Regional Integration Experience in East Africa

BY NJUGUNA S. NDUNG'U

Kenya, Tanzania and Uganda have experienced half a century of regional integration efforts, going back to colonial times. Since 1991, they have been building an East African Community that starts with a customs union but covers many other domains — economic, environmental, social and political. Where this cooperation is headed, and recommendations for how it can get there, are discussed by Njuguna S. Ndung'u of the African Economic Research Consortium in Nairobi.

REGIONALISM HAS GAINED momentum in sub-Saharan Africa. Regional groupings provide opportunities for addressing common challenges — improving economic policy, increasing market size and competitiveness, attracting foreign direct investment and pooling resources for investments of mutual benefit (Kasekende and Ng'eno, 2000; Mullei, 2002). By combining fragmented domestic markets, regional cooperation may spur economic growth and development by promoting intra-regional trade and economies of scale. Three East African countries — Kenya, Tanzania and Uganda — have already made significant progress to revive the East African Community (EAC) in the 1990s. It is hoped that this will support industrialization and generate benefits of regional economic integration.

Tracing the history of the EAC since the colonial period helps to identify the problems and constraints that led to its break-up in 1977. A survey of recent attempts to revive EAC over the last decade helps explain why regional integration is again being considered a feasible and viable development strategy and highlights the opportunities, likely challenges and constraints now being faced.

HISTORICAL BACKGROUND

The integration process in East Africa can be traced to the colonial period,

when the colonial government constituted the East African High Commission (table 1). However, it was not until 1967 that the three East African countries formalized the integration process through the establishment of EAC.

Ever since colonial times, Kenya and Uganda have co-coordinated their economic activities and policies. This started with inter-territorial services, such as the Kenya/Uganda railway, the East African Currency Board and the Postal Union. In 1940, a Joint East African Income Tax Board and a Joint Economic Council were established. The East African shilling was set at parity with the British pound and later operated as a peg in the currency board. The external tariff was low and there were no trade restrictions, exchange controls or any regional licensing requirements. In 1948, two institutions were established by a British Council order to provide a legal basis for regional cooperation: the East African High Commission (EAHC), consisting of the Governors of Kenya, Tanzania, Uganda and the East African Central Legislature Assembly. Laws issued by the EAHC were enforceable in the three territories. This made it much easier to establish inter-territorial departments responsible for areas of common interest like transport, communications, customs and industry. The East African Common Services (EACSO) was established at the London conference in 1961.

By 1963, East African Community states had attained their independence, but establishing a political federation proved problematic. The main disagreement centred on fears that Kenya would gain from a federation, to the detriment of

TABLE 1: HISTORY OF COOPERATION BETWEEN KENYA, TANZANIA AND UGANDA

Period	Developments
1947–1961	East African High Commission constituted by Orders-in Council of the British Government
1961–1966	East African Common Services Organization
1967–1977	East African Community incorporating the East African High Commission and the East African Common Services Organization
1977	Collapse of East African Community
1984	East African Community mediation agreement for division of its assets and liabilities

Source: Compiled from EAC (2000)

her smaller neighbours. As a result, the countries moved towards a regional trade agreement instead of a political federation. The Permanent Tripartite Commission for East African Cooperation, known as the East African Community, began in 1967. Its main objectives were to "strengthen and regulate industrial, commercial and other relationships of the partner state in areas such as agriculture, education and manpower, energy and power, industry, tourism, balance of payments, transport and communications, and so on" (EAC Cooperation Treaty, 1967).

The EAC Cooperation Treaty set out three objectives. First, to establish a common external tariff, while allowing deviations for particular items when agreed among the respective Finance Ministers. Second, to allow unrestricted freedom of transit goods between the three countries, with remission of duties levied on transit goods to the country of destination. Third, to control imports from third-party countries when such goods were also produced in East Africa. There was no internal tariff, except for a transfer tax within the region.

Unfortunately, within the first year, the East African Currency Board broke down, leading to the establishment of three separate central banks. This destroyed any hope for a monetary union. In addition, a military government came to power in Uganda in 1971 and challenged the foundation of harmonized policy and rule of law. Tanzania did not recognize the new regime in Kampala and considered its participation in the EAC illegal. Furthermore, the countries reacted differently to the economic shocks of the 1970s and continued to have different economic systems. Finally, the East African Community collapsed when member states failed to pay their dues to the community and Tanzania closed its border with Kenya.

