

EAC: past, present and future

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Without oversimplifying the challenges of regional integration, I believe it is powerful mindsets that constitute the bedrock for realising the mission of regional integration. After all, regional integration, at heart, is an idea, a philosophy and an attitude of mind.

I will dwell briefly on the East African Community's past; the details are for historians and political scientists. Suffice to state that the EAC, in its various historical forms, is the oldest regional economic organisation in the world. Its early form was inspired by a colonialist and imperialist purpose; that of a coordinated exploitation of East African resources by the British, especially from the end of the First World War period when Tanganyika, an ex-German colony, joined Kenya and Uganda as British administered territories.

The East African Customs Union was established in 1922, followed by the East African High Commission in 1948, and the East African Common Services organisation in 1961: all have positive elements. Quite clearly, the establishment of the erstwhile East African Community in 1967 drew significant lessons from these colonial structures.

The first broad experiment at regional integration in Africa failed with the collapse of the EAC in 1977. At the time of its collapse, regional integration in East Africa had reached the highest level experienced in the world. The EAC was both a fully-fledged Customs Union and a Common Market. It shared railways and harbours, airlines, civil aviation, inland waterways, road transport systems, post and telecommunications, power and lighting, customs and tax management, health and medical research, aviation training, pesticides research etc. Importantly, and until 1970, the EAC also ran the University of East Africa. At the same time, under the EAC umbrella were the East African Court of Justice, an East African Legislative Assembly, and a regional Secretariat. Not even the current European Union has an institutional framework as elaborate and powerful in decision making as that of the EAC at the time of its collapse in 1977.

Lessons from the past

An objective assessment of the first EAC cannot avoid fundamental questions: were the then three EAC Partner States well prepared for a system of the type

they had put in place in 1967; and was the adoption of that system driven more by acceptance of an inherited colonial legacy? Could it be that the establishment of the EAC in 1967 may not have enjoyed a strong political underpinning?

In turn, because the top political East African leaders constituted the dominant decision makers in EAC affairs, it is arguable that the EAC then became vulnerable to the politics of nation-state power and differences in economic ideology at a time when the cold war was rearing its ugly head in the newly independent countries of Africa. It would seem reasonable to conjecture that it was difficult to see how the EAC nation-states could sustain, for long, the continued collective ownership of strategic social and economic services. Significant sovereignty had been ceded to the EAC over critical matters that ordinarily fell under the control of national agencies, such as taxation and revenue, trade policy, and economic infrastructure development.

In my view, there are at least six lessons that can be adduced from the EAC's history. First, that regional integration is a highly complex and sensitive project. It needs to deepen and widen on the basis of a building block strategy; slowly, carefully but surely executed.

Second, the decision-making process should be structured in such a way that there is respect for national interests. The partner states must be at the heart of the EAC decision-making structure and process, allowing the principles of consensus and subsidiarity to rule while respecting the imperative of the big picture to inform the depth and speed of integration.

Third, the Council of Ministers, instead of the Summit of Heads of State, should take the lead in the decision-making process while assigning to the Summit the authority over politically sensitive decisions on matters such as the movement from one stage of integration to the next, as well as on the enlargement of the organisation whereby new members apply to accede to the Community.

Fourth, the organisation should be people-centred and market driven. This means that decisions regarding the deepening of integration should directly involve the people through a whole range of multi-stakeholder vehicles. Equally, as ideologies of the left and the right have retreated, with greater focus placed on what works best in the interests of the people's welfare and prosperity,

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the private sector should be more closely engaged in determining the direction of the organisation, always mindful of the centrality of win-win outcomes rather than zero-sum approaches to integration.

Fifth, the establishment of fully-fledged EAC social and economic institutions should be more carefully established to ensure their efficacy, cost effectiveness and sustainability.

Sixth, since the ultimate goal of the EAC is a political federation, the institutional framework to support such an objective needs to be put in place. Organs such as the East African Legislative Assembly and the East African Court of Justice should be structured in such a manner and be given such responsibility that they are best able to support the realisation of the ultimate goal of a political federation.

It is the foregoing six principles that have underlined the form of the current legal structure and functioning of the EAC. The Treaty establishing the EAC encapsulates them in clear terms. Of course, ten years after the signing of the Treaty, a number of weaknesses are now evident. These weaknesses were noted during the drafting of the Treaty, but were nevertheless accommodated in the light of the lessons learnt from some of the underlying causes for the break-up of the earlier EAC. For example, the decision making process based on consensus poses a number of challenges to the EAC because when one partner state is not able to attend a statutory meeting, quorum is undermined.

