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Economic Integration within the EAC and the Identity of the East African

Abstract

There are a lot of factors that lead to regional integration. Probably the principal reason is enlarging the market. Others include: removing trade barriers, free movement of labour and capital, attracting foreign direct investment (investment climate is better in a unified region than in one country). Last, but not least, citizens of a regional economic community start to think of themselves as not only citizens of a country, but citizens of a larger economic block. They are also perceived as such from outside. This process is more and more visible in the European Union. Different European states may not be distinguished from the East African perspective, but what counts – is their membership in the EU. The aim of this paper is the analysis of the current stage of the regional integration within the EAC and determining if one can say about the East African identity. Most African states are very young. Usually people identify themselves with their ethnic group and not with their nation. The case of Tanzania and to a certain extent Rwanda is exceptional. Internal migrations in Tanzania were core to exchange ideas between members of various ethnic groups. This in turn led to the Tanzanian identity. The case of Rwanda is different. According to the president Paul Kagame each citizen of Rwanda should identify with one nation and country – Rwanda. The research method used include the critical review of literature and the author's own observations.

1. Introduction

There are a lot of factors that lead to regional integration. Probably the principal reason is enlarging the market. Others include: removing trade barriers, free movement of labour and capital, attracting foreign direct investment (investment climate is better in a unified region than in one country). Last, but not least, citizens of a regional economic community start to think of themselves as not only citizens of a country, but citizens of a larger economic block. They are also perceived as such from outside. This process is more and more visible in the European Union. Different European states may not be distinguished from the East African perspective, but what counts – is their membership in the EU. The aim of this paper is the analysis of the current stage of the regional integration within the East African Community and determining if one can say about the East African identity. Most African states are very young. Usually people identify themselves with their ethnic group and not with their nation. The case of Tanzania and to a certain extent Rwanda is exceptional. Mwalimu Julius Nyerere's policy was to create one nation. Pupils and students were sent to schools and universities in different regions. Internal migrations were core to exchange ideas between members of various ethnic groups. This in turn led to the Tanzanian identity. The case of

Rwanda is different. After the genocide between Hutus and Tutsis Paul Kagame's policy was to forbid the identification with those ethnic groups. Each citizen of Rwanda should identify with one nation and country – Rwanda. The research method used include the critical review of literature and the author's own observations.

2. History of the East African Community

The East African Community was created in 1967, but after 10 years of its existence – due to political reasons (mainly taking the power in Uganda by the dictator Idi Amin) – it collapsed. The EAC was reactivated in 1999, pursuant to the Treaty for the Establishment of the East African Community (EAC Treaty), signed by Daniel Toroitich Arap Moi (the president of Kenya), Benjamin William Mkapa (the president of Tanzania) and Yoweri Kaguta Museveni (the president of Uganda) in Arusha (Tanzania), and two years later it inaugurated its activities. It consists of six Partner States: Kenya, Tanzania, Uganda, Rwanda, Burundi and South Sudan. The EAC has been a customs union since 2005, a common market since 2010¹ and a political confederation (a stage before becoming a political union) since 2017². A monetary union is planned for launching until 2023³. The EAC organs are as following: the Summit (a principal institution that sets goals), the Council of Ministers (the most important executive authority), the Co-ordinating Committee (under the Council of Ministers), Sectoral Committees (under the Co-ordinating Committee), the Secretariat (with the task of making sure that the Treaty of the EAC is respected), the East African Court of Justice (with the task of appropriate interpretation of the Community law), the East African Legislative Assembly (EALA) and Autonomous Institutions (the Lake Victoria Basin Commission, the Lake Victoria Development Programme, the Lake Victoria Fisheries Organisation, the East African Development Bank, the Inter-University Council for East Africa)⁴.

In the 1970s the EAC achieved tremendous integration effects, coordinating not only trade, customs and industrial policy, but also introducing a common currency – the East African shilling. Trade policy is the basis of each regional economic community. Its standardizing is

¹ K. Czernichowski, *Integracja afrykańska – uwarunkowania, formy współpracy, instytucje*, Wydawnictwo CeDeWu, Warszawa 2010, pp. 161-165.

