Kenya and Uganda, reaffirm their position that they would not follow the nationalization path taken by Tanzania. In the face of a new international economic disorder in the 1970s, Tanzania’s economy was adversely affected. Between 1972 and 1973, the country suffered due to what policymakers termed as exogenous shocks brought about by drought, deteriorating terms of trade and domestic policy failure (Arkadie, 1995).

Although Tanzania opted for socialism, existing data clearly show that the leadership successfully tried to maintain a non-aligned stance in its relationships with foreign countries. Internationally, Western countries were reluctant to invest in the country, fearing that their businesses would be taken over. On the other hand, Kenya was unnerved by Tanzania’s development model, coupled with radical politics whereby Tanzania unswerving support for the revolutionary struggle in Southern Africa (Khapoya & Agyeman-Duah, 1985).

In the early 1960s, both countries were broadly similar in terms of living standards with Kenya perhaps only 10% higher than Tanzania’s living standards. Both countries were dependant on agriculture, mainly tea, coffee and sisal. With the 1967 Arusha Declaration, Tanzania nationalized its industries and collectivized agriculture while Kenya continued with owner occupied small-scale farms in addition to private enterprise of manufacturing, large farms among other sectors of the economy. During this period, Kenya's output grew more rapidly than
Tanzania's by 50 per cent up to 1973 and 30 per cent faster over the decade between 1974 and 1984 (Ibhawoh & Dibua, 2003).

Moreover, Kenya and Uganda received generous aid packages from Western countries and international financial institutions while for Tanzania, aid was nor readily forthcoming due to its economic orientation. Nyerere also rejected aid arguing that stipulated conditions for loans would mean abandoning the county’s socialist goals. While exports revenues were affected by the collectivized agriculture scheme, the 1973/74 oil shocks, and import intensive investments in the industrial sector contributed to the deterioration of Tanzania’s balance of payments. By the mid 1970’s, Tanzania was facing crippling economic difficulties which forced it to turn to the International Monetary Fund(IMF) and by 1977 the country was heavily indebted, with IMF pushing for liberalization of the economy as a condition for more loans (Wangwe, 1987).

2.2.5 Collapse of the East African Community

Within East Africa, political interests and economic interests have often collided. Gravitation towards national control or championing of political interests is strengthened when there is a perception that the benefits and disadvantages of integration have not been equalized thus explaining collapse of the community in 1977 on the basis of unfair distribution of benefits accrued within the EAC. Others included imbalance in trade among member states which benefited Kenya at the expense of its neighbors in addition to inadequate compensation mechanisms (Kivuva, 2014).

Kenya grew fond of ridiculing Nyerere and his ideology of Ujamaa, claiming that Kenya was feeding Tanzania and that, without the Kenyans, Tanzanians would be starving. Kenya did not put into account the fact that Tanzania was its trading route, for hauling goods to Malawi and
Zambia. Secondly, Tanzania had well-kept game reserves which attracted many foreign tourists coming to Kenya. Further complicating the matters were charges of irregularities in the running of EAC corporations, in addition to failure by Kenya to adhere to the terms of the treaty. Consequently, Tanzania closed its border with Kenya between 1977 and 1983 severely crippling Kenya’s extremely lucrative tourist industry and her trade with countries to the south notably Zambia and Malawi and Rwanda and Burundi to the west, which could only be accessed through Tanzania (Khapoya & Agyeman-Duah, 1985).

There were other developments which made the running of the EAC impossible. In one incident, Kenya demanded more than KSh 200 million for hosting the East Africa Airways (EAA) on its soil, eventually leading to its grounding, coincidentally during the celebration of the Arusha Declaration’s tenth anniversary. Tanzania saw this as a well orchestrated plan by Kenya to satisfy dubious ambitions, with the Tanzanian media reporting that ‘nyang’au’ (hyenas) in Kenya had ensured the downfall of EAA so as to establish private airlines which would benefit Kenya and not East Africa as a region (Mngomezulu, 2013).

In retaliation, Tanzania refused Kenya’s heavy transport to use its highways. Tanzanian authorities also closed impounding more than 30 Kenyan trucks owed by government company Kenya National Transport Co-operative Society (KENACTO) in addition to tour vans and 30 aircrafts belonging to Nairobi-based firms. In June 1977 Kenya recalled her citizens who were working in Tanzania on the basis that the EAC’s Finance Council had failed to agree on a venue to discuss the following year’s budget in addition to impounding her vehicles (Mngomezulu, 2013).
Collapse of the EAC was also attributed to the fact that Tanzania progressively drifted southwards as liberation wars in Southern Africa countries gained tempo. In Mozambique for instance, Nyerere sought to play a pivotal role with the frontline states in military and diplomatic initiatives. Disillusionment with traditional partners coupled with emergence of a new group of actors with whom the country shared ideological leanings, decisively shifted Tanzania’s ideological, political and economic interests (Mugomba, 1978).

Kenya on the other hand, firmly committed to the capitalistic path to development, in a region dominated by socialist oriented states became increasingly isolated and defensive. This spectre of encirclement led Kenya to embrace the United States, as it sought to enhance its security while limiting political, economic and diplomatic isolation (Mugomba, 1978). After collapse of the EAC, Kenya made concerted effort to increase trade with countries of the Northern Corridor namely Uganda, Sudan, Burundi, Rwanda, and Zaire.

Kenya supported establishment of the Preferential Trade Area (PTA) in 1980. Even though terms of trade were not favorable to Kenya, PTA provided the hope for Kenya to trade with Southern Africa countries. However, Tanzania refused to accede membership, until dissolution of EAC assets was completed thereby dashing Kenya’s hope of using PTA to get the Kenyan-Tanzania border opened during that time (Oyugi, 1994).

**2.2.6 Establishment of the second East African Community**

Collapse of the EAC in 1977, did not bury the aspirations of the regions leaders from re-establishing a regional organization for harnessing areas of co-operation. These aspirations were incorporated in the East African Community Mediation Agreement signed by Kenya, Uganda and Tanzania in 1984. This Agreement sought to provide a framework on how the 1967 EAC
assets would be divided. The agreement also provided that the countries would identify and explore further areas for future co-operation. In a 1991 meeting Presidents Daniel Moi of Kenya, Yoweri Museveni of Uganda and Hassan Mwinyi of Tanzania set up a committee of foreign affairs ministers which could explore the possibility of an East African Community (Adar, 2011).

In November 1993, Kenya, Uganda, and Tanzania established a Permanent Tripartite Commission for co-operation, which was followed by a Permanent Secretariat for the Commission in 1996 with its headquarters in Arusha, Tanzania. In November 1999, the treaty re-establishing the East Africa Community was signed by President Daniel Moi of Kenya, Yoweri Museveni of Uganda and Benjamin Mkapa of Tanzania. This Treaty came into force in July 2000. A key aspect of this treaty was that for the first time, it outlined the specific steps that would be taken toward achieving integration.

### 2.2.7 Integration Pillars of the East African Community

The second EAC envisaged five key pillars of integration. These included establishment of a customs union, common market, which would later progress to a monetary union and ultimately a political federation (Adar, 2011). Progress towards EAC integration has been significant in 2007, Rwanda and Burundi joined the community while South Sudan became the organization’s sixth member state in March 2016. However, much needs to be done to fully reap the benefits of regional integration and establish a single market that caters to a population of more than 148 million. It is worth noting that in 2015, EAC was the second-fastest growing economic bloc after the Association of South East Asian Nations (ASEAN) (Drummond & Williams, 2015).
The EAC Customs Union, which came into effect in 2005, seeks to deepen the integration process through promotion of intra-regional trade and liberalization, promotion of efficiency in production, promotion of domestic cross border and foreign investment. Moreover, a legal framework to govern the union known as the EAC Customs Management Act was instituted (EAC, 2011).

Between 2005 and 2010, total intra EAC trade grew from US $ 1.6 billion to US $ 3.8 billion. In the same instance, total EAC exports grew from US $6.4 billion to US $ 11.1 billion between 2006 and 2010 representing a 73% increase. Although progress has been made, the EAC Customs Union faces a number of challenges. Some of these challenges include inappropriate customs trade partnerships, slow pace in the elimination of Non-Tariff Barriers (NTBs), delays in implementation of regional commitments with regards to the Customs Union and the inappropriate application of the Rules of Origin among others (EAC, 2011).

The East Africa Common Market Protocol establishing the EAC Common Market entered into force on 1 July 2010. The Common Market seeks to integrate member states into a single market with free movement of people, labor, goods, services and residence. In addition, the Common Market necessitated a wide range of legislative and institutional reforms to ensure harmonization across the region. (Ogalo, 2012).

In order to achieve an East Africa Monetary Union (EAMU), EAC Heads of States signed a protocol in November 2013, laying groundwork for a Monetary Union in 2024. Although the initial plan was to have a monetary union by 2012, the signed protocol also allows partner states to converge their currency, and ultimately use a single currency in the bloc. In order to achieve the use of a single currency, member states are required to harmonize fiscal and monetary
policies, harmonize financial, accounting and reporting procedures, streamline financial payment and settlement policies and systems in addition to setting up the East African Central Bank (EAC, 2017). Political federation is the fourth goal of EAC integration as provided for under Article 5(2) of the EAC Treaty. It is based on three main pillars namely good governance, common security and foreign policies in addition to implementation of the other stages of integration (EAC, 2017).

2.2.8 Kenya’s participation in the EAC

Within the EAC, the Kenyan economy is considered as the anchor, with overall performance of the region greatly dependant on what happens in Kenya. Secondly, Kenya’s economy is the biggest in the region and better linked to the other EAC economies due to its diversified economy, advanced human capital base in addition to being an Information, Communication and Technology (ICT) leader in the region. Kenya’s economic dominance in the region has also been influenced by a strong private sector which has evolved under market friendly policies. Thirdly, the country’s relative political stability has done much to cement its position (Kimenyi & Kibe, 2014).

Kenya’s push for integration can be seen through various lenses. For starters, the country is keen on retaining its economic dominance in the region. In 2013, Kenya, Uganda, and Rwanda formed what was known as the Coalition of the Wiling, to hasten economic integration. Tanzania and Burundi were left out as it was perceived that both countries were lagging behind in integration matters, thus affecting the whole region. This coalition, understood outside the framework of the EAC, underscored Kenya’s broad initiatives to undermine Tanzania as a rising economic giant in the region (The East African, 2013).
Kenya and Tanzania both aspire to become the region’s port of choice, bearing in mind the significant economic gains that the countries would realize with such stature. China signed a US$ 11 billion deal to set up a port at Bagamoyo which would be bigger than the Dar es Salaam and Mombasa ports combined. With the Bagamoyo port expected to tip the scale of regional trade in favour of Tanzania, once built, Kenya’s role in formation of the Coalition of the Willing, among other things was understood in the context of minimizing the market share risk associated with the Bagamoyo port project (The East African, 2013).

In August 2013, the Coalition of the Willing (Kenya, Uganda, and Rwanda) met in Mombasa, and signed a deal to push forward with major infrastructure projects. These developments alarmed Tanzania which was not invited, with the then Tanzanian President Jakaya Kikwete wondering whether, there was a scheme to isolate and force Tanzania out of the EAC (Daily Nation, 2015).

