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Introduction

In the struggle against Colonialism the fundamental unity of the people of Africa is evident and is deeply felt. It is, however, a unity forged in adversity in a battle against an outside Government. If the triumph in this battle is to be followed by an equal triumph against the forces of neo-colonialism and also against poverty, ignorance and disease, then this unity must be strengthened and maintained. *Julius Nyerere*

Of all the potential strategies for development for Africa, it is hard to find one that receives more widespread rhetorical support than that of creating and strengthening regional economic blocs. The case for economic integration in Africa is so easy to make that pronouncements about it are often made with prophetic optimism and even political euphoria. It is taken for granted these days that regional economic integration is important for African development.

Given that this strategy seems to be unquestioned and accepted categorically, some leaders may try to speed up the process to gratify their personal political ambitions. They may forget that the benefits of economic integration, though many, are not guaranteed. Important social and development goals, such as achieving an equitable income distribution, must always be taken into consideration. Thus, it is important for governments to conduct an in-depth evaluation of the impact of joining a regional bloc or of moving a regional bloc to a higher level of integration.

Regarding efforts to integrate Mozambique and South African economies under what came to be known as the Maputo Development Corridor (MDC), Taylor (2003, 313) concludes that

> the form of regionalization being currently promoted in Southern Africa is premised on an unquestioned belief that integration of their territories into the global economy is absolutely crucial and inevitable. The structural limitations of this are never probed as, it is apparent, "there is no alternative."

Taylor argues that the regionalization agenda has been set mainly by "elites," referring to specific African leaders. He explains that those leaders were influenced by the neoliberal economics ideology – freer private sector and greater openness to international trade and investment. Indeed economic openness in general gained momentum in the late 1980s and early 1990s following the neoliberal economic policies encouraged by the International Monetary Fund (IMF) and the World Bank. However, while not everyone is enthusiastic about regional integration, regionalism has come to receive broader internal support in African countries. Neoliberal economic policies have become entrenched in some countries to the point that now, for example, it is the IMF that is cautioning the East African Community (EAC) not to rush into a monetary union (Omondi, 2014).

The EAC, the primary focus of this book, aspires not only to form a monetary union, but also a political union. This aspiration to form a political federation goes beyond that of any other regional bloc currently in existence anywhere in the world.

The potential impact of economic integration can be divided into two types: static and dynamic. The *static impact* refers to the change in equilibrium of the market price and quantity of goods before and after the movement towards free trade. Theoretically, the potential static impact of economic integration can be analyzed in terms of trade creation or trade diversion.

Trade creation occurs when economic integration leads a product source to shift from high-cost domestic producers to low-cost producers in a member country. It is a movement towards free trade. As an example, consider Kenya before and after the EAC was formed.[1] The EAC is comprised of Burundi, Kenya, Rwanda, South Sudan[2], Tanzania, and Uganda. Suppose that before the EAC was established, Kenya applied a tariff on onions it imported from Tanzania. Following the establishment of the EAC, if Kenya eliminates or reduces the tariff rate on onions from Tanzania, Kenya will reduce price distortion at home and will import more onions from Tanzania. This would be a case of trade creation. Trade creation would produce a net welfare gain for Kenya.

Trade diversion occurs when integration causes a product source to shift from a low-cost non-member country to a high-cost member country. Suppose, before the EAC was formed, Kenya had a tariff on imports of rice, and Kenya could potentially import rice from Pakistan or Uganda. Suppose further that Kenya in fact imported rice from Pakistan because Pakistan produced it at a lower cost and, thus, sold it at a lower price than Uganda. Following the establishment of the EAC, Kenya removes the tariff on imports of rice from Uganda, but not on rice imported from Pakistan. Trade diversion happens if Kenya begins to import rice from Uganda instead of Pakistan. Note that this diversion happens not because Uganda is a lower cost producer, but because a tariff distorts the actual price of rice from Pakistan. Trade diversion can cause a net welfare gain or a net welfare loss for Kenya. Removing the tariff removes price distortion for imports from Uganda. However, there is the possibility of a net welfare loss because the terms of trade for Kenya deteriorate as it switches its source of rice from a low-cost producer to a high-cost producer, that is, from Pakistan to Uganda.[3] Nonetheless, even with trade diversion, it is highly unlikely for regional economic integration to cause an overall net welfare loss, considering its dynamic impact.