² *What is a Political Federation*, in: <https://www.eac.int/political-federation> (access: 22.03.2018).

³ *What is the Monetary Union?*, in: <https://www.eac.int/integration-pillars/monetary-union> (access: 22.03.2018).

⁴ K. Czernichowski 2010, op. cit., pp. 161-165.

often the beginning of the integration process. The success of the following stages of integration depends on benefits of the regionalization at the beginning. Therefore a customs union (with a common external tariff barrier) and a common market as the two first pillars of integration will now be analyzed.

3. Customs Union

The East African Customs Union was established in 2005 that is before joining of Rwanda and Burundi to the community in 2007 (Rwanda became a part of the customs union in 2009)⁵. This stage of integration was based on Article 75 of the Treaty for the Establishment of the East African Community concluded in 1999, which announced signing of a separate protocol in the future. This protocol was to contain provisions concerning elimination of the common external barrier, rules of origin, competition, customs collaboration, re-export of goods, simplification and harmonization of the trade documents and procedures etc. After the date set by the Council of Ministers the Partner States were to abstain from imposing or increasing the duty tariffs. All non-tariff barriers ought to be removed⁶.

The Protocol on the Establishment of the East African Customs Union was signed in Arusha (Tanzania) in 2004. Conditions of the common trade policy were thoroughly specified. An intention of creating a possibly attractive environment for the development of regional trade, economic growth and development of the EAC was underlined in the preamble. The aims of the East African Customs Union are as following:

- further liberalization of intra-regional trade (challenged by a high concentration of minerals and agricultural production of tea, coffee, cashew nuts or cut flowers, which do not find a large foreign market in EAC⁷);
- promotion of the production effectiveness within the organization;
- attracting domestic and foreign investment;
- economic development;
- industry diversification.

The cooperation of the Partner States encompasses, among other activities:

⁵ Ibidem, pp. 161-165.

⁶ *The Treaty for the Establishment of the East African Community*, East African Community, Arusha 1999.

⁷ J.V. Mwapachu, *Challenging the Frontiers of African Integration. The Dynamics of Policies, Politics and Transformation in the East African Community*, E&D Vision Publishing, Dar es Salaam 2012, p. 81.

- adopting a unified classification of the duty tariffs;
- the implementation of the re-export and transit conditions;
- the unification and simplification of the duty and trade procedures, including the control of goods;
- the flow of information regarding especially the prevention of the Protocol violations and dispute resolution.

The trade's role is to enable to reduce documentation necessary for international exchange of goods. The factors that favour trade are the coordination of the transport policy as well as the flow of information on trade. The interim period of five years was introduced when establishing the customs union. Tanzania and Uganda secured temporary customs protection against inflow of goods from Kenya in order to prepare better for a more demanding and competitive environment. The common external tariff barrier of the EAC occurs in three levels: 0 per cent, 10 per cent and 25 per cent. Article 13 of the Protocol obliges the Partner States to abolish non-tariff barriers to intra-regional trade and not to introduce new ones, however it allows exceptions in this area⁸.

What still impedes intra-EAC trade are numerous weighbridges, police road blocks and restrictive customs and administrative processes. However, the effort has been made to establish One Stop Border Posts at the borders between Uganda and Rwanda (Gatuna), Kenya and Uganda (Malaba), Tanzania and Kenya (Namanga), Rwanda and Tanzania (Rusumo), among others. They decrease costs of doing business⁹.

4. Common Market

In July 2010 the EAC Common Market was launched, pursuant to the Article 76 of the EAC Treaty, which encompasses five freedoms and rights – free movement of goods, services, capital, labour and the right of establishment (compared to four freedoms in the European Single Market, which joins free movement of labour and the right of establishment into one: free movement of people)¹⁰. The Protocol on the Establishment of the East African Community Common Market (EAC Common Market Protocol) had been signed by Mwai

⁸ *Protocol of the Establishment of the East African Customs Union*, East African Community, Arusha 2004.

⁹ J.V. Mwapachu, *op. cit.*, p. 84.