One of the major objectives of the EAC Customs Union is development of regional infrastructure, which would in turn promote trade among the East African nations. Regional infrastructure in EAC is under two ambits namely the Northern Corridor comprising of Kenya, Uganda, South Sudan and Rwanda), and the Central Corridor consisting of Tanzania and Rwanda. Some of the infrastructure projects under the Northern corridor include development of a Standard Gauge Railway (SGR) and an oil pipeline following discovery of crude oil reserves in Uganda and Kenya (NCIP, 2017).

Although Kenya and Uganda had agreed to build a pipeline from Hoima in Western Uganda to Lamu in Kenya’s Coastal region, Uganda decided to pull out of the project and join Tanzania’s option of Hoima to Tanga in Northern Tanzania. Although Uganda’s decision were
Based on feasibility studies done on the two routes, and other factors including environmental concerns and infrastructure constraints among others, this significantly raised Tanzania’s profile in the region at the expense of Kenya (Daily Nation, 2016).

2.2.9 Tanzania’s participation in the EAC and SADC

Although Tanzania committed itself to total implementation of the Common Market Protocol, progress has been slow. One of the reasons attributed to this slow implementation is the fear that Tanzanian nationals would lose their jobs once nationals from EAC partner states are allowed into the country, and the comparative advantage of English language command of other states especially Kenya, bearing in mind that it is the most preferred language by foreign investors (Friedrich-Ebert-Stiftung, 2012).

In drive towards a monetary union, the East Africa Monetary Union (EAMU) Protocol was signed in November 2013, which laid groundwork for establishment of a monetary union by 2024. It is worth noting that EAC member countries except Tanzania were keen on the idea, bearing in mind that a common currency would restrict the country’s ability to use monetary policy as a development tool, as it had, when the EACB was in place in the 1960s (The Standard, 2017).

In terms of integration, Tanzania has long dragged its heels among its East African neighbors as they gradually move towards harmonizing different aspects of integration. However, this integration has been hampered by Tanzania’s fear of domination by Kenya in the bloc (Financial Times, 2012).
Tanzania’s participation in deeper EAC integration is undermined by the country itself. While other countries are committed to trade integration, Tanzania continues lagging behind. The view as expressed by a former EAC Secretary General acknowledged that

“The EAC ... is under stress largely for unreasonable causes and Tanzania is mostly to blame. We all know and appreciate that regional integration is fundamentally politically driven. ... Tanzania should feel free to opt out openly from areas of cooperation and integration it finds unreasonable at this time. But it fails to do so and instead either blocks or delays decisions towards deepening and widening EAC integration. Kenya, Uganda and Rwanda, on the other hand, want to move with speed. ... Unfortunately Tanzania is now crying wolf and accusing others of isolating her. On the contrary, Tanzania is isolating itself.” (Cooksey, 2016).

In November 2011, Tanzania refused to sign an EAC Council of Ministers’ report on political integration until the issue of land ownership was removed and clauses on military cooperation revised. This was based on the fact that the Government of Tanzania was wary of perceived land hungry neighbors. More recently, the Tanzanian government refused to participate in the single tourist visa scheme with Kenya, Uganda and Rwanda citing security reasons. Moreover, Tanzania also rejected the use of EA members’ national identity cards for immigration purposes (Cooksey, 2016).

In recent years, a partially aggressive and partially defensive Tanzanian economic nationalism has emerged, with Tanzania struggling between competing in international markets vis a vis retreating behind Tariff Barriers (TBs) and Non Tariff Barriers (NTBs) to protect various local sectors of the economy against external competition. Tanzanian protectionism is said to have discouraged Kenyan investments in the country. A case in point is in 2008, whereby Tanzania banned Brookside Dairy, a Kenyan firm from collecting milk from Tanzanian farmers.
and processing it in Kenya. On its part, Brookside withdrew from the market, and milk prices paid to farmers in northern Tanzania collapsed (Cooksey, 2016).

In comparison to its neighbors, Tanzania has a wealth of natural resources, a factor attributed to its growing economic clout in the EAC region which is challenging, Kenya’s position of dominance. The country sits on a verified mountain of confirmed natural gas resources, which stands at 43 trillion cubic feet valued at more than US $ 400 billion, with major companies including Statoil and BG keen on putting up LNG export plants in the country. In addition, the country is implementing its energy master plan, which has enabled the country cut electricity purchases from Kenya by more than 60% (Business Daily, 2016). In addition, Tanzania is keen on growing its manufacturing capacity within the region. In 2014, the country was picked over Kenya, to be Japan’s manufacturing hub in Africa (The East African, 2013).

An outstanding issue between Tanzania and Kenya has been a blockade at a border crossing between Serengeti and the Maasai Mara. Tanzania has maintained this blockade for more than four decades claiming that mass tourism would hurt the ecosystem of the world heritage site. Seeing this in the context of the EAC Common Market Protocol, Kenya argues that Tanzania is out to make business unsustainable for Kenyan tour operators. In talks held in March 2016, Kenya’s President Uhuru Kenyatta and Tanzania’s John Magufuli agreed to form a joint ministerial commission to solve this issue.

However, Tanzania’s foreign minister Ambassador Augustine Mahiga who was appointed to chair the commission has not held a meeting yet, and has been quoted as saying, “Tanzania is looking beyond traditional tourism,” (The Africa Report, 2017). A 2014, detailed EAC scorecard on the degree of compliance to the EAC Protocol on movement of capital, services and goods
between EAC countries concluded that economic integration progress was slow. The report also highlighted that Tanzania was the slowest on the basis of a number of key indicators regarding the free movement of capital across borders as espoused by the EAC Common Market Protocol (Cooksey, 2016).

In terms of trade, with other regional blocs, specifically the European Union (EU), Tanzania, seems to be pulling in a different direction. A case in point is the signing of the Economic Partnership Agreements (EPA) with the EU. EAC and the EU finalized EPA negotiations in October 2014, with the agreement expected to be signed in July 2016. However, Tanzania insisted that it needed more time to evaluate the agreement and its potential economic impacts.

After being granted more time to scrutinize the deal, Tanzania refused to sign it citing that the EPA would be bad for its industrialization strategy. According to experts, the EA deal would go against instituting new duties and taxes which would mean that local products, especially those produced by Small and Medium Enterprises (SMEs) would not compete in the face of heavily subsidized European products. Furthermore, the agreement would mean liberalizing more than 80% EAC’s import for the EU by 2033, to the detriment of local industries (The Citizen, 2016).

On its part, Kenya urged Tanzania to sign the agreement, arguing that failure to sign the deal as a bloc would result in a wave of taxes on Kenyan produce to EU market, due to the fact that Kenya is a developing state while the rest are classified as Least Developed Countries (LDCs). These taxes would make Kenyan exports costlier thus uncompetitive in the EU market, and consequently putting at risk four million jobs (The East African, 2017).
As part of the common market, Kenya, Uganda, and Rwanda launched a common visa plan aimed at enable the member states to jointly market tourism as a single product through East African tourism platform events. However, Tanzania has distanced itself from this strategy saying that it will carry out tourism marketing on its own (The Standard, 2016). It is worth noting that in 2014, Tanzania had raised objections to the visa plan citing security and economic concerns.

Trade remains a critical factor of integration. Consequently, many countries aspire to join regional blocs, with some being members of two or three regional bloc. Tanzania is party to various trade agreements both at a regional and multilateral level. In terms of regional economic blocs, Tanzania is a member of the EAC and SADC. Multiplicity of memberships in various blocs brings about the problem of commitment in addition to coordination. Moreover, multiple memberships drain a country’s financial and human resources. Tanzania’s memberships in EAC and SADC have been singled out as one of the factors affecting slowing down EAC integration (Mtana & Rutaihwa, 2014).

It is worth noting that Tanzania is also part of the Southern African Development Community (SADC) which replaced the Southern African Development Coordination Conference (SADCC), formed in 1980. SADCC was formed by nine states in the Southern Africa region including Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, and Zambia and Zimbabwe. The original aim of SADCC was to implement various development projects, and consequently lessening their economic dependence on Southern Africa, then under apartheid rule (Mashindano, Rweyemamu, & Ngowi, 2007).
In 1992, the SADC Treaty was signed by member countries effectively replacing SADCC with SADC. Article 2 of the SADC Treaty set out the main goals of the regional bloc which included promoting development and achieving economic growth in addition to poverty alienation and improving the standard and quality of life for member countries nationals. In addition, the treaty established key institutions of the bloc which included the Summit composed of heads of states and government, Council of Ministers, the Secretariat, a Standing Committee of Officials, in addition to a tribunal.

In 2001, the SADC restructured its institutions leading to the amendment of the treaty. This restructuring added three more institutions to the bloc as per Article 9 of the SADC Treaty Amendment. These included the Organ on Politics, Defence and Security Co-operation, the Troika, in addition to the SADC National Committees (SADC, 2012). In 1994, South Africa joined the bloc after gaining independence, Mauritius joined in 1996 while the Democratic Republic of Congo (DRC) and Seychelles joined in 1998. Since then, other countries have joined the bloc increasing its membership to 16 countries.

SADC’s main objectives include achieving and accelerating economic growth, employment, investment and development among member countries, harmonization of both national and regional policies and programmes to ensure a sustainable regional economic bloc, putting in place policies to progressive eliminate obstacles to the free movement of goods, services, labour, capital, and member states nationals. Others include increasing co-operation and co-ordination within the bloc so as to improve economic management and performance, establishing appropriate institutions and mechanisms for mobilization of resources to carry out SADC’s programmes, in addition to promoting the development and transfer of technology among others (SADC, 2012).
Amendment of the SADC Treaty, introduced the Common Agenda which has been the focal point of the bloc’s activities since 2001. The Common Agenda, which enhances the treaty has five key objectives which include promotion of sustainable and equitable growth in addition to development to ensure poverty eradication, promotion of common political, systems and values through democratic and effective institutions, and consolidation of security, peace and democracy in the region.

In 2003, SADC member countries adopted the Regional Indicative Strategic Development Plan (RISDP), which aimed at operationalizing the Common Agenda over 15 years. RISDP developed by the Secretariat, with input from SADC countries governments, experts from member countries, members of the civil society and the private sector is seen as a comprehensive framework for Southern Africa’s regional integration and development (Peters-Berries, 2010).

Under the SADC Trade Protocol, Tanzania trades with various member countries, key among them South Africa which is the country’s main trading partner in the region. Within SADC, Tanzania focuses on increasing her market share of products in the bloc in addition to ensuring more investments from South Africa. Statistics indicate that Tanzania’s exports in SADC rose to Sh 2.33 trillion from Sh 1.91 trillion between 2011 and 2012, while exports to the EAC rose from Sh 641.6 billion to Sh 956.7 billion over the same period (The Citizen, 2013).

In addition to being part of the SADC Trade Protocol, Tanzania is involved in other initiatives in SADC. Including major infrastructure projects namely the SADC Mtwara Corridor, SADC Dar es Salaam Corridor, connection to the Southern Africa Power Pool (SAPP), and the Songwe River Basin development project among others (SADC, 2012). Tanzania has also played a key role in advancing peace and security in the region and is part of the SADC Standby Force.
The country alongside South Africa and Malawi has played a leading role in SADC military in the region, most notably the DRC in 2013 thus underlining its participation in the regional bloc (Desmidt, 2017).

