

Future Prospects, and Opportunities for the East African Community

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Abstract

The process of the convergence and intensification of interdependencies of global economies among individual states is the main trend in the contemporary world. In the wake of globalization, the developing economies are struggling to mitigate the negative impacts embedded with it. This paper seeks to unearth the future prospects and opportunities that are available for the fast-growing Regional Economic Community (REC) in Africa-the East Africa Community. The paper adopted a qualitative methodology approach by reviewing the available literature to arrive at a desired end. The research found the following as prospects and opportunities available for the EAC; a vast Market and resulting from the Promotion of Intra- Regional Trade, Economic Partnership Agreements and Tripartite Processes, Public and Private Sector Partnerships. The study concludes that member states should cooperate to develop comparative advantages and the sharing of regional resources for sustainable development.

Keywords: Prospects; Opportunities; East Africa Community

Abbreviations: REC: Regional Economic Community; WTO: World Trade Organizations; RECs: Regional Economic Integration; RTAs: Regional Trade Agreements; PTAs: Preferential Trade Agreements; SSA: Sub-Saharan Africa; NEPAD: New Partnership for Africa's Development; ECOWAS: Economic Community of West African States; COMESA: Common Market for Eastern and Southern Africa; ECCAS: Economic Community for Central African States; AMU: Arab Maghreb Union; FDI: Foreign Direct Investment; EPAs: Economic Partnership Agreements; AGOA: African Growth and Opportunity Act; ACFTA: Africa Continental Free Trade Area; GDP: Gross Domestic Product; EABC: East African Business Council

Introduction

International trade has been seen as the "engine of growth" both for developing and developed countries. Since free world trade is not a realistic possibility, economic integration is seen as a move towards free trade, despite criticisms from some quarters. International trade has been seen as the "engine of growth" for both developing and the most developed nations globally [1]. Since free world trade is not realistic, economic integration is seen as a move towards free trade though inherent obstacles embedded in it. By the year 2020, it is estimated that there are 140 (one hundred and forty) regional organizations working with the World Trade Organization (WTO) (www.wto.org).

Globally, Regional Economic Integration (RECs), which are also referred to as Regional Trade Agreements (RTAs) or

Preferential Trade Agreements (PTAs) [2] has been seen as one way in which countries achieve national interests-only in concert with others [3]. Further, it expands national markets to the region which is one of the most compelling arguments for integration. With an expanded market for goods and services, for both output and inputs, higher economic growth and improved welfare can be expected. Integration helps more efficient resource allocation across the region (or globally) in line with the principle of comparative advantage.

Regional integration in Africa has its roots in the political forces determined by the colonial legacy that resulted in a configuration of geographically artificial states where arbitrary borders coupled with great ethno-linguistic diversity contributed to the continent's

high number of conflicts and to its high trade and communication costs [4]. In Africa as a whole, but in sub-Saharan Africa (SSA) in particular, the RECs were to be the 'building blocs' of the hoped-for African union in the immediate postcolonial era. Now, they are central for implementing the New Partnership for Africa's Development (NEPAD). In short, the RECs were and continue to be the glue that will cement African unity [3].

The early phase of integration started during the first decades of independence, and was enshrined in the Lagos Plan of Action, an initiative of the Organization for African Unity, adopted by the heads of states in 1980 [2]. The proposed framework was for African integration into pan-African unity and continental industrialization by the division of the continent into RECs that would constitute a united economy, the African Economic Community. Three regional integration arrangements were supported by the Economic Commission for Africa: Economic Community of West African States (ECOWAS); Common Market for Eastern and Southern Africa (COMESA), and the Economic Community for Central African States (ECCAS), and later, the Arab Maghreb Union (AMU).

EAC is one of the oldest economic integrations in Africa whose root can be traced to 1917 when there was Customs Union agreement between Kenya and Uganda in 1917, which the then Tanganyika later joined in 1927 (www.eac.int). However, this attempt was crippled later in 1977 when the community was disbanded after disagreement among the members. The community was revived on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three Partner States - Kenya, Tanzania and Uganda. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on 18 June 2007 and became full Members of the Community with effect from 1 July 2007, while the Republic of South Sudan acceded to the Treaty on 15 April 2016 and became a full Member on 15 August 2016. The Community's newest member, the Democratic Republic of the Congo acceded to the EAC Treaty on 8 April 2022 (*ibid*).

Scope

The scope of this paper is divided into three dimensions

Content Scope

Contextually this research work will be limited to content on economic integration in the East Africa community which is currently composed of seven member states.

Geographical Scope

The geographical scope of this study is only limited to the Current east Africa community as of 2022. The membership of the community is; Kenya, Uganda, Tanzania, Southern Sudan, Rwanda, Burundi, and the Democratic Republic of Congo. It is estimated

that the EAC is home to an estimated 300 million citizens, of which over 22% is urban population. With a land area of 4.8 million square kilometers and a combined Gross Domestic Product of US\$ 240 billion (www.eac.int), its realization bears great strategic and geopolitical significance and prospects for the renewed and reinvigorated EAC.