Notwithstanding this potential for gridlock, informed observers outside the EAC view the achievements made by the EAC, so far, as exemplary. During the US-Africa AGOA Forum held in Washington DC in August 2010, US Secretary of State Hilary Clinton, for example, had this to say about the East African Community:

“We can see the benefits of greater regional integration in the progress and potential of the East African Community which brings together 127 million people of Kenya, Tanzania, Uganda, Rwanda and Burundi and their combined GDP of US\$73 billion. In 2005, these nations launched a Customs Union and last month they declared a Common Market. The East African Community eliminated or reduced tariffs on goods traded within the Community, made it easier for workers and companies to do business in any of their countries and created institutions to implement policies uniformly across the region. And look at the results already: trade between East African Community nations has increased by nearly 50 per cent since the Customs Union was established. Investment and foreign trade has followed. Between 2008-09 trade between the East African Community and America rose by more than 13 per cent. Now, there is certainly more work to be done, but the United States believes in the potential of regional integration like the East African Community and we are committed to supporting it. We signed a Trade and Investment Framework Agreement with the Community in 2008 and this spring we became the first nation to accredit an Ambassador to the Community. And later this year we will launch a new technical assistance programme. We are working together with the EAC nations on improving aviation security and infrastructure development, addressing piracy in the West Indian Ocean and ensuring that the benefits of economic integration are translated into broad-based prosperity for the people. Because, ultimately, success must be measured in the results people see in their daily lives. Sub-Saharan Africa has some 14 Regional Trade or Cooperation Agreements, many of them overlapping and not all as successful as the East African Community.”



The East African Court of Justice in Session

The EAC has become the first African regional community to establish a common market, effective as of 1st July 2010

Celebrating the EAC's successes

The EAC is the only other customs union in Africa after the Southern African Customs Union (SACU). SACU is 100 years old, but has much to learn from the EAC in terms of a regional integration institution. That said, it is important to recognise that the negotiations towards the establishment of the customs union took almost four years because there was strict adherence to the principle enshrined in the Treaty that the EAC integration process must be people-centred, thus necessitating a broadly participatory approach to the adoption of integration programmes. And while the EAC Customs Union continues to face challenges, such as inefficient border posts, road blocks, transit road weighbridges, long clearances at ports, corruption, and poor roads and railways infrastructure, intra-EAC trade has grown by as much as 50 per cent between January 2005 and currently. Of course, this regional trade performance represents a mere 12 per cent of EAC trade with the rest of the world.

What is clear though is that this share of EAC trade to the rest of the world could be as high as 30 per cent were the non-tariff barriers removed and infrastructure improved. Contrast this position with that in SACU. There the share of intra-SACU trade to the rest of the world averages about 85 per cent in the case of countries such as Namibia, Swaziland, Botswana and Lesotho. This status is largely attributed to the centrality of the large South African economy in that trade relationship regime. The reality is that there is no good reason why the EAC region cannot build a higher share of intra-regional trade. The solution lies in giving greater attention to scaling up industrialisation, especially with respect to adding value to agricultural commodities. In this regard, the EAC is presently finalising an industrialisation policy and strategy that should help in shaping a new direction towards growing the intra-regional market and trade.

Moreover, the EAC has become the first African regional community to establish a common market, effective as of 1st July, 2010. The only other common markets in the world are the European Union and the Caribbean Economic Community. The EAC region will, in the next five years, steadily open up to the free movement of persons, labour, capital and services. It is a process that will lead to the region becoming a fully fledged economic community with massive benefits from higher economic growth, jobs creation, and improvement in per capita incomes. Evidently, there will be challenges on the way.

French politician, Paul-Henri Spaak remarked in June 1961: "Those who, in trying to meet the economic challenges set out by the Treaty of Rome neglected the political dimension have failed. As long as challenges are addressed exclusively in an economic perspective,

disregarding their political angle, we will run into repeated failures."

The EAC Common Market Protocol took 18 months to negotiate, and a host of multi-stakeholders – governments and the private sector as well as professional organisations – were involved in the negotiation process. Indeed, some of the annexes to the Protocol are yet to be finalised. But precisely because of the highly participatory process that has taken place in arriving at complex decisions and programmes, it seems certain that the challenges in implementing the Common Market will be smoothly confronted and resolved.

Eighteen years after its establishment the European Union continues to face challenges in getting its single market to operate fully and effectively. In the case of the EAC, the movement towards attaining a common market is supported by a range of institutions and programmes. For example, through the Inter University Council for East Africa (IUCEA), which is an EAC institution and the only one of its kind in Africa, there are ongoing measures to harmonise educational systems, curricula, and academic qualifications in the EAC region much along the Bologna Process in the European Union.

Indeed, there are unfolding attempts at enabling the IUCEA to be authorised to issue single accreditation for tertiary education institutions that seek to open institutions of higher learning on a regional-wide basis with campuses in some or all of the EAC Partner States. The work of the IUCEA should support one of the goals of the Common Market, namely the free movement of labour in the region.