It is worth noting that multiple memberships of overlapping RECs create stringent demands for states. For starters, traders operate in different trade regimes which more often than not have varying tariff rates, which in turn impacts negatively on trade. Secondly, such memberships put a strain on a country’s resources. RECs require budgetary contributions from members for administration purposes which can be a significant burden on a country. Thirdly, these overlapping memberships may result to conflicting integration commitments due to different agreements (Walkenhorst, 2005).

Article 28 of the SADC Trade Protocol stipulates that member states may not enter into preferential trade agreements with third countries that would hinder objectives of the protocol. In addition, it stipulates that privileges or concessions granted to third countries in the agreement are extended to member countries. The Protocol however gives an exception to such concessions, if they are within the context of an agreement preceding the protocol. With the EAC Treaty coming into force before SADC’s Trade Protocol, the EAC deliberated that market access benefits would not be extended to SADC or COMESA partners however; EAC member states would continue existing obligations in the two trade blocs (Walkenhorst, 2005).

It is worth noting that such member specific trade arrangements may lead to trade deflections if strict border controls notably enforcement of rules of origins are not observed. In such an instance, SADC members could export duty free goods to Tanzania under SADC, these
goods would then be exported to Kenya and Uganda under the EAC, leading to tariff avoidance, thus underlining the difficulty of implementing different agreements (Walkenhorst, 2005).

2.3 Chapter Summary

Chapter 2 indentifies the theoretical framework, highlighting the key theories that will guide the study. The two main theories used in this study are Neo-functionalism and the economic integration theory. This chapter also entails a review of literature on EAC integration covering the two periods under study. This literature is drawn from various publications and reports on EAC and SADC integration.
CHAPTER THREE: METHODOLOGY

3.1 Introduction

This study relied on secondary data as the main source of information. This data included books, journals, and reports among others. Primary data was not utilized, as the data used in the study was readily available, including information and data on EAC integration, and the focal countries namely Kenya and Tanzania. The study also entailed other relevant information and data pertaining to the EAC in the two periods in focus.

3.2 Research Design

In order to achieve the aforementioned research objectives, this study integrated a review research design which was qualitative and quantitative in nature. The research design constituted analysis of various sources of secondary data and literature including books, newspaper reports, and journals. The review research design was instrumental in reviewing and analyzing information and data, on Kenya, Tanzania, EAC, and SADC.

The review research design was also important in identifying, Kenya’s and Tanzania’s economic interests in the EAC utilizing the aforementioned material. In addition, the research design helped identify factors driving these economic interests.

Secondly, a causality research design was also used in the study. The aim of this design was to establish an association, if any, between variables in the study. In this case, this design sought to establish a relationship between Kenya’s and Tanzania’s economic interests in the EAC on one hand, and progress of EAC integration during the two periods under study on the other.
Due to the nature of the study, country specific reports were used, in addition to those from various institutions including the World Bank (WB), the African Development Bank (AfDB), and the Overseas Development Institute (ODI), Southern African Development Community (SADC) reports and EAC progress reports among others.

3.3 Data Collection

The main source of information and data for this study was secondary data, which included books, journals, newspapers and reports. In addition, the study used data sourced from various institutions including the EAC, SADC, World Bank (WB), the African Development Bank (AfDB), and the Overseas Development Institute (ODI) among others. Country specific reports were also used in the study. For comparison purposes, the study also utilized data from other regional groups, most notably, the European Union (EU).

3.4 Data Analysis

Qualitative and quantitative data analysis was used in this study. This mixed data analysis was informed by the need to put into account information and data used in the study. Qualitative data was used in analyzing the progress of integration in the EAC, Kenya’s and Tanzania’s economic interests in the EAC in addition to factors driving these interests.

Quantitative data was used to analyze the impact of Kenya’s and Tanzania’s economic interests in the EAC on integration. The study integrated two levels of data analyses, namely at the country level, and within the context of the EAC, which then informed the findings.

In order to answer the first research question, a qualitative analysis was carried out to put into perspective, the contest and progress of integration in the EAC, putting into account both
periods of integration. In addition, quantitative analysis was instrumental in enabling comparison of the two periods under study. In order to answer the second research question, qualitative analyses were carried out. These analyses were integral in helping identify various economic interests pursued by Kenya and Tanzania within the EAC bloc.

To answer the third research question, a qualitative approach was used. This approach was important in helping identify factors driving Kenya’s and Tanzania’s economic interests in the bloc, during the two periods in focus. The fourth research question was answered through qualitative and quantitative analysis. Qualitative analysis was helpful in gauging the effects of Kenya’s and Tanzania’s economic interests in the EAC on regional integration. On the other hand, quantitative analysis was instrumental in evidencing the qualitative analysis through analyzing EAC integration data. Consequently, findings of this study are thus derived from in depth qualitative and quantitative analysis of data.

3.5 Ethical Considerations

The study was conducted, using qualitative and quantitative secondary data. Consequently the study did not have any arising ethical concerns. A clearance permit from the National Commission for Science, Technology and Innovation (NACOSTI) was not required, due to the nature of data used. All data used in the study was properly cited, acknowledging the author and source.

3.6 Chapter Summary

Chapter 3 highlights the methodology used in the study which includes the research design and the data collection and analysis methods. This chapter also highlights ethical considerations taken into account, during the research.
CHAPTER FOUR: FINDINGS AND ANALYSIS

4.1 Introduction

Integration of East African countries can be divided into three major periods mainly, the pre-independence period, the first EAC from 1967-1977 and the second EAC from 1999 to date. At the heart of this integration periods are member countries which form the basic and only foundation of the integration process. This section gives a background and context of integration in the region, in addition to examining progress made, effectively answering the first research question.

An analysis of Kenya’s and Tanzania’s economic interests within the EAC, during the first and second periods of integration answered the second research question. To answer the third question, an analysis of economic factors driving the aforementioned economic interests was done. Lastly, an analysis of the effects of Kenya’s and Tanzania’s economic interests within the EAC was done to determine their effect on integration over the two periods under study, thus answering the fourth research question.

4.2 Progress of integration in the East African Community

Regional integration in the East African region is not a post independence phenomenon but dated back to the colonial period, during which Kenya, Uganda and Tanzania (then Tanganyika). The colonial authorities then, determined that in order to pacify and ensure effective control over the region as an administrative unit, establishment of transport infrastructure was imperative. Consequently completion of the Uganda Railways from Kenya to Uganda by the British colonial authorities between 1895 and 1903 effectively set the first stage of regional integration in the region.
After completion of the railway, regional integration progressed significantly and by 1917, the British colonial administration had established a Customs Union between Kenya and Uganda. Tanzania was to join this union in 1927, having come under British rule after the First World War. This Customs Union preceded the East African Income Tax Board and the Joint Economic Council Established in 1940 (Magu, 2014). The need for more structured co-operation soon became evident as the British Colonial administration sought to establish effective control over the three colonies, leading to the rise of a more structured co-operation which was known as the East Africa High Commission (EAHC).

EAHC was mandated to run integrated services in three colonies of Kenya Uganda and Tanzania. In order to govern the EAHC, another other body known as the East African Central Legislative Assembly (EACLA) or the Legislative Council (LEGCO) was formed (Adar, 2011), thus underlining the region’s predisposition to integration at the time, under colonial administration.

As the wave of decolonization began sweeping Africa from the late 1950’s the three colonies, were not left behind. Clamor for independence necessitated the formation of more native controlled integration structures within the region. Consequently, the East African Common Services Organization (EACSO) replaced the EAHC and the Legislative Council in December 1961. EACSO was headed by an Authority which consisted of an elected head from each of the partner states.

Moreover, EACSO was expanded to handle a wide range of common services which included the Railways and Harbours, Income Tax and Customs, Posts and Telegraphs, Airways and Air Traffic Control, research bodies, currency, and industrial licensing (Bailey, 1993).
During this period, EACSO was considered to be a model for integration world over. However EACSO was characterized by fundamental issues key among then uneven distribution of development in the region. Kenya benefitted at the expense of Uganda and Tanzania. EACSO had brought significant net gains for Kenya, net losses for Tanzania and approximate equality of gains and losses for Uganda (Nasibambi, 1972).

The signing of the Kampala Agreement in 1964 was seen as a foundation of addressing inequalities in EACSO. The Agreement included elimination of trade imbalances between member states through industrial location and relocation agreements in addition to trade restrictions. The Agreement also provided a framework for continuing economic co-operation between the three countries (Robson, 1968).

Kenya, being the main beneficiary of EACSO declined to ratify the Kampala Agreement that embodied “corrective measures that would have arrested growing inequalities among Kenya, Uganda and Tanzania (Gathii, 2011). This proved to be a major issue affecting integration at the time, and which continued dogging the bloc.

Although EACSO was touted as a model for integration at the time, the fundamental issue of unequal redistribution of benefits cast doubts on the benefits of regional integration at the time, threatening the process. Moreover, failure of EACSO to put in place effective mitigating measure addressing this problem, meant that this structural problem would arise in future.

4.2.1 Integration in the East Africa Community (EAC) 1967-1977

In order to address the problems bedeviling East Africa’s integration at the time, the Phillip Commission was established in 1966. This commission made up of three ministers, and
headed by former Danish finance minister and UN expert Kjeld Phillips sought to look at the problems bedeviling East Africa’s integration. Following recommendations of the Phillip Commission, a new body known as the East African Community (EAC) was established, with the EAC Treaty adopted in June 1967. A key feature of the treaty was that it sought to ensure equitable distribution of benefits and costs of integration in addition to establishing a number of organs to coordinate activities and give executive direction. (Kasaija, 2004).

The EAC treaty also provided for a community minister from each of the three countries. These ministers were tasked with promoting EAC’s interests in their respective countries, in addition to raising national issues that were deemed to affect integration. This marked a departure from the past, whereby integration matters were deliberated at both a national and regional level.

In spite of these efforts, various factors including differences between the three countries, irregularities with regards to running the EAC, and failure to comply with the provision of the EAC Treaty, among others led to the collapse of the EAC in 1977 (Khapoya & Agyeman-Duah, 1985). It can be said that the first EAC attempted to address the problems that had bedeviled EACSO. However, various issues attributed to member states emerged making running of the organization untenable, which eventually led to its collapse in 1977.

4.2.3 Integration in the East Africa Community (EAC) 2000-2016

Collapse of the first EAC, did not bury the aspirations of the region’s leaders drive towards integration and re-establishing a regional body to harness areas of co-operation. These aspirations were incorporated in the East African Community Mediation Agreement signed in 1984 by Kenya, Uganda and Tanzania. Of importance is that this Agreement sought to provide a
framework on how the 1967 EAC assets would be divided. The agreement also provided a guiding framework that the three countries would explore areas for future co-operation. Consequently, Presidents Daniel Moi of Kenya, Yoweri Museveni of Uganda and Hassan Mwinyi of Tanzania set up a committee of foreign affairs ministers in 1991, to explore the possibility of an East African Community (Adar, 2011).