The *dynamic impact* of economic integration includes increased competition, economies of scale, increased investment, political stability, and political and economic leverage. Economic integration exposes domestic producers to competition from their counterparts in the region. At the same time, it allows domestic producers to acquire knowledge and technical skills from others, all of which leads to a more efficient use of resources and production in line with comparative advantage.

Economic integration allows producers to take advantage of economies of scale. Economies of scale refers to the reduction of a firm's long-run average cost of production as the firm expands and produces more (internal economies) or as more firms enter the industry (external economies). Economic integration enlarges the markets for products and inputs, thus allowing firms to expand production. Increased production allows for more specialization, greater spread of fixed costs, the use of better equipment, and the acquisition of inputs at a discount price. Expanded markets attract new firms. This, in turn, brings external economies of scale by increasing the speed at which new techniques are generated and diffused throughout the industry and attracting suppliers of inputs to locate into the region. Individually, the economies of most African countries are too small to attract large foreign direct investments and, therefore, economic integration helps to enlarge the sources of inputs and the markets for final products.

Economic integration is not performed in a political vacuum. Asante (1997, 26) has argued that "[economic] integration is political as well as economic in both objectives and procedures." Economic integration and political stability support one another. Successful integration, even if economic in nature, will tend to forge political stability in the region. Likewise, political stability enhances economic integration. The underlying objective behind the creation of the European Union was political stability and peace in the region.

The Association of Southeast Asian Nations (ASEAN) was formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand, primarily to bring political stability to the sub-region. The initial primary objective of the members of this regional group was to reduce conflicts among themselves and forge unity against the threats of their Communist neighbors, Vietnam, the former USSR, and China. In fact, the threat of outside forces, although requiring a reallocation of resources to address, solidified the unity of ASEAN members. The political stability achieved within the ASEAN countries fostered a greater commitment to economic cooperation and development (Simon, 1982; Leifer, 1989).

The Economic Community of West African States Monitoring Group (ECOMOG) was able to reduce the level of political instability in the West African region in the 1990s (Yabi, 2010). Most notable was ECOMOG's leadership in containing the civil war in Liberia and in restoring a democratically elected president of Sierra Leone, Ahmad Kabbal, to power in 1998. Kabbal had been overthrown in 1997 in a coup d'état.

In 2014, ECOWAS helped to reduce political tensions in Burkina Faso following the resignation of President Blaise Compaore. Compaore had been Burkina Faso's president for 27 years, and he had been trying to force a change in its constitution to allow him to run for another term.

The Intergovernmental Authority on Development (IGAD) attempted unsuccessfully to mediate conflicts in South Sudan in 2014. Nonetheless, Tanzanian leaders joined in those efforts, leading to a peace agreement in early 2015 between the rival factions of the ruling Sudanese People's Liberation Movement (SPLM). That agreement fell apart, but pressure from the United Nations Security Council and continued efforts by regional leaders led to another peace agreement in August of 2015. Unfortunately, that was only an agreement on paper. Fighting resumed in 2016.

Even when an economic bloc is not organized and strong enough to suppress conflicts in its region, it can provide an organizational structure through which external support can flow in. That said, some economic blocs, such as the Economic Community of Central African States (ECCAS), are too weak even to be effective conduits of external support (Elowson and Wiklund, 2011).

Regional economic integration also enhances negotiations with international organizations and other countries by sharing costs and expertise. This has particularly been the case in the negotiation and signing of the Economic Partnership Agreements (EPAs) with the European Union (EU).

To put EPAs in historical context, in 1963, the European Economic Community and African countries signed the Yaoundé Convention, which allowed most dutiable imports from African countries to enter the European market duty-free. The Lomé Convention signed in 1975 replaced the Yaoundé Convention and formalized all preferential treatments of imports by the European countries from the African, Caribbean and Pacific (ACP) countries. However, in the late 1990s, developing countries that are not part of the ACP group argued, successfully, that the EU was discriminating against them, by providing non-reciprocal preferential treatment to a select group of developing countries. Subsequently, in 2000, the Lomé Convention was replaced by the Cotonou Agreement between the EU and ACP countries with the understanding that the arrangement would evolve into EPAs, that is, reciprocal agreements between the EU and the ACP countries (African Trade Policy Centre, 2007).