¹⁰ *The Treaty...*, *op. cit.*

Kibaki (the president of Kenya), Jakaya Mrisho Kikwete (the president of Tanzania), Yoweri Kaguta Museveni (the president of Uganda), Paul Kagame (the president of Rwanda) and Pierre Nkurunziza (the president of Burundi) in Arusha in 2009. The operationalization of this stage of integration was a long and complex process. Kenya and Rwanda were the first to remove work permits for each other. Rwanda extended it for all Partner States. Moreover, a mechanism was introduced to enable mutual recognition of professional and academic qualifications¹¹.

Free movement of goods has already been achieved in the East African Customs Union, however it challenges some non-tariff barriers. The liberalization of trade in services is particularly important in the EAC due to the dominant share of services in the GDP of five out of six Partner States (table 1).

Table 1. Share of agriculture, industry and service in GDP of EAC Partner States (2017)

	Agriculture	Industry	Services
Kenya	34.5%	17.8%	47.5%
Tanzania	23.4%	28.6%	47.6%
Uganda	28.2%	21.1%	50.7%
Rwanda	30.9%	17.6%	51.5%
Burundi	39.5%	16.4%	44.2%
South Sudan	Oil: 80%		

Source: Own study based on: *Kenya*, in: <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ke.html>; *Tanzania*, in: <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/tz.html>; *Uganda*, in: <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ug.html>; *Rwanda*, in: <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/rw.html>; *Burundi*, in: <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/by.html>; *South Sudan*, in: <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/od.html> (access: 26.04.2019).

The EAC passports and the national passports of the Partner States are accepted at border points. Visa is not required from the EAC citizens. It means that the free movement of persons has been achieved¹².

Free movement of capital is reflected by intra-regional or cross-border investments. The examples are presented in table 2. In addition, greenfield investments become significant (table 3). What can boost the movement of capital, is the creation of a regional capital markets platform, possibly the East African Stock Exchange¹³. So far, a number of companies (mostly

¹¹ J.V. Mwapachu, op. cit., p. 71-73.

¹² Ibidem, p. 74.

¹³ Ibidem, p. 88.

Kenyan ones) have been cross-listed in national stock exchanges of Kenya, Tanzania, Uganda and Rwanda (there are no stock exchanges in Burundi nor South Sudan). Table 4 shows the dominance of Kenyan firms. Interestingly, since 2011 the market capitalization of Dar es Salaam Stock Exchange has overcome that of Kampala Stock Exchange¹⁴.

Table 2. Examples of cross-border investments in EAC

Investor	Investor's country	Investment	The country of investment	Volume of shares
East African Breweries	Kenya	Serengeti Breweries	Tanzania	51%
TransCentury	Kenya	East African Cables Tanzania Limited	Tanzania	51,4%
TransCentury	Kenya	Tanelec	Tanzania	70%
Kenya Airways	Kenya	Precision Air of Tanzania	Tanzania	41,23%
Nation Media Group	Kenya	Monitor Newspaper Group	Uganda	76,5%
Nation Media Group	Kenya	Mwananchi Communications	Tanzania	60%

Source: J.V. Mwapachu, *Challenging the Frontiers of African Integration. The Dynamics of Policies, Politics and Transformation in the East African Community*, E&D Vision Publishing, Dar es Salaam 2012, p. 85; *Kenya Airways, Precision Air seek to expand partnership*, in: <https://www.ch-aviation.com/portal/news/53579-kenya-airways-precision-air-look-to-expand-partnership> (23.02.2017; access: 25.04.2019).

Table 3. Examples of greenfield investments in EAC

Investor	Investor's country	The countries of investment
Azam	Tanzania	Kenya, Uganda, Rwanda, Burundi
Serena Group	Kenya	Tanzania, Uganda, Rwanda, Burundi
BIDCO	Kenya	Tanzania, Uganda
Sameer Group	Kenya	Uganda
Alam Group	Uganda	Kenya
Athi River Mining	Kenya	Tanzania
Nakumatt	Kenya	Tanzania, Uganda, Rwanda
KCB	Kenya	Tanzania, Uganda, Rwanda, Burundi, South Sudan
Equity	Kenya	Tanzania, Uganda, Rwanda, South Sudan
Jubilee	Kenya	Tanzania, Uganda, Burundi
Heritage	Kenya	Tanzania
Kampala International University	Uganda	Tanzania

Source: J.V. Mwapachu, *Challenging the Frontiers of African Integration. The Dynamics of Policies, Politics and Transformation in the East African Community*, E&D Vision Publishing, Dar es Salaam 2012, p. 85.