In 1993, a Permanent Tripartite Commission for co-operation was established, followed by a Permanent Secretariat for the Commission in 1996, headquartered in Arusha, Tanzania. This was followed by the signing of the treaty re-establishing the East Africa Community in November 1999 by Kenya, Uganda and Tanzania. The treaty came into force in July 2000, and unlike the first EAC treaty, it stipulated the steps that would be followed in achieving integration. These included establishment of a customs union, common market, which would later progress to a monetary union and ultimately a political federation.

In 2007, Rwanda and Burundi joined the community while South Sudan became the organization’s sixth member state in March 2016. The two periods of EAC integration can be explained by economic integration and neo-functionalism theories. During the pre-independence and the first EAC period between 1967 and 1977, integration can be explained by sectoral co-operation as postulated by neo-functionalists. The first EAC, took over, the areas of co-operation that had been established by EACSO including the customs union, currency and postage, transport and communications in addition to research and education.

The second period of EAC integration is best explained by the economic integration and neo-functionalism theories. The 1999 EAC Treaty stipulated the steps towards full integration including a customs union, common market, monetary union and ultimately a political
federation. This is in line with the economic integration theory which views integration as an evolving process, beginning with a customs union, to a common market, whereby restrictions on trade and movement are abolished. The common market evolves into an economic union, which necessitates establishment of supranational authority to enforce decisions.

This period of EAC integration can also be explained by a neo-functionalist approach whereby regional integration brings a spillover effect. This spillover effect is not only limited to functional areas, but also geographical areas, whereby cooperation among a group of states, influences other states to join the group. Joining of the EAC by Rwanda, Burundi and South Sudan further lends credence to the neo functionalist approach in explaining EAC integration. Today, the EAC has expanded from three to six members with a total population of more than 144 million people, with a combined Gross Domestic Product (GDP) of more than US $ 83 billion as at 2013.

Table 4.1:East African Community -Key Indicators 2013

| East African Community – Key Indicators (World Databank, 2013) |
|---------------------------------|-----------------|-----------------|-----------------|
| GDP (current US$, million)      | Land area (sq. km) | Population, total |
| Burundi                        | 2355            | 25680           | 9540362         |
| Kenya                          | 33620           | 569140          | 42027891        |
| Rwanda                         | 6354            | 24670           | 11144315        |
| Tanzania                       | 23874           | 885800          | 46354607        |
| Uganda                         | 16822           | 199810          | 35148064        |
| EAC - Total                    | 83025           | 1705100         | 144215239       |

(African Development Bank, 2014)
It can be argued that considerable progress was made in EAC integration after 1999. Economic benefits of regional integration boosted the bloc’s trade, which grew from US$ 17.5 billion in 2005 to US $ 37 billion in 2010 inclusive of imports and exports.

*Figure 4.1: Total EAC Trade (2001-2010)*

(African Development Bank, 2014)

*The East African Customs Union*

As seen earlier EAC regional integration is a four step process, starting with a customs union. The EAC Customs Union came into effect in 2005. The main aim of this union is deepen integration focusing on three key pillars. These include promotion of intra regional trade and liberalization, promotion of production efficiency in addition to promotion of domestic cross border and foreign investment. Steady progress has been recorded in implementation of a common external tariff and gradual elimination of internal tariff.

Moreover, a legal framework to govern the union known as the EAC Customs Management Act was instituted (EAC, 2011). In spite of this progress, the EAC Customs Union
is still beset by a number of challenges including inappropriate customs trade partnerships, slow pace in the elimination of Non Tariff Barriers (NTBs), delays in implementation of regional commitments with regards to the Customs Union and the inappropriate application of the Rules of Origin among others.

**The East African Common Market**

The East Africa Common Market Protocol establishing the EAC Common Market entered into force on 1 July 2010. The Common Market seeks to integrate member states into a single market with free movement of people, labor, goods, services and residence. In addition, the Common Market necessitated a wide range of legislative and institutional reforms among the countries so as to ensure harmonization across the region. (Ogalo, 2012).

Implementation of the EAC Common Market Protocol has been slow and beset by a number of challenges including failure to open up borders as countries continue operating as separate and distinct market, restriction on free movement of labour and services and erection of Non Tariff Barriers (NTBs) among others.

**The East African Monetary Union**

The third aspect of integration is the monetary union. In order to achieve an East Africa Monetary Union (EAMU), EAC Heads of States signed a protocol in November 2013, laying groundwork for a Monetary Union in 2024. Although the initial plan was to have a monetary union by 2012, a number of countries were not keen on the idea, most notably, Tanzania (The Standard, 2017).
The drive towards an EAC monetary union remains behind schedule, as key institutions in this phase, including the East Africa Monetary Union, which was to be set up in 2015 remains to established (The East African, 2017). Other key institutions to be set up in this phase include the East African Statistics Bureau, East African Surveillance, Compliance and Enforcement Commission and the East African Financial Services Commission, and ultimately the East African Central Bank.

*East African Political Federation*

Political federation remains, the ultimate goal of the EAC, as provided for under Article 5 (2) of the EAC Treaty. Originally, the regional bloc was supposed to be a political federation by 2016. However, a number of factors led to the revising of this timeline, including the need for member countries to ingrain the basis of a political federation in a constitution.

Following a meeting of the ministers in charge of EAC affairs among the bloc’s countries, it was agreed that the EAC would opt for a political confederation, as a transitional phase towards realization of a political federation. This decision was ratified by an EAC Heads of State meeting on 20th May 2017.

The findings of this study indicate that unlike in previous EAC, integration, the 1999 EAC Treaty that established the second EAC, was more successful in defining integration, and the levels to be undertaken to realize full regional integration. Secondly, between 2000 and 2016, significant progress was realized after rolling out of the first two stages of the EAC integration, namely the EAC Customs Union and the Common Market Protocol. On the other hand, considerable challenges faced the actualization of these stages, due to a number of factors, key among them relations between states. As the EAC gravitates towards a monetary union, political
confederation, and ultimately a political federation, there is an increasing need to address arising issues through a multilateral approach so as to ensure the success of this integration.

4.3 Kenya’s and Tanzania’s Economic Interests within the EAC

EAC countries have always had similar, or in other instances competing interests, which many at times have impacted on intra and inter relationships. Overarching political and economic interests are some of the factors that have, and continue to define relationships between EAC states.

Kenya’s and Tanzania’s individual pursuit of economic interests within the East African integration realm can be traced back to the early 1960s following establishment of EACSO. As seen earlier uneven distribution of economic benefits affected the organization, with Kenya having significant net gains while Tanzania had an unfavorable balance of trade, which led to the country threatening to leave the organization in 1964, so as to safeguard its economy (Bailey, 1993).

Following the signing of the 1964 Kampala Agreement to rectify inequalities within the bloc, Kenya’s economic interests were defined by safeguarding economic gains realized from the organization Elimination of trade imbalances through relocation of industries, many of which were in Kenya at the time, would adversely affect the country’s economy at the expense of Tanzania’s and Uganda’s economies. It is with this background that Kenya declined to formally ratify the Kampala Agreement, which in essence sounded the death knell for EACSO.
4.3.1 Economic dominance vs redistribution of EAC integration benefits

Establishment of the EAC in 1967 was seen as a panacea to the problems bedeviling integration in the region. A key aspect of the EAC, was that it was headquartered in Arusha, Tanzania, driven by the need to spread economic benefits (Katembo, 2008). However, competing, economic interests between Kenya on one hand and Tanzania on the other, propelled by various factors soon plagued the EAC. In this new dispensation, Kenya was keen on maintaining its economic dominance, a factor that did not augur well with the other two countries especially Tanzania.

This is underlined by the fact that after establishment of the EAC, the bloc’s Economic Consultative Planning Council proposed the establishment of the East African Industries (EAI) which were to be large scale industries producing basic and intermediate goods for the region. Tanzania supported the idea arguing that this would solve industrial imbalance among member states, while Kenya rejected this proposal.

Kenya’s economic interests in the first EAC bloc revolved around maintaining the development head start it had over Tanzania and Uganda. This was underlined by the then East African Minister for Finance and Administration Joseph Odero Jowi, a Kenyan who remarked that the EAC Treaty was not intended that any partner state should halt its development so that all the member states could develop at the same rate. Kenya by virtue of being the economic dominant partner in the bloc was focused on maintaining this status quo, while Tanzania was keen on ensuring equitable benefits from the bloc in pursuit of its economic aspirations.
4.3.2. Economic interests in the EAC redefined

Re-establishment of the EAC in 1999, sought to give fresh impetus to regional integration. However, this has not been the case as economic interests pursued by Kenya and Tanzania continue to affect the bloc. However unlike the first EAC period marked by Kenya’s dominance, the second period was marked by Kenya’s economic hegemony increasingly being challenged by Tanzania.

As seen earlier, Kenya benefitted significantly from the first EAC dispensation, which further boosted its position as the region’s dominant economic power. In the second EAC dispensation, Kenya aspired to continue being the region’s economic hegemony. In the East African region, Kenya’s diversified economy, and advanced human capital base made the country to be considered as the region’s economic anchor. A strong private sector, largely evolved as a result of market friendly policies also helped shape this dominance (Kimenyi & Kibe, 2014).

On its part, Tanzania focused on building its economic profile domestically, within the EAC, and in SADC, a factor which hindered its participation in EAC integration. In 2013 Kenya, Uganda and Rwanda formed the Coalition of the Willing (CoW) to hasten integration, leaving out Tanzania and Burundi, These efforts outside the framework of the EAC, were seen as Kenya’s attempts to undermine Tanzania as a rising economic giant in the region (The East African, 2013).

As both countries sought to promote their economic interests within the EAC bloc, economic rivalry between the two countries played out in various facets of integration, most notably infrastructure development. Regional infrastructure in EAC is under two ambits namely
the Northern Corridor comprising of Kenya, Uganda, South Sudan and Rwanda), and the Central Corridor consisting of Tanzania and Burundi. Infrastructure development under the Northern Corridor entails development of a Standard Gauge Railway (SGR) and an oil pipeline following discovery of crude oil reserves in Uganda and Kenya (NCIP, 2017).

Kenya and Uganda had initially agreed to jointly build this oil pipeline, but Uganda backed out of the deal and joined Tanzania in building a line from Hoima in Western Uganda to Tanga in Northern Tanzania., thus raising Tanzania’s profile in the region at the expense of Kenya’s. Perhaps one of the areas, where this economic rivalry, termed by various analysts as sibling rivalry was witnessed is in trade, important aspects of both the Customs Union and the Common Market Protocol.

The two biggest economies in the EAC, engaged in a tit for tat punitive measures including imposition of tariffs and non-tariff barriers, as each country sought to protect its economic interests at the expense of the other, thus affecting regional integration. In recent years, Tanzania, adopted an inward looking policy, which especially came to the forefront with the election of President John Pombe Magufuli in 2015. This policy was based on the need to promote growth of local industries and subsequent economic growth, coming at the expense of integration, seen at various levels of the Custom Union and Common Market implementation, including trade and the free movement of people, capital services and labor across its borders.