In the area of services, the EAC has a specialised civil aviation institution in the form of the Civil Aviation Safety and Security Oversight Agency (CASSOA), also the only one of its kind in Africa. This agency is spearheading the promotion of air safety and security oversight, including the development of harmonised civil aviation systems and regulations, and the establishment of a free skies regime in line with the Yamoussoukro Decision, which seeks to liberalise Africa's airspace in order to lower the costs of air transport in Africa. The EAC is also working closely with the East African Social Security Association, which binds all the states' social security organisations to develop a Social Security Benefits Scheme that would inspire free movement of labour in the region.

Equally, there are concrete developments in getting the East African stock exchanges and securities exchange operators to forge a policy and legal framework that would allow the establishment of an East African stock exchange. It is envisaged that the evolution of a regional platform where companies shall be able to raise non-debt capital through IPOs from East African citizens shall support endeavours in funding regional economic

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activities, notably in infrastructure development. And since 2000, the EAC has been working closely with the East African Business Council (EABC), the voice of the private sector in East Africa, to ensure that private sector interests and concerns are captured, enshrined and promoted in the EAC's programmes and projects. Thus, in partnership with the EABC, the EAC has been able to mainstream an annual EAC Investment Conference since 2008 and an annual EAC Media Conference since 2007. The investment conferences have succeeded in putting the EAC region in the regional and global investment and tourism map. The media conferences, on the other hand, have sparked greater interest by the media in the region in covering EAC integration affairs.

Deepening EAC integration

Following the establishment of the Common Market, the EAC is now placing serious emphasis on the next stage of its integration, namely the establishment of monetary union. Admittedly, this is a more complex stage of integration. Only the European Union has been able to achieve it. Many of us would, however, be aware of the challenges that have confronted the EU monetary union in recent months. Indeed, because of its complexity and the lessons that are emerging from the European Union, the EAC is tackling this next stage of integration with care and caution. That said, the EAC central bank governors are seriously committed to proposing realistic measures to be undertaken as well as a roadmap towards the realisation of the Monetary Union and a common currency objective. A clearer picture of this process should be ready by the end of 2010.

The Infrastructure Challenge

The EAC understands that what critically drives economic integration is the existence of robust, reliable and cost-effective infrastructure. There is little doubt that the current state of the EAC's physical infrastructure erodes the region's competitiveness and its attractiveness to serious local and foreign investment. The EAC has a number of plans and programmes for addressing infrastructure challenges. It already has in place well-developed master plans for railways, roads, and energy, all of them from a regional perspective. The critical challenge, however, is how to mobilise the requisite resources needed to implement these projects. For example, the modernisation of the East African railways system alone requires about US\$20billion.

Experience shows that reliance on resources from multinational financial institutions is not the most appropriate choice, largely because funding is always inadequate and takes a long time to materialise. In

this context, the EAC is searching for alternative ways of raising capital. On the one hand, the EAC is in the process of establishing a development fund to be financed by the partner states from their budgets as well as by donors. On the other hand, the EAC is discussing the possibility of raising risk capital through infrastructure bonds, to be floated regionally and globally with the partner states. Such bonds could be national; but they could also take the form of regional bonds using financial vehicles such as the East African Development Bank supported by state guarantees issued by the national central banks. The challenge involved here is for the member states to have internationally acceptable credit risk grades.

EAC future prospects

A key task for the EAC is establishing a political federation. Julius Nyerere was right when he said in 1960 that delaying the creation of an East African Federation could undermine its realisation in the future because of entrenched national sovereignties. Nyerere had argued, at that time, that once countries have national anthems, national flags, national passports, seats at the United Nations, 21 gun salutes, not to speak of a host of ministers, prime ministers, and envoys, there will be a whole army of people with vested interests in keeping Africa balkanised. However, even with these challenges looming large, the EAC remains committed to the ideal of political federation. In the past two years, efforts have been taken to consult the citizens of East Africa on this goal. Results from the consultation processes indicate that 80 per cent of East Africans support the idea of a political federation.

However, many have concerns regarding the pace towards such a federation and on the basic nature of the federation itself. The EAC Summit of Heads of State in November 2009 constituted a team of experts drawn from all the five partner states to delve deeper into the views and concerns of East Africans on the issue. The team's recommendations will be tabled at the Summit of Heads of State in early December 2010.

Conclusion

Ten years after the establishment of the EAC, much has been achieved to offer hope for deeper and wider integration. The confidence of the people has been regenerated. The arrival of terrestrial television has given birth to East African music and soap operas that have helped to shape an East African identity and galvanise the youth around regional themes of solidarity and common pursuits of prosperity. There is little doubt that the EAC integration project has reached its watershed. It can thus only move forward.

The EAC is committed to maintaining its achievements. Its future will bring still greater ambitions. 