The call for African unity is a constant in African politics. The Organization of African Unity (OAU) in 1980 in its Lagos Plan of Action for the development of Africa set the year 2000 as the time by which an African Common Market would be established (Organization of African Unity, 1980). Ten years into the Lagos Plan of Action, it was obvious that Africa would not even come close to the realization of this level of integration by the turn of the century. In 1991, the OAU established a new road map for African unity with its Abuja Treaty (Organization of African Unity, 1991). The Abuja Treaty, also known as the African Economic Community Treaty, was signed by fifty-one members of the OAU and took effect in 1994.[4] It sets six stages of implementation through which existing and new regional economic communities would gradually move to deeper levels of integration. Table 1.1 provides a summary of those stages.[5] It was envisioned that the regional economic communities would be the building blocks of the African Economic Community, creating a continental economic and monetary union by 2028. Given the level of integration at which most regional blocs in Africa are currently, it is safe to say that history will prove the Abuja Treaty to have been overly optimistic.

Regional economic integration faces many challenges, including countries having membership in multiple regional economic groups, a lack of political commitment, unrealistic schedules, political instability in some regions, authoritarian leadership in some countries, dependence on foreign aid, and differences in the levels of economic development between member countries. Notwithstanding these challenges, the Abuja Treaty provides important reference points with which to assess the progress, or lack thereof, towards deeper levels of economic integration in Africa.

Table 1.1 *Stages to Establish the African Economic Community*

Stage	Task	Time period
First	Strengthen existing regional economic communities and establish new ones where they do not exist.	5 years (1994–1999)
Second	Conduct studies to determine timetables for removal of tariffs and non-tariff barriers on intra-regional trade.	8 years (1999–2007)
Third	Deepen integration in each regional economic community to the level of a customs union.	10 years (2007–2017)
Fourth	Establish a continental customs union.	2 years (2017–2019)
Fifth	Establish a continental common market.	4 years (2019–2023)
Sixth	Establish a continental economic and monetary union with a single African currency.	5 years (2023–2028)

Source: Organization of African Unity (1991).

This book examines the EAC as a way through which to understand the benefits, challenges, and complexities of creating an African Economic Community. Even if regional economic integration were to be accepted as a necessary condition for African development, questions about membership, size, speed, the level of integration, and its potential impact must always be carefully considered. As important as it is for geographical neighbors to be neighborly to each other, relationships must be forged thoughtfully, constitutionally and democratically.

The EAC provides a unique and rare example from which to learn because, in a sense, it is a regional bloc that rose from its own ashes. The former EAC, established in 1967, was comprised of Kenya, Tanzania, and Uganda. In the early 1970s, the EAC was hailed as an exemplary customs union to be emulated by other African countries. Notwithstanding its promise, the EAC collapsed in 1977 following a bitter war of words and the closure of the border between Kenya and Tanzania, followed in 1978 by an actual war between Tanzania and Uganda.

The relationship between the three countries normalized in the 1990s, and in 1996 they established what they called the East African Co-operation. In 2004, Kenya, Tanzania, and Uganda signed an agreement for the establishment of the East African Community Customs Union. In 2007, Burundi and Rwanda acceded to the EAC, increasing its membership from three to five countries. South Sudan, which officially became an independent state on July 9, 2011, applied to join the EAC in the same year (Uma, 2011).

However, the civil war that broke out in South Sudan in late 2013 increased the doubts, which were there from the start, about its institutional capacity to function adequately in a dynamic regional economic bloc like the EAC. Nonetheless, South Sudan was admitted into the EAC in 2016.

Considering that regional economic blocs are expected to be the building blocks of the African Economic Community, the EAC is also a useful case to study because it joined two other blocs, the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), to form a tripartite free trade area (ICTSD, 2014). The combined membership in these three regional groups is 27 countries.