In addition to being part of the EAC, Tanzania is also a member of SADC. Having joined the regional bloc in 1980, Tanzania has, and continues to play a major role in the bloc. The second period of the EAC coincided with Tanzania’s participation in SADC. Between 2011 and
2012, Tanzania’s exports in SADC rose from Sh 1.91 trillion to Sh 2.33 trillion, while exports to the EAC rose from Sh 641.6 billion to Sh 956.7 billion over the same period (The Citizen, 2013).

Tanzania is party to the SADC Trade Protocol moreover, the country is involved in major infrastructure projects being carried out in the bloc which include the SADC Mtwara Corridor, SADC Dar es Salaam Corridor, connection to the Southern Africa Power Pool (SAPP), and the Songwe River Basin development project among others (SADC, 2012). The findings of this study indicate that in the first EAC dispensation, Kenya’s and Tanzania’s economic interests in the EAC bloc revolved around Kenya’s dominance and accrual of benefits realized from the bloc, and Tanzania’s quest for equitable redistribution of these benefits.

Formation of the second EAC redefined both countries economic interests and particularly Tanzania’s. While Kenya sought to maintain the economic dominance it had held over the years, Tanzania redefined its economic interests, championing domestic or inward looking policies critical to its economic interests, increasingly challenging Kenya’s economic dominance in the region. Moreover, Tanzania’s economic interests in the EAC were influenced by its participation in SADC where it was a founding member. The SADC Trade Protocol which came into force in 2000, necessitated the country’s trade commitment to the regional bloc, which in turn meant that Tanzania participation in EAC integration was affected by the aforementioned commitment.

4.4 Factors Driving Kenya’s and Tanzania’s Economic interests within the EAC

4.4.1 Post-independent economic trajectories

It can be argued that Kenya’s and Tanzania’s economic interests in the EAC were driven by a number of factors. Ideology was one of the key factors driving these interests. This was mainly seen during the first EAC period, when the countries charted different economic paths.
On its part, Kenya adopted “Sessional Paper No. 10 of 1965: African socialism and its application to planning in Kenya”, which stipulated that Kenya would adopt the principles of capitalism. After independence in 1961, Tanzania continued championing a capitalistic system inherited from the British that in turn saw the country’s continued economic growth.

The Arusha Declaration

In 1965, President Julius Nyerere pointed out the need for Tanzania to be self-reliant. The path to this self-reliance can be partly explained by the fact that Tanzania did not benefit from EACSO. Consequently, there was the need to ensure that the country could chart its development path, irrespective of integration. The 1967 Arusha Declaration was to guide the country’s economic path through the principles of Ujamaa or African Socialism.

These principles included government control of economy through nationalization of key sectors of the economy and villagization. Villagization entailed aligning education, investment programmes and political thought with rural areas needs based on African practices of communal living and social equity Nyerere envisaged Tanzania moving from a nation of peasant individual farmers to a nation of Ujamaa villages where people collaborated in small groups which would later evolve to joint enterprises (Boesen, Madsen, & Moody, 1977).

The scheme ran into difficulties, leading to its abandonment in 1973. Ujamaa had a profound effect on Tanzania’s economy. A comparison of Kenya and Tanzania in the early 1960’s, shows that both countries had somewhat similar economies, with both countries dependant on agriculture. Between 1967 and 1973, Kenya’s economic output grew more rapidly than Tanzania’s by up to 50 percent and 30 per cent faster over the decade between 1974 and 1984 (Ibhawoh & Dibua, 2003).
With export revenues affected by the failed collectivization scheme, the 1973/1974 oil shocks coupled with import intensive investments led to a deterioration of Tanzania’s economy, and by mid 1970’s the country faced crippling economic difficulties. Ideology did not only permeate the economic sphere but also the political sphere. In the 1970s and 1980s, Nyerere sought to play a pivotal role in the liberation of several Southern African countries.

Under the banner of the Frontline State, Tanzania progressively drifted southwards. This, in addition to disillusionment with traditional partners, and emergence of a new group of actors with whom Tanzania shared ideological leanings saw the country decisively shift its ideological, political and economic interests (Mugomba, 1978).

Post independent economic trajectories greatly influenced economic interests of both countries within the EAC. On its part, Kenya adopted a capitalist policy, which was in line with its regional aspirations pegged on economic dominance. On the other hand, Tanzania adopted an inward looking policy, based on the desire to be self-reliant economically. It can thus be said that Tanzania’s experiment with socialism had a profound effect on its participation in the first EAC, which impeded integration.

4.4.2 External Influences

Secondly, external influences influenced economic interests of both countries. Following nationalization of Tanzania’s economy, international response was mixed, with a number of countries including Britain opposing the idea. The three largest British banks operating in the country at the time namely Grindleys, Standard and Barclays, adopted a strategy of non-co-operation to ensure lack of confidence in the public banking sector including withdrawal of personnel, and issuing of statements aimed at destroying confidence in the sector. This was not
limited to the banking sector, but other sector as well including energy, and agriculture among others.

Nationalization of the economy had a profound negative impact on the economy. Multinational companies began pulling out of the country, while others scaled down operations. With the economy negatively affected, Tanzania scaled up its nationalization programme in bid to prove external critics of the programme wrong, and that socialism was best for the country (Ibhawoh & Dibua, 2003).

Western countries sought to dissuade Kenya and Tanzania from following the socialism path adopted by Tanzania. This saw various interventions by Western countries, aimed at championing capitalist policies by both countries, including generous aid packages. It is worth noting that during this period, Kenya was surrounded by socialist oriented states including Ethiopia, and Somalia, which made the country increasingly isolated. This encirclement of a country firmly committed to capitalism, made Kenya embrace the US and other Western powers as a way of limiting, it’s political, economic and diplomatic isolation (Mugomba, 1978).

4.4.3 Kenya’s quest for continued economic dominance in the EAC

Kenya is the biggest and dominant economy within the EAC bloc. As seen earlier, Kenya was the dominant economic power in the first EAC. In the second EAC, Kenya aspired to continue this dominance, with the country’s economy considered as the region’s anchor. Moreover, Kenya’s economy the most diversified in the region, buoyed by an advanced human capital base, a strong private sector due to market friendly policies and relative political stability, all served to drive Kenya’s quest for continued economic dominance in the bloc. (Kimenyi & Kibe, 2014).
4.4.4 Tanzania’s Economic Nationalism

Economic nationalism can be defined as a set of policies that a state can undertake to protect domestic economic interests, through reducing number of imports and investments from other countries. These policies include imposition of tariffs, in addition to restrictions on movement of goods, capital and labour. The rise of economic nationalism in Tanzania greatly influenced the country’s economic interests in the second EAC dispensation.

Tanzania focused on building its economic profile in the region consequently, a partially defensive and partially aggressive Tanzanian economic nationalism emerged, as the country sought to balance between competing in international markets vis a vis retreating behind Tariff Barriers (TBs) and Non-Tariff Barriers (NTBs) to protect and promote various local sectors of the economy against external competition (Cooksey, 2016).

In addition to economic nationalism, Tanzania’s wealth of natural resources was attributed to its growing economic clout in the region. The country sits on a verified mountain of natural gas standing at 43 trillion cubic feet valued at more than US $ 400 billion, with major global energy companies keen in exploiting this resource. Tanzania was able to put in place measures aimed at boosting investor confidence, including implementation of its energy master plan. This and other measures saw the country picked over Kenya, to be Japan’s manufacturing hub in Africa in 2013.

4.4.5 Tanzania’s Participation in SADC

Another factor that has influenced Tanzania’s interests in the EAC is the county’s participation in SADC. As seen earlier, Tanzania is a key player in the SADC regional bloc. Multiple memberships of RECs create stringent demands for states, in addition to straining
resources of states, these memberships result in conflicting integration commitments (Walkenhorst, 2005). Tanzania’s role in SADC, where it has been involved in various initiatives including infrastructure projects in rail, road and energy among others.

The country is party to the SADC Trade Protocol, where it is actively involved in trade with countries in Southern Africa. Within SADC, Tanzania has focused on increasing her market share of goods exported in the bloc over the last decade. Statistics indicate that Tanzania’s exports in SADC rose to TSh 2.33 trillion from TSh 1.91 trillion between 2011 and 2012, while exports to the EAC rose from TSh 641.6 billion to TSh 956.7 billion over the same period, underlining the importance of SADC trade to the country (The Citizen, 2013). Consequently, Tanzania’s divided attention in the two regional blocs affected the county’s participation in the EAC, bearing in mind the need to fulfill different regional integration commitments.

It can thus be argued that different factors influenced Kenya’s and Tanzania’s economic interests under the aegis of the EAC. During the first EAC period, ideology, and external influences played a key role in influencing both countries’ economic interests. The second period marked a departure from the past with economic dominance being the main factor influencing economic interests of both countries within the bloc. On one hand, Kenya focused on retaining its traditional position as the dominant economy in the region, while on the other, Tanzania was keen on upsetting this status quo. Moreover, Tanzania’s participation in both the EAC and SADC, impacted on its participation in EAC integration.
4.5 Effects of Kenya’s and Tanzania’s economic interests in the EAC on integration

Comparative analysis of the first and second EAC periods shows that Kenya’s and Tanzania’s economic interests within the EAC bloc were significantly different. Kenya’s economic interests were hinged on maintaining its dominance in the region, while Tanzania underwent significant economic changes, warranting a shift in its economic interests in the two periods under study.

4.5.1 Analysis of the first EAC (1967-177)

An analysis of the first integration period shows that Kenya and Tanzania had significantly different economic interests in the bloc. Kenya had accrued the benefits of integration, from EACSO, and later the EAC significantly as compared to Tanzania and Uganda. This gave the country, an economic head start over other members of the bloc. Consequently, Kenya’s economic interests at this point were defined by the country’s resolve to safeguard these benefits. This was underlined by the country’s opposition to various proposals aimed at correcting trade and industrial imbalances in the bloc. This move served to increase resentment, further widening the rift between Kenya on one hand, and Tanzania and Uganda on the other.

Tanzania was the most vocal country in the push for redistribution of these benefits, as integration had resulted in negative gains for the country. As a result Tanzania strongly supported the proposal to establish the East Africa Industries. Secondly, the move by Tanzania to adopt a socialist path, further alienated its position in the EAC. *Ujamaa* made Tanzania more inward looking which further affected its participation and further alienated it from the EAC.

This resentment led to bad blood between the two countries, emanating from their respective stands within the bloc. This was underlined by various incidences between the two
countries. A case in point was in 1977, during celebration of the Arusha Declaration’s tenth anniversary, when Kenya demanded more than KSh 200 million for hosting the East African Airways (EAA), eventually leading to its grounding.

Tanzania saw this as a well-orchestrated plan by Kenya to satisfy its dubious capitalistic ambitions, with the country’s media reporting that ‘nyang’aus’ (hyenas) in Kenya had grounded the airline so as to establish private airlines which would benefit Kenya and not East Africa as a region. In retaliation, Tanzania refused Kenya’s heavy transport use its highways, and impounded Kenyan trucks owned by government company Kenya National Transport Cooperative Society (KENACTO), tour vans and 30 aircrafts belonging to Nairobi-based firms (Mngomezulu, 2013). In addition, Tanzania closed her border with Kenya, underscoring the hostile relations between the two countries at the time.