Table 4. Cross-listed companies in East African stock exchanges

	Nairobi Securities Exchange	Dar es Salaam Stock Exchange	Kampala Stock Exchange	Rwanda Stock Exchange
Market capitalization*	21,0 bn EUR	7,6 bn EUR	5,9 bn EUR	3,0 bn EUR
Number of listed companies	66	28	17	8
Companies				

¹⁴ Ibidem, p. 89.

Name	Branch	Headquarters	Nairobi Securities Exchange	Dar es Salaam Stock Exchange	Kampala Stock Exchange	Rwanda Stock Exchange
I&M Holdings	banking	Kenya	+			+
Kenya Commercial Bank (KCB)	banking	Kenya	+	+	+	+
Equity Bank	banking	Kenya	+		+	+
Kenya Airways	commercial and services	Kenya	+	+	+	
Nation Media Group	commercial and services	Kenya	+	+	+	+
Uchumi Supermarkets	commercial and services	Kenya	+	+	+	+
Jubilee Holdings	insurance	Kenya	+	+	+	
East African Breweries	manufacturing and allied	Kenya	+	+	+	
Umeme	energy and petroleum	Uganda	+		+	

* As for 25.04.2019: 1 EUR = 113 KES = 2570 TZS = 4170 UGX = 1010 RWF.

Source: Own study based on: *Listed Companies*, in: <https://www.nse.co.ke/listed-companies/list.html?limitstart=0>; *Listed Companies*, in: <https://dse.co.tz/listed-companies>; *Equities*, in: <https://www.use.or.ug/content/equities>; *Listed Companies*, in: <http://www.rse.rw/site/pages/listed+companies/29> (access: 25.04.2019).

5. The Identity of the East African

East African integration does not take place among geographically or culturally distant countries. Kenya, Tanzania and Uganda in particular, but also Rwanda, Burundi and to a lesser extent South Sudan share a lot of common values. One of the unifying factors is swahili language promoted by the EAC in all Partner States. It will be analyzed in the next point. On the contrary, the EAC differs much from the EU in terms of its geopolitical situation, governing institutions, coordination mechanisms, just to mention a few¹⁵. Therefore it should not follow the model of the European integration.

The integration process within the EAC is designed as having the wide support of its citizens. It is not an exclusive idea of the heads of state and governments. The citizens were being consulted. The civil society also performs an important function. This is how ambassador

¹⁵ Ibidem, p. 76.

Juma Mwapachu, the Secretary General of the EAC in the years 2006-2011, described the role of the economic integration for East Africans¹⁶:

East Africans have every right to be proud of the stage of integration the EAC has reached. But it is upon them to exploit all available opportunities to make the Common Market work for them and for the better livelihoods of all citizens of the EAC. We can do it; let us together make it happen.

6. Swahili language as a unifying factor

It has been proved that educating in a language widely understood influences the development, skills of saving and investing as well as taking risks. EAC is an exceptional regional organization with an indigenous language, which is Swahili, as an official language. Moreover, it has also a status of an official language of the African Union¹⁷.

Such a career of this language was possible due to being ethnically neutral nobody's language though it is used by many. What is important, is that it is a Bantu language related to the majority of indigenous languages in East Africa. The actions taken by Mwalimu Julius Nyerere have also to be taken into account. His efforts to unite first Tanganyika and later Tanzania resulted in the national education policy. Pupils and students were sent to secondary schools and universities in remote regions. They used to communicate with other ethnic groups mostly in Swahili¹⁸. Gervas Kawonga and Wakati Maliva of Mkwawa University College of Education (MUCE), a Constituent College of the University of Dar es Salaam, argue that the popularization of Swahili as a language of instruction would increase the quality of education in East Africa¹⁹.