Yet another reason the EAC is a good case to study is that it is arguably the most ambitious of all the regional economic blocs currently in existence in Africa. While it is still learning from its own past experience and the experiences of other economic blocs such as the European Union, the EAC may come to serve as a model to be emulated, fine-tuned, or avoided by other African regional blocs. After a transitional period of five years, the EAC officially became a customs union in 2010 – 33 years after the collapse of the former EAC. In the same year, a protocol signed in 2009 to establish a common market came into force. In late 2013, the five leaders of the EAC signed a protocol to establish a monetary union by 2023. The ultimate goal of the EAC is to form a political federation. Considering the collapse of the former EAC and the progress the new one is making, discussion about the EAC is both cautionary and inspiring.

Even the most basic level of regional economic integration, let alone an economic bloc like the EAC that is envisioning a federation in a few years, encompasses many areas of cooperation, monitoring and regulation. This book does not attempt to be all-inclusive or meticulously comprehensive regarding economic integration in Africa. Instead it endeavors to understand economic integration in Africa generally, while focusing on the dynamics and trajectory of economic and political integration in the EAC, incorporating a historical framework, and considering the key agreements.

Chapter 2 describes various levels of economic integration and highlights regional economic blocs in Africa. This chapter also provides pertinent information about five members of the EAC, thereby serving as an introduction to subsequent chapters. Since South Sudan is a relatively new country and has just joined the EAC, it is not included in the comparative analysis of the members of the EAC. However, some basic information and analysis about South Sudan is included.

Chapter 3 provides the colonial history of the former EAC. It analyzes the breadth and depth of integration between Kenya, Tanganyika (now mainland Tanzania), and Uganda when the countries were under British rule and how that economic cooperation set the stage for the former EAC.

Chapter 4 discusses the establishment of the former EAC and explores factors that contributed to its collapse. The troubled economic relations that developed following the collapse of the former EAC are also examined, especially those between Kenya and Tanzania. In addition, the study considers how Kenyans and Tanzanians coped with the closure of the border.

Chapter 5 considers the political and economic dynamics in East Africa (and in the African continent generally) and initiatives that lead to normalized relations between the original members of the EAC. This chapter examines how the EAC has operated as a customs union. Special attention is given to observable disparity between the depth of integration officially agreed upon and the actual practice, such as the declared and actual reductions in trade barriers for intra-group trade.

Chapter 6 analyzes the Protocol on the Establishment of the EAC Common Market which came into force in 2010. It presents the barriers to labor mobility in the EAC and questions whether there is real commitment to this level of integration.

Chapter 7 considers the costs and benefits of a monetary union and analyzes the macroeconomic convergence criteria established as necessary conditions before a monetary union can be established. In 2013, the five leaders of the EAC signed a protocol to establish a monetary union by 2023.

Chapter 8 examines whether or not democracy in East African countries has matured enough to allow for the formation of a viable and sustainable East African federation. The EAC's ultimate goal is to establish a political federation. This chapter analyzes the political landscape of the member countries. This includes land conflicts, the politics of oil and natural gas reserves, internal and border conflicts and presidential term limits.

Chapter 9 explores the trade dynamics between the EAC and other regional blocs whose membership overlaps with the EAC's membership. The EAC is considering accepting new members and deepening its trade relations with COMESA and SADC under what is called the COMESA-EAC-SADC Tripartite. The chapter also examines Africa's overall aspirations for Pan-Africanism as envisioned by the Abuja Treaty and analyzes the role of the African Union (AU).

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More Information

Chapter 10 is the conclusion. It considers future prospects for economic integration in East Africa in particular and Africa in general.

Notes

1. While a few regional economic blocs are mentioned in this introductory chapter, a full list of all African regional economic blocs is provided in Chapter 2.
2. South Sudan was admitted into the EAC in 2016.
3. The terms of trade refer to a country's price of exports relative to the price of its imports. Deterioration in the terms of trade is a fall in the price of exports relative to the price of imports (or an increase in the price of imports relative to the price of exports).
4. In 1991, when the Abuja Treaty was signed, Eritrea and South Sudan did not exist as independent states, and South Africa was not a member of the OAU.
5. The various levels of integration are described in Chapter 2.