With divergent economic interests of the two countries leading to acrimonious relations between Kenya and Tanzania, regional co-operation became untenable, to the detriment of integration. This in essence sounded the death knell for the regional bloc in 1977, as accommodating these interests within the bloc was not possible.

4.5.2 Analysis of the second EAC (2000-2016)

The second EAC marked a departure from the first in many ways. Unlike before where the bloc had only three countries, the second period saw an expanded bloc which included Rwanda, Burundi, and South Sudan. Secondly, a more robust legal framework was put in place, as stipulated in the EAC chapter in addition to the levels of integration i.e. from a customs union to a common market, monetary union, and ultimately a political federation.
In examining the effects of Kenya’s and Tanzania’s economic interests in the EAC on integration, some aspects of the EAC Customs Union and the EAC Common Market Protocol, as set out in Article 75 and 76 of the EAC Charter respectively were analyzed. This was based on the fact that the EAC was yet to roll out the Monetary Union, and the Political Federation as the 1999 EAC Treaty envisaged.

The EAC Customs Union is a critical pillar of EAC integration. The Customs Union rolled out in 2005 is seen as the first regional integration successful milestone following the setting up of the second EAC. The Customs Union as defined in Article 75 of the EAC Treaty. Some main objectives of the Customs Union include boosting of intraregional trade and liberalization in goods through trade arrangements among member states, promoting production efficiency in the EAC, enhancing domestic, cross border and foreign investments in the EAC, in addition to promoting economic development and industrial diversification in the community (EAC, 2011).

Key sectoral areas that the Customs Union deals with include Customs administration, Trade Liberalization which includes gradual removal of internal tariff barriers among member states and implementation of a common external tariff in addition to other, Trade Related Aspects which include Rules of Origins and their Application, and dumping and dumping among other. More than a decade after its roll out the EAC Customs Union is still beset by a number of challenges including inappropriate customs trade partnerships, slow pace in the elimination of Non-Tariff Barriers (NTBs), delays in implementation of regional commitments with regards to the Customs Union and the inappropriate application of the Rules of Origin among others.
Perhaps one of the biggest achievements of this stage of integration was the rolling out of the Single Custom territory (SCT) which commenced in 2014, leading to the faster clearance of goods and services at countries’ points of entry in addition to reducing cost of doing business in the region.

The EAC Common Market Protocol (CMP) is the second regional integration milestone of the EAC. The Common Market Protocol which established the EAC Common Market entered into force in July 2010. Key objectives of the EAC Common Market Protocol include accelerating the economic development of member states, coordinating, strengthening and regulating economic and trade relations among EAC member states, expanding and integrating the economic activities of partner states in addition to promoting co-operation and common standing among the nationals of EAC partner states among others.

The Common Market seeks to integrate member states into a single market with free movement of people, labor, goods, services and residence. Secondly, the Common Market enshrines rights and freedoms among partner states which include equal treatment and non-discrimination of partner states nationals, (EAC, 2011). Implementation of the Common Market in the region has been slow due to various factors attributed to member countries. Some of these challenges include restrictions on the free movement of goods, services, labour and capital across borders, erection of NTBs which has hampered trade in addition to failure to open up borders thus hampering trade.

Kenya’s and Tanzania’s pursuit of their economic interests within the EAC impacted on these two levels of integration. Kenya sought to maintain its economic dominance in the EAC and as East Africa’s economic powerhouse, took the initiative and cobbled up the Coalition of
the Willing (CoW) in 2013, which included Uganda and Rwanda. This initiative was aimed at hastening integration in the region, and as the biggest economy in the region, Kenya stood out to benefit immensely from this move. The CoW focused on important aspects of the EAC Customs Union and the Common Market Protocol including reduction of trade barriers, infrastructure and tourism promotion. This initiative had a number of effects on EAC integration.

An important aspect of the EAC Customs Union is facilitation of cross border trade, with custom administration being a key enabler. One of the ways through which the EAC Customs Union envisaged trade facilitation was through the setting up of a Single Customs Territory (SCT) to minimize border controls affecting goods trade. SCT entails the interconnectivity of partner states’ custom systems which facilitates flow of information between various customs stations in addition to establishing a payment system to manage revenue flows between the partner states. Thirdly, SCT allows partner states to enforce customs obligations on behalf of each other in addition to having a single window system, which enables information exchange between cargo clearing agencies in partner states.

In June 2013, the CoW decided to fast track the Customs Union through the launching of the SCT, which had been originally planned to be rolled out in 2010. In July 2014, Kenya Uganda and Rwanda rolled out the SCT. Although Tanzania and Burundi opposed the move, citing lack of consultations among all EAC countries, the two countries later joined the SCT in September 2014. Analysis of the SCT shows that there have been increased trade volumes in addition to reduced times for cargo clearance. According to a 2015 Northern Corridor Report on Implementation of the SCT, clearance time of cargo from Mombasa to Kampala dropped from 18 days to 4 days, while that of cargo destined from Rwanda, dropped from 21 days to 6 days.
The volume of goods handled at the port of Mombasa increased by 11.5% between 2014 and 2015, in addition to saving Uganda and Rwanda US$ 400 million in clearance and inland freight fees from the port. The joint real-time Electronic Cargo Tracking System (ECTS) put in place by Kenya, Uganda and Rwanda was integral in reducing custom border checks and consequently facilitating seamless cross border trade thus reducing some of the significant trade barriers. Secondly, the CoW was instrumental in making progress with regards to the implementation of the EAC Common Market Protocol.

An important achievement attributed to this coalition was the rolling out of the EAC Common Tourist Visa in 2014, an important aspect of the Common Market Protocol which aims at enabling joint marketing of tourism of the bloc. Thirdly, the CoW initiative eased movement of nationals across borders, a key component of the Common Market Protocol. Kenya, Ugandan and Rwandese citizens can easily move across the border with their national identification cards, thus deepening integration. The CoW also waived work permits for EAC citizens in the bloc. Under this deal, companies operating in real estate, architecture, law and research spheres would offer cross-border services among the three countries. Under the EAC Common Market Protocol, it was envisaged that EAC member states would liberalize movement of labor by the end of 2015, with Tanzania and Burundi yet to waive work permits for EAC citizens.

On the flipside, Kenya’s drive to entrench its dominance in the region, seen in cobbling up of the CoW had a negative effect on integration. The 1999 EAC Treaty stipulates that member countries should jointly handle various integration initiatives. The CoW appeared to have sidelined other members of the bloc i.e. Tanzania and Burundi who were seen as not keen on integration. Although Kenya’s action had a positive impact on hastening the integration
process particularly among CoW countries, it also threatened the process as some countries felt sidelined, which in turn affected integration.

The Common Market Protocol envisages the free movement of services across borders. These services can be categorized into professional services, transport services, telecommunication services and distribution services. Kenya stood out as one of the countries, restricting movement of services into the country, especially in the professional services category. According the 2012 World Bank Services Trade Restrictiveness Index (STRI), EAC states were highly restrictive.

In the SRTI, Kenya scored the highest 75%, on a scoring scale where 0 denoted completely open, 25 denoted virtually open with minor restrictions, 50 denoted major restriction, 75 denoted virtually closed with limited opportunities to enter and operate while 100 denoted completely closed. Although, Kenya was less restrictive in the telecommunications sector, continued restriction in the distribution and transport sectors, as it sought to protect its economic interests underlined some of the challenges faced in implementation of the Common market protocol.
Tanzania on its part actively pursued its economic interests within the EAC. Tanzania seeks to become a major economic powerhouse in East Africa, challenging Kenya’s dominance. In the face of globalization and integration, one of the ways through which Tanzania sought to achieve this is by economic nationalism. This policy aimed at protecting the country’s domestic economy, and subsequently promoting economic development so as to achieve its regional objective.

Trade is a cornerstone of the EAC Customs Union, with countries required to ease trade through the elimination of non-tariff barriers. The United Nations Conference on Trade and Development (UNCTAD) defines NTBs as trade restrictions, unrelated to tariffs which come about as a result of regulations, prohibitions, conditions, import licensing systems and quotas which make importation of products expensive or difficult. In addition, the EAC defines NTBs
as regulations, laws technical or administrative requirements which impede trade (Overseas Development Institute, 2017).

In 2015, the East African Legislative Assembly (EALA) passed the East African Community Elimination of Non-Tariff Barriers Act. In order to protect its industries, and contrary to the spirit of integration, Tanzania continued to maintain various NTBs which slowed trade. According to the 2016 EAC Common Market Scorecard, Tanzania had the highest number of NTBs in the region, thus curtailing trade with other EAC members.

**Figure 4.3 Number of reported NTBs post CMS 2014**

<table>
<thead>
<tr>
<th>Country</th>
<th>CMS 2014</th>
<th>% share in total</th>
<th>Continuing NTBs from 2014</th>
<th>New NTBs</th>
<th>Total NTBs in review period</th>
<th>% share in total NTBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>6%</td>
</tr>
<tr>
<td>Kenya</td>
<td>16</td>
<td>31</td>
<td>10</td>
<td>13</td>
<td>23</td>
<td>29%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>5</td>
<td>10</td>
<td>6</td>
<td>4</td>
<td>10</td>
<td>13%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>18</td>
<td>35</td>
<td>7</td>
<td>17</td>
<td>24</td>
<td>31%</td>
</tr>
<tr>
<td>Uganda</td>
<td>9</td>
<td>18</td>
<td>6</td>
<td>10</td>
<td>16</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51</strong></td>
<td><strong>100</strong></td>
<td><strong>32</strong></td>
<td><strong>46</strong></td>
<td><strong>78</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

(World Bank, 2016)

A major NTB erected by Tanzania in the region was non recognition of Certificates of Origin (COs). COs show the origins of products, stipulating that goods have been obtained, manufactured or processed in a particular country, and are used in determining duty. As per the EAC Customs Union, goods originating from member countries are exempted from tax. On its part, Tanzania rejected COs from EAC member countries to protect its industries from EAC
member countries. A notable case in point was a dispute between Kenya and Tanzania, over COs. On its part, Kenya Association of Manufacturers (KAM) blamed Tanzania Food and Drugs Authority for refusing entry of products in the country until they were registered, relabeled and retested thus affecting trade between the two countries.

Figure 4.4 Non-recognition of certificates of origin by EAC partner states - 2014 and 2016

![Figure 4.4 Non-recognition of certificates of origin by EAC partner states - 2014 and 2016](image)

(EAC Common Market Scorecard 2016)

Trade in the EAC Customs Union is based on various issues most importantly, harmonizing trade policies to promote the EAC as a single investment area. This enables the EAC bloc negotiate favorable trade terms when dealing with other trade blocs. The EAC and the EU have had strong trade ties as at 2014, the EU was EAC’s top export trading partner, with
25.3% of EAC exports going to the EU. In the same instance, the EAC was EU’s third’s top importer, accounting for 12.5% of imports. It is worth noting that since 2005, trade between the two regional blocs has grown by more than 75% topping €6.8 billion by the end of 2015 (European Commission, 2017).