Swahili has different status in EAC Partner States. In Kenya it is both a national and an official language. In Tanzania it is a language of instruction, but only in primary schools. English is used as a language of instruction in secondary schools and universities despite the

¹⁶ Ibidem, p. 74.

¹⁷ G. Kawonga, W. Maliva, *East African Development: Language As a Forgotten Factor*, in: *Development in East Africa. Cultural Shift: Developments, Biographies, (Im)materialities*, ed. Piotr Cichocki, M. Ząbek, Mkwawa University College of Education (MUCE), a Constituent College of the University of Dar es Salaam, Iringa – Warsaw 2018, p. 31.

¹⁸ K. Czernichowski, *The development of mobile payments of M-Pesa in Tanzania*, in: „Research Papers of Wrocław University of Economics” 2018, No. 523, p. 123.

¹⁹ G. Kawonga, W. Maliva, op. cit., p. 32-33.

fact that only 5 per cent of the population are fluent in this language. The national and official language in Uganda is solely Swahili. Since the accession to the EAC in 2009 Rwanda has three official languages – Kinyarwanda, Swahili and English. Before 2008 French was also an official language, but due to political tensions between Rwanda and France it was dropped. In Burundi, just as in Rwanda, there is one national language (Kirundi). French is an official language and a language of instruction in post-primary education. Kiswahili and English are taught from the first year of the primary school²⁰.

7. Regional vs. national identity

Tanzania is among Partner States that do not hurry in the process of economic integration although the governments have understood well the importance of co-operation, especially during the fight for independence, which tended to be a unifying force. Julius Nyerere even argued in favour of creating a federation even before Tanganyika, Zanzibar, Kenya and Uganda become completely sovereign (otherwise, the presidents of the four states would be too much occupied with the issues of most concern of their own governments that they would probably put off the long-term benefits resulting from the regional integration; not mentioning the necessity of opening embassies by each Partner State abroad as well as accepting foreign embassies in all four capitals; or the acceptance of the boundaries imposed by the colonial masters)²¹. He appreciated the strength, which could come from an East African Federation, to be established, in relation to its neighbours²²:

[...] South Africa and [...] Portuguese East Africa [...] would rather have Tanganyika alone as their neighbour than a free and united East and Central Africa with nearly thirty million people [...] Why should they want a united Eastern Africa? They, together with the many others who would join them in encouraging the balkanization, would have a better chance of manipulating an East Africa so divided. They will flatter and bribe us and produce even greater arguments for the perpetuation of the balkanization of East Africa, and exploit our need for technical and financial assistance to keep us divided.

²⁰ Ibidem, p. 32-34.

²¹ J.K. Nyerere, *Freedom and Unity. Uhuru na Umoja*, Oxford University Press, Oxford 1966, p. 85-93.

²² Ibidem, p. 91-92.

This visionary predicted that “the appeal of unity is much stronger now [before independence – note of the author] than it will be after independence”²³. Five years later, in 1965, after achieving independence by Tanganyika in 1961 and Zanzibar in 1963, a year after merging of Tanganyika and Zanzibar into the United Republic of Tanzania, just before the first East African Community was created in 1967, Julius Nyerere underlined himself the clear advantages of a state over a regional economic community²⁴:

Ultimately, we are not in fact ‘East African’ leaders, but leaders of States in East Africa, and regional loyalty has sometimes to come second to our national responsibilities.

However, he used to identify himself as an East African, for instance during the second Conference of Independent African States he said: “I have no doubt in my own mind that history has given to us East Africans a unique opportunity”²⁵.

8. Conclusions

The success of each stage of integration requires the participation of ordinary citizens. The regionalization within the EAC can be fostered by their identifying with the Community and being proud of being the East Africans. The stronger the economic bloc is, the stronger are the Partner States. The perpetuation of the integration processes is also the result of widely spoken Swahili, which is a lingua franca in the region.

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²³ Ibidem, p. 89-90

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