

## **Economic Integration in East Africa**

### **Report Predicts Hurdles for Regional Trading Block**

A new report by a committee of the East African Legislative Assembly (EALA) has warned that multiple memberships by the three members of East Africa in the economic groupings in Africa was bound to create difficulties for the nascent trading bloc.

Kenya and Uganda are members of Comesa in which Egypt is the strongest economy while Tanzania is a member of the Southern Africa Development Community (SADC) where South Africa dominates.

Although the new customs will operate within specified rules of origin fears have been expressed that since no practical measures have been put in place to control abuse of the new trading arrangement, problems and tensions may rise.

For instance a shrewd businessman in Uganda or Kenya will import goods from Egypt repackage them in Uganda and sell them to Tanzania as Ugandan goods.

Similarly, goods imported into Tanzania from South Africa could end up being sold in Kenya and Uganda as Tanzanian Goods.

Thus there is risk that goods that are not supposed to enjoy preferential market access will flood the economies of the three countries.

In its report EALA's committee on communications, trade and investment, has argued that since the decision to create a customs union was made more than four years ago, the governments of East Africa should have made arrangements to pull out of these blocs to allow the three partners states to join either Comesa or SADC as a single entity.

### **Regional Blocs**

The report warns that if memberships to the regional blocs are not rationalized there was a likelihood that the governments of East Africa will be forced to continue to make multiple commitments to different blocs and thereby creating tensions within the new customs union.

The situation is compounded by a very weak mechanism for settling disputes especially with respect to customs administration.

Although a directorate of customs has been created, the powers of the director have been limited to monitoring the activities of the separate commissioner generals of each country.

Partner states have also agreed to keep collection of tariff revenues at the final port of destination as it has been done before.

The situation is further complicated by the fact that while director general is an appointee of the East African Community, the commissioners still remain appointee of the three separate governments.

With the commissioners remaining loyal to their individual governments, disputes and tensions are definitely going to crop up especially because the trade regime of the customs union is very complex.

Tanzania and Uganda will levy temporary tariffs on 903 tariff lines while Uganda was until last week seeking to increase the tariff lines on which it will continue to levy duties.

The original agreement was that Kampala would levy tariffs on 426 lines.

In addition is a list of 362 “sensitive” goods which will enjoy additional protection in excess of the top tariff line of 25 per cent.

These large number of exceptions implies that the trade regime will remain difficult to administer and prone to disputes.

A simplified system would have been more transparent and prove easier to administer.

Clearly it would have been better if the authorities had established a more structured and formal reporting relationship between the commissioners and the secretariat of the EAC.

As it is, the greatest impediment to faster economic integration in East Africa is the absence of a politically accountable authority at the regional level.

The lack of executive authority with the EAC secretariat and other organs of the community have greatly undermined the ability of the secretariat to discharge its mandate.

Neither EALA nor the East Africa Court of Justice has its own budget for operations thus compromising their autonomy.

According to the treaty establishing the East African Community the secretariat is supposed to write its own budget and present it to the governments for funding.

However, what happens in reality is that the budget for the secretariat is controlled by civil servants from each countries ministry of Finance and others dealing with integration.

And the budgets are usually formulated on the basis of ministerial budget ceilings and in disregard of the needs and programmes of the secretariat.

Invariably, this has meant that the budget of the secretariat is arbitrarily cut by government bureaucrats. Worse, the partner states have been delaying remittance of monies already approved as their contributions.

For instance between July and November last year, partner states were in arrears of about \$ 3 million (about Kenya Sh228 million).

Where donor funding is involved, procurement processes and procedures have turned out to be complex and time consuming thus impairing completion of projects.

Two major regional projects which have suffered as a result include the Telecommunication Digital Project and the concessioning of the East Africa Railways network.

Then there is the problem of delays in making decisions. Since the council of ministers in charge of community affairs, are predominantly ministers for foreign affairs, it is not often that they get the time to attend to matters of the community.

The upshot is that major gap in knowledge exist between the ministers and the bureaucrats.

Since decision making is by consensus, lack of quorum has caused the postponement of meetings in which important decisions would have been made.

Community decisions requiring legislative changes at the national remain outstanding for long periods.

At the level, decisions agreed in Arusha are not disseminated to civil servants for implementation leading to frustration, for instance, at border points.