**Table 4.2: East African Community Key Trading Partners 2006-2015**

<table>
<thead>
<tr>
<th></th>
<th>EAC Exports in goods</th>
<th>EAC Imports in goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU 28</td>
<td>1,310,1,518,1,864,2,379</td>
<td>25.3%</td>
</tr>
<tr>
<td>India</td>
<td>119</td>
<td>218</td>
</tr>
<tr>
<td>USA</td>
<td>274</td>
<td>224</td>
</tr>
<tr>
<td>DRC</td>
<td>153</td>
<td>246</td>
</tr>
<tr>
<td>UAE</td>
<td>257</td>
<td>257</td>
</tr>
<tr>
<td>China</td>
<td>148</td>
<td>180</td>
</tr>
<tr>
<td>Pakistan</td>
<td>182</td>
<td>168</td>
</tr>
<tr>
<td>Japan</td>
<td>84</td>
<td>115</td>
</tr>
<tr>
<td>Egypt</td>
<td>116</td>
<td>116</td>
</tr>
<tr>
<td>Russia</td>
<td>38</td>
<td>71</td>
</tr>
<tr>
<td>World (ex-EAC)</td>
<td>4,200,4,451,7,472,9,402</td>
<td>100%</td>
</tr>
<tr>
<td>World (ex-EAC)</td>
<td>11,104,13,636,24,736,35,627</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: IMF DOTS
Note: (a) Shares calculated based on 2015 figures; (b) DRC is short for the Democratic Republic of Congo; (c) UAE stands for the United Arab Emirates; (d) World aggregation excludes intra-EAC trade.

(European Commission, 2017)

In 2007 EAC countries began the process of negotiating an Economic Partnership Agreement (EPA) as a bloc. This process had commenced in 2004, when EALA passed a private members bill which called on the countries to negotiate external trades as regional economic bloc as opposed to individually.
The EPA was in line with the Customs Union which calls for the coordination and implementation of a common trade policy. All partner states, except Tanzania were in agreement with these negotiations. Tanzania threatened to withdraw from an EAC-EPA decision taken by EAC ministers in August 2007. It is worth noting that at this point in time, Tanzania was a party to an EPA agreement under the aegis of SADC. However, deepening subdivisions within the SADC-EPA group between South Africa and other members, and isolation of various countries including Angola and Mozambique, made Tanzania rethink its position with regards to the EAC-EPA. The position taken by Tanzania within the EAC effectively delayed negotiations with the EU.

In October 2014, the EAC finalized trade negotiations with the EU for a comprehensive region to region trade EPA. This deal based on the EAC Customs Union, and in line with the Common External Tariff (CET) covers trade in various goods in addition to development cooperation. The deal also provides the basis for further negotiations on services in addition to trade related rules in future (European Commission, 2015).

Nine years after commencement of EPA negotiations, and two years after ratification of the EU-EAC Economic Partnership Agreement (EPA), Tanzania opted not to sign the agreement in 2016, with the Tanzanian parliament voting against the bill. In line with its economic interests in the bloc, failure to sign the EPA was informed by two main issues.

In its industrialization plan, Tanzania projected that by 2020, 15% of its GDP would be generated from manufacturing sector, specifically agro processing. Tanzania argues that the EPA is bound to stifle growth of this sector, given the fact that EAC countries are required to open up their sectors to EU import. Secondly, the UK was Tanzania’s main trading partner in the EU, and
with the country scheduled to leave the EU following the 2016 Brexit vote, Tanzania did not find the EPA beneficial to it, leaving the EU-EAC EPA in limbo.

Tanzania and Burundi were the last countries to join the SCT, under the EU Customs Union. However, implementation of the SCT in Tanzania remained a challenge. One of the issues arising from this implementation is concern about the economy, as the SCT reduced the amount of cargo imported through the Port of Dar es Salaam, in favor of the port of Mombasa.

The rolling out of the SCT, through the CoW initiative saw cargo importers from different countries including the Democratic Republic of Congo (DRC) and Mozambique prefer the Port of Mombasa due to reduced custom procedures which has in turn reduced transportation costs. Following the reduction of cargo volumes, the Tanzanian Parliament called for the withdrawal of the country from the SCT. This was echoed by various groups in the country including the Tanzanian Freight Forwarders Association (TAFFA), which was vocal against the SCT.

Perhaps one of the integration pillars been impacted upon significantly by Tanzania’s economic interests is the EAC Common Market Protocol. The Common Market Protocol allows free movement of people, goods, services, labor and services across borders.

Since 2015, various countries including Rwanda and Kenya have carried out Initial Public Offering (IPOS) which included participation of members of the regional bloc. In 2010, Tanzania passed the Electronic and Postal Communication Act (EPOCA), which required, telecommunication firms to list 25% of their shares the stock exchange, and barred foreigners including members of the EAC, so as to promote local ownerships of these firms. This was in line with the country’s policy of protecting its economy, in the face of liberalization and
integration, and provides a classical example of how Tanzania’s economic interests domestically served to undermine integration.

Article 24 of the EAC Common Market Protocol requires member states to remove restrictions on the free movement of capital across borders. However, this was not the case as analysis of capital control restrictions across the region, showed that Tanzania had the most severe restrictions on capital movement, affecting majority of transactions covered by the Common Market Protocol. This had the net effect of hampering financial integration in the region.

**Table 4.3: Freedom of movement of capital among EAC partner states**

<table>
<thead>
<tr>
<th></th>
<th>Kenya</th>
<th>Uganda</th>
<th>Rwanda</th>
<th>Burundi</th>
<th>Tanzania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Restrictions - Free Operations 2016</td>
<td>19</td>
<td>18</td>
<td>15</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Score 2016</td>
<td>95%</td>
<td>85%</td>
<td>75%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Total Number of Restriction - Free Operations 2014</td>
<td>17</td>
<td>15</td>
<td>15</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Score 2014</td>
<td>85%</td>
<td>75%</td>
<td>75%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

(World Bank, 2016)

Capital movement across EAC member states was analyzed using four key parameters namely restriction on credit operations, restriction on direct investment operations, restriction on personal capital operations, and restriction on securities. Out of these parameters, Kenya scored highest with the most restriction free parameters while Tanzania and Burundi had the least number of restriction free parameters.
Moreover, Tanzania put in place measures shielding its labor force from competition in the EAC, through expensive work permits and stringent immigration rules. Although EAC members are supposed to be accorded preferential treatment with regards to labor and immigration, this was not the case. It is worth pointing out that Tanzania’s stance not only affected EAC partner countries, but has also impacted the EAC secretariat’s work. In spite of the EAC Council of Ministers directing that work permits for staff especially those working in the Single Custom Territory be waived, Tanzania refused maintaining that EAC citizens employed in the country pay for these work permits, highlighting its stance on integration vis-à-vis protection of its economic interests.

Another important component of the CMP is the free movement of services across the border. Tanzania stood out as the country with the highest number of Non Conformity Measures (NCMs), across the professional services, telecommunications, transport, and distribution sectors in the bloc. According to the EAC Common Market Scorecard, the overall number of NCMs fell from 63 to 59 between 2014 and 2016.

*Table 4.4: Distribution of NCMs among EAC partner states*

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of NCMs 2014</th>
<th>Number of NCMs 2016</th>
<th>Share of NCMs 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania</td>
<td>17</td>
<td>16</td>
<td>27%</td>
</tr>
<tr>
<td>Kenya</td>
<td>16</td>
<td>14</td>
<td>24%</td>
</tr>
<tr>
<td>Uganda</td>
<td>10</td>
<td>10</td>
<td>17%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>11</td>
<td>10</td>
<td>17%</td>
</tr>
<tr>
<td>Burundi</td>
<td>9</td>
<td>9</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>63</strong></td>
<td><strong>57</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

(Source: CMS 2016 Database)

(World Bank, 2016)
According to the 2016 Africa Regional Integration Index (ARII), a collaborative effort by The African Development Bank (AfDB), The African Union Commission (AUC) and the Economic Commission for Africa (ECA) to measure integration, Tanzania scored lowest in three out of five dimensions namely infrastructure, regional trade, productive integration, free movement of people and financial integration. The three dimensions that Tanzania scored the least included regional infrastructure, free movement of people and financial integration, key requirements of a common market, thus underlining the challenges of implementing the EAC Common Market Protocol.

A comparative analysis of EAC and EU integration, underlined the benefits of integration. The EU Customs Union is seen as one of the most successful examples of integration. Founded in 1968, the European Economic Community (EEC) Customs Union quickly abolished custom taxes, in addition to putting in place a system for taxing imports. Within 10 years, the CU had achieved a lot including enactment of the Reyner Rule in 1975 for non-discrimination of nationals from member countries starting businesses in another EEC country, establishment of Common Custom Tariffs (CCT) for member countries in addition to signing of the Lome Convention with various countries and trading blocs among others. As at 2012, the Customs Union handled 17% of the world’s trade valued at more € 3300 billion (European Commission, 2012).

Comparative analysis of the EAC Common market and the EU Single Market underlined the benefits of a common market. The EU single market was rolled out in 1993. EU member countries strictly uphold the principles of free movements of goods and services, labor market mobility and capital mobility, making it the biggest single market in the world with an estimated GDP of $ 16.5 trillion.
Free movement of people goods and services remains a key pillar of the single market. As at 2014, around 14 million EU citizens lived in a different country according to statistics, further underscoring the right of movement as guaranteed by the EU. This was instrumental in stimulating economic growth of the EU, and matching skills with vacancies in the labour market (European Commission, 2014). The success of the EU has been attributed to various factors including political will among leaders, strong institutions and the harmonization of national laws with EU laws among others.

Findings of this study indicate that integration is instrumental in the economic growth and development of countries. In the EAC scenario, integration has been implemented slowly. More than ten years after the EAC Customs Union was rolled out, it was yet to be fully implemented by member states. Although progress was made especially regarding custom administration with the roll out of the SCT major sticking points included the use of NTBs in addition to negotiating trade agreements with external countries and trading blocs.

The Common Market rolled out in 2010, faced major implementation challenges. Kenya and Tanzania’s economic interests within the bloc had a mixed effect on integration. Under CoW, key aspects of the EAC Customs Union and the Common Market including the SCT and free movement of people, and labour were fast tracked.

On the flipside, the free movement of services remained a challenge, with Kenya being one of the countries in the region with many bottlenecks hampering this movement. Kenya’s dominant role in the region also undermined the foundations of integration as seen in its cobbling up of the CoW, which sidelined Tanzania and Burundi.
Tanzania on its part seeks to become a force to reckon with in the region. In order to achieve this, Tanzania was keen on protecting its domestic economy, in the face of globalization and integration forces. Tanzania’s efforts continued to negatively impact on the Customs Union and the Common Market. Under the Customs Union, the move by Tanzania to erect and maintain NTBs hampered trade in the region. In order to protect local industries, Tanzania was unwilling to be part of EAC trade agreements which would impact on these industries as exemplified by its decision not to sign the EU-EAC EPA. The prominence of domestic interests is further underlined by the implementation of the SCT, in the country, with various parties calling for withdrawal from this agreement.

Tanzania continued to erect hurdles in the implementation of the Common Market as seen in various restrictions to the free movement of people, goods, services and capital across borders. Further lending credence to this argument is the fact that Tanzania continues to demand work permits from EAC citizens, in spite of their abolishment. Moreover, the country has shielded its labour market from EAC nationals from partner states, in addition to having the highest level of NCMs with regards to free movement of services across the region thus affecting integration.