Methodological Scope

The paper adopted a qualitative methodology by critically examining existing literature available on the subject to arrive at a logical ending.

Opportunities for the Re-Launch EAC

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

Marketing and Promotion of Intra-Regional Trade

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

nation states have great opportunity in the region, in the continent and beyond to pursue increased larger markets access, attract foreign direct investment [5].

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

It can be arguably said that the prospects for the EAC remain robust as efforts to integrate the economies of the five member states are being aggressively pursued. There has been a significant increase in trade amongst the member states since the revival of the EAC. The creation of an intra-regional market is intended to maximize the benefits of economies of scale. This exploitation of the economies of scale when a CU is fully implemented has always formed the rationale for regional economic integration for developing countries. The EAC member states are striving towards making the East African region a desirable investment destination by creating a positive investment climate that can attract Foreign Direct Investments. EAC member states should seek to increase intra-regional trade, higher Foreign Direct Investment (FDI) and larger markets including exploring external markets outside the regional bloc.

Economic Partnership Agreements and Tripartite Processes

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

get the right EPA for the East African region that will address the needs of its population.

The EAC has initiated tripartite talks to integrate SADC, COMESA and the EAC. This agreement later transformed into the Africa Continental Free Trade Area (ACFTA) in March 2018, (three years after the TFTA) and entered into force on 30 May 2019 after attaining the threshold ratification of 24 countries. The work already done under the tripartite framework contributed to the speedy implementation of the continental trade regime. Currently, the process to create a COMESA-EAC-SADC Free Trade Agreement is progressing well and could eventually result into a large market of a combined estimated population of 800 million, from member countries of nearly 53% of the African Union membership, constitute over US\$1.4 trillion Gross Domestic Product (GDP) which is roughly 60 percent of African continental GDP [6]. The Tripartite Cooperation between COMESA-EAC-SADC is meant to foster greater trade and market links and raise investment levels amongst the different regions in the continent. The implementation of this will highly enhance EAC's competitiveness in Africa and in the larger world markets (www.east.int).

The agreement will deliver huge benefits for EAC as it will bring with it continued increases in trade, increased investment opportunities, collective bargaining power in international arena, greater and improved transport networks, and most importantly the free movement of goods and people across 29 countries in the continent. The discussions on the establishment of the Tripartite are still on-going amid challenges that need to be resolved including the different stages of integration of each REC, the overlapping membership issue of some partner states, rules of origin among others. The tripartite FTA is greatly expected to take off so that the issue of overlapping membership in regional integration blocs may be erased. The EPAs places the EAC higher up the trade and investment ladder in the African continent and in the world. The success of such partnerships and especially the consolidation of the regional blocs in the continent will enable it to live the dream of the post-independent leaders of uniting the continent and charting its socio-economic development through the establishment of an African Economic Community.

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

Public and Private Sector Partnerships

If the EAC aspires to successfully implement its goals and objectives for the betterment of the livelihoods of its citizens, the

private sector will have to play a pivotal role. The private sector must not only buy into the vision of EAC but should undertake to be a leading partner in the process of integration. So far, the East African Business Council (EABC) has been actively involved in the process. Throughout the Treaty's negotiation and implementation process; the importance of the process to be people driven and people centered was acknowledged. The Treaty is designed to enable the private sector to fully participate and help shape the processes of regional economic integration in the Eastern Africa region.

The EAC acknowledges the inclusion and the participation of the private sector in the integration process in the region. The private sector will derive many benefits from regional integration such as reduced cost of doing business due to economies of scale arising from larger markets and open borders; increased scope, base and pool of human resource personnel, secure investment climate, reduced costs and increased efficiency emanating from free movement of labour, capital and goods, utilization of the social infrastructure such as the rail, roads, waterways among other benefits [7]. The current EAC has seen the participation of both the public and private sector; which is an encouraging response to the integration process as opposed to the defunct EAC that was largely politically driven. This will greatly increase the economic power of the East African region.

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

Conclusion

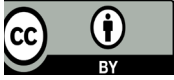
On the whole, the revival of the EAC is a vital step taken by the seven East African nations. The newly revamped EAC gives hope to the peoples of East Africa and the African continent at large. It is

a commitment by the partner states to chart the way forward for the socio-economic, industrial, and political development of the region. EAC should spare no effort in working with and mobilizing the East Africans towards the full realization of the terms objectives and goals of the process of cooperation as enshrined in the Treaty for the re-establishment of EAC. The EAC can propel the integration process further by pushing for realistic policies that call for national and regional macroeconomic stability.

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

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