It can be said that the net effect of Kenya’s and Tanzania’s actions were negative on the integration process. While some actions fast tracked integration on some levels, these actions were disjointed in addition to alienating some members as did the CoW. Trade remains the cornerstone of the EAC integration. Although some progress was made, barriers to trade have meant that full implementation of the Customs Union and The Common market remains far off.
However, unlike the first EAC, the second EAC was founded on a strengthened charter, making it hard for a member to leave the organization. The 1999 EAC Charter charted a definite integration path in addition to mechanisms for dispute resolutions moreover, the fragmented nature of African economies necessitates membership of RECs to counter strong globalization headwinds.

For integration to be successful Kenya, Tanzania and other EAC members should ensure their economic interests within the block take a back seat, and work together for the benefit of the EAC bloc as a whole, borrowing lessons and best practices from successful integration blocs e.g. the EU.

4.6 Chapter Summary

In conclusion, EAC integration had its roots in the colonial period. Integration at this point focused on establishing effective control over the three colonial territories of Kenya Uganda and Tanzania. At the eve of independence, the three countries were part of the East Africa Common Service Organization (EACSO) however, unfair distribution of integration benefits created a rift between the countries. In order to address this challenge, a new body, the EAC was formed in 1967. EAC replaced EACSO, but the new body soon faced familiar challenges.

Kenya had benefitted significantly from integration, including industrialization and favorable trade balances. On the other hand participation in the EAC did not bring positive gains for Tanzania. Kenya opposed moves to correct this imbalance, further widening the rift between EAC members.

The divergent nature of Kenya’s and Tanzania’s economic interests within the bloc, fuelled by various factors including ideology and external influences eventually led to the
organization’s demise in 1977. The second EAC formed in 1999 was a great departure from the first one, as it embodied the steps that would be taken to achieve full integration. Since then, progress was made, with two key pillars of integration already rolled out. Economic interests of members continued to impact on integration. Kenya and Tanzania’s pursuit of their economic interests within the bloc had a dual effect on the bloc.

On one hand, various initiatives were fast tracked some aspects of integration while on the other hand pursuit of these interests continued to derail the integration process. More than a decade after rolling out of the Customs Union, full implementation had not been achieved. In the same instance, realization of the Common Market was plagued by various factors, some of which were attributed to the pursuit of these economic interests. While these economic interests did not entirely stalled integration, their net effect was the slow realization of integration goals and consequent benefits to the region’s population. Consequently, a multifaceted approach is needed to address this challenge, and quicken integration in the region.
CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

Kenya and Tanzania pursuit of their economic interests in the EAC, affected integration in the region. This chapter contains a summary of findings, conclusions and recommendations on how integration can be deepened, putting into account Kenya’s and Tanzania’s economic interests in the bloc.

5.2 Summary of Findings

Integration in the EAC had its foundation in the colonial era. After independence, Kenya Uganda and Tanzania formed the EAC, to continual advancing co-operation among the three countries. Kenya and Tanzania pursued various economic interests in the EAC bloc. While Kenya sough to safeguard benefits realized from integration, Tanzania advocated for a redistribution of these benefits. Collapse of the first EAC was attributed to pursuit of divergent economic interests within the bloc, fuelled by various factors including ideology and external influences which made integration untenable leading to the collapse of the bloc.

Formation of the second EAC heralded a new chapter of integration in the region. Two key pillars of EAC integration were rolled out namely the Customs Union and the Common Market. In the second EAC, Kenya and Tanzania continued pursuit of their economic ambitions within the bloc. Kenya’s economic interests lay in maintaining its dominance in the region, while Tanzania sought to challenge this dominance. In addition, Tanzania’s regional integration commitments within SADC also impacted on its participation in the second EAC.
Kenya’s and Tanzania’s economic interests within the EAC impacted the bloc in various ways. Initiatives by Kenya led to the fast tracking of some aspects of integration, while threatening the foundations of integration. On its part, Tanzania’s economic interests in the bloc, seen through the building of its profile through maintain an inward looking policy undermined the process. Tanzania’s participation in SADC has also affected the country’s participation in the EAC, due to divided regional integration commitments. The net effect of these interests was the slowing down of integration in the region, and subsequently delaying the much touted benefits of integration for EAC citizens.

5.3 Conclusion

EAC integration has evolved significantly over the years. At its onset integration was championed by the colonial authorities as a way of establishing effective control over occupied territory. Integration then focused on co-operation in key sectoral areas to bring about development in the region. The first EAC was based on this aforementioned co-operation, but was threatened by the flawed distribution of integration benefits, ultimately leading to its demise.

The second EAC was more robust, and articulated the integration agenda comprehensively, in addition to outlining the steps and timelines of the levels of integration, unlike the first EAC. The bloc was successful in rolling out two fundamental aspects of integration. The bloc also saw an expanded membership from three to six, including Rwanda, Burundi and South Sudan.

Although progress has been made towards EAC integration, the road to full integration remains a huge challenge if implementation progress of the Customs Union and the Common Market Protocol is anything to go by. As was the case in the first EAC, pursuit of individual
economic interests continued affecting integration progress in the region. Kenya’s and Tanzania economic interests within the bloc, have negatively affected regional integration, slowing the process. In order to ensure successful integration, there is need for EAC members to strike a balance between individual interests vis a vis integration for the common good of the bloc.

The impact of slow integration is not only limited to the nation state level, but also affects EAC citizens directly, bearing in mind opportunity costs and missed opportunities in the implementation of the Customs Union and the Common Market. World over, a number of regional blocs have had success in the implementation of various levels of integration, most notably the EU. Borrowing on best practices of successful regional integration blocs, would be instrumental in helping the bloc implement its integration agenda.

5.4 Recommendations

In light of these findings, it is imperative to outline some recommendations which would hasten integration in the EAC, putting into account these countries economic interests. These proposed recommendations include:

Harmonizing Laws

One of the key elements of integration is the Common Market Protocol, which among other things advocates for the free movement of people, goods, labor and capital across borders as enshrined in Article 79 and 80 of the EAC Treaty. It is worth noting that only a small percentage of national laws, among member states have been reviewed to conform to the Common Market Protocol. This has led to barriers to free movement of goods and services, in addition to affecting cross border investments.
For countries most notably Tanzania and Burundi, the little adherence or lack thereof in aligning laws, policies and regulations have notably contributed to a slower pace of integration. Bearing in mind that successful implementation of the CMP rests on member states laws and national policies, it is imperative for EAC member states to undertake law and policy reforms so that they are aligned with the CMP legal framework. This will go a long way in helping tackle barriers affecting free movement of people, goods, services, capital and labour in the region. Moreover, partner states should avail laws, and regulations, governing various sectors, and progress made in harmonization, to ensure a predictable operating environment and enforceability.

**Strengthening the EAC dispute resolution mechanisms:**

In order to enhance integration in the region, it is imperative for EAC to strengthen dispute resolution mechanisms. A salient feature of the current economic integration dispensation is trade disputes; the EAC has not been different, with numerous trade disputes among members thus threatening integration. Implementation of the EAC Customs Union and the Common Market has been wracked by various trade disputes as countries put their economic interests ahead of integration.

It is prudent to note that the EAC Treaty declared the East Africa Court of Justice (EACJ) as the region’s dispute resolution organ, its mandate remained vague. This prompted EAC Heads of States to sign and adopt a Protocol which extended the EACJ’s jurisdiction to cover trade and investment matters. In spite of this, the EACJ remains underutilized by member countries, a factor that has been attributed to the numerous existing trade disputes. Secondly, the EAC should
strengthen Alternative Dispute Resolution (ADR) mechanisms as a way of speedily resolving arising trade disputes.

**Political will and commitment to integration**

A key factor influencing integration is the political will and commitment to integration of EAC leaders. Multilateral talks between various heads of states of member countries aimed at achieving consensus on various issues. In addition, such talks have been instrumental in assuaging fears that the EAC would break apart as before. In the same instance, political will is needed among EAC member states leaders to ensure integration success. Commitment to the process by leaders will go a long way in galvanizing support for the process especially at national level.

**EAC citizens and private sector participation in integration**

EAC citizens are the most important stakeholders in the integration process. Ensuring a people driven process is thus critical for successful integration through galvanizing support for key issues and addressing arising concerns in the process.

The private sector is an important player in EAC integration. Collaborative effort between the public and private sector can be an important catalyst in integration, with the sectors complementing each other, and addressing any gaps in the process. The process should also widen consultations and participation by including more elites and professionals, which would be beneficial in helping come up with sustainable solutions to address some of the challenges facing integration.
Creating Awareness on EAC Integration

Fastening integration also requires creating awareness about the benefits of integration. Awareness remains low in various member countries. This has been a major challenge especially in implementation of the EAC Customs Union. A major factor affecting the implementation of the EAC Customs Union, especially with regards to the negotiation of a Common External Tariff (CET), is the fact that manufacturers in many countries have little knowledge on CET. In addition, there is a general lack of awareness about the progress and benefits of integration. This is attributed to the fact that EAC integration takes a top bottom approach as opposed to a bottom up approach. Borrowing a leaf from EU integration, creating awareness on EAC integration among citizens is critical in ensuring a successful process.

Elimination of Non-Tariff Barriers (NTBs)

NTBs stand out as one of the greatest impediments to the full realization of the EAC Customs Union and the Common Market Protocol. In order to address this situation, there is need for the EAC to prioritize the resolution of NTBS. Moreover, resolution of NTBs requires concerted effort from both the private and public sectors. This can be done by carrying various initiatives including putting in place various NTBs monitoring and reporting systems and resolution of existing NTBs in line with the EAC’s Time Bound Elimination of NTBs Programmes.

Other measures that should be considered include putting in place dispute resolution mechanisms for speedy NTBs resolution, enactment and implementation of the NTBs Act, supporting the implementation of the WTO-Trade Facilitation Agreement, support policy
interventions to reduce the cost of doing business in addition to undertaking awareness and sensitization campaigns on trade and investment opportunities available among others.

**Enhancing EAC's external trade**

A major aspect of EAC integration is external trade with various trading blocs e.g. the EU. Consequently, it is imperative for the EAC to come up with competitive export development and promotion strategies that will enhance trade. Implementation of EAC Industrial Development Strategies, targeting various value chains most importantly agricultural, and mineral products, operationalization of the EAC Model Investment Framework, and conclusion of ongoing trade agreements with partners among others will go a long way in enhancing the region’s external trade.

**5.5 Recommendations for Further Research**

This study identifies the effects of Kenya’s and Tanzania’s pursuit of their economic interests within the EAC as having slowed down the integration process. One of the key impediments to integration, specifically trade in the EAC Customs Union and the Common Market Protocol, as highlighted by the study is the use of Non Tariff Barriers (NTBs), notably by Tanzania.

The use of NTBs by EAC members is bound to have an impact on countries’ economies in addition to overall integration. In the same instance, the EAC has undertaken some measures to address this challenge. Consequently, further research is recommended on the assessment of economic effects of NTBs in the EAC, and the impact of various NTBs elimination programmes already rolled out in the bloc.
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