One of the reasons advanced for the collapse of EAC in 1977 was that Kenya was receiving a disproportionate share of the benefits of integration. Various measures were tested to redistribute the gains from the common market, but failed to produce the results Uganda and Tanzania wanted (Kasekende and Ng'eno, 2000). For example, the East African Development Bank, which was to promote industrial development with the states contributing equally to its capital base, was required to ensure that Tanzania and Uganda each got 38.75 per cent of its investments, against 22.5 per cent in Kenya. However, under a risk-adverse clause in its statutes, it could only finance 'viable' projects, most of which were in Kenya, especially during the 1971-1973 period. This greatly limited its role as a redistributive institution.

The absence of coordinated industrial planning in EAC further limited the Bank's effect on redistribution. Under a tax transfer system, industries of less developed members were protected by imposing a tariff on imports from a country with which it had a trade deficit. There were regulations to encourage

industries in Uganda and Tanzania, but location advantages kept pulling investors to Kenya. In the end, the tax transfer system was replaced with mechanisms to distribute common services among member states.

Even now with the revival of EAC, the issue of compensation mechanisms is still unresolved. A recent study cautions that the principle of asymmetry should be applied carefully within EAC (Bheenick et al., 2003). The states' key socio-economic indicators are virtually identical: high dependence on weather-determined agriculture, primary producers and exporters of raw materials, and poor infrastructure. There are no major differences in GDP growth rates, per capita incomes (table 2), debt or disease burden. Moreover, even if a compensation mechanism were to be designed, it may have to keep on changing since losers and winners keep on changing over time.

The formal dissolution of EAC was the culmination of various failures or inadequacies. Some argue that it was never truly integrated. Currency convertibility did not last long. Movements of goods and services were subject to *de facto* tariffs in the form of transfer taxes between countries. The collapse of EAC provides useful lessons: First, political will is key to success of economic integration. Second, compensation mechanisms acceptable to members should be designed. Third, without infrastructure to speed up movements of goods and people and lower costs, full integration will only remain a dream. Fourth, a compatible system of domestic policies and economic management is critical for convergence in key (macroeconomic) prices.

Political will is key to success of economic integration.

DOMESTIC DEVELOPMENTS SINCE THE LATE 1980S

A key development in East Africa is the almost universal acceptance of the dominance of market forces in resource allocation. Unlike the 'booming' years of 1960s and 1970, the region has performed poorly on basic socio-economic indicators. Compared to 1960s and 1970s, domestic production has stagnated and poverty has increased. Kenya's relatively dominant position has been weakened following years of continuous economic decline, while the other EAC member states continued to achieve relatively high growth rates. However, a notable feature is that as intra-area trade has increased, Kenya has reinforced its dominance as a source of imports for both Tanzania and Uganda, which in turn export only minimal amounts to Kenya. Last but not least, there has been a proliferation of regional cooperation blocs which provide alternative arrangements.

TABLE 2: ECONOMIC STRUCTURE OF EAC COUNTRIES (BASIC INDICATORS 1990-2001)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
GDP growth													
Kenya	4.2	1.4	0.8	0.4	2.7	4.4	4.1	2.1	1.6	1.3	-0.2	1.1	1.2
Tanzania	5.4	4.5	0.6	1.2	1.6	3.6	4.5	3.5	3.7	3.5	5.1	5.1	5.8
Uganda	6.5	5.6	3.4	8.3	6.4	11.9	8.6	5.1	4.7	8.1	4.0	4.9	6.3
Real effective exchange rate index (1990 = 100)													
Kenya	-	-	102.5	87.2	113.1	117.8	113.4	105.3	106.9	108.9	111.5	111.8	-
Tanzania	-	-	86.8	94	93.6	97.7	118.3	125.6	135.5	135.5	120.6	121.8	-
Uganda	-	-	49.2	50.4	61	65.9	64.8	66.2	67.7	58.9	60	64.9	-
Inflation rate (%)													
Kenya	14.1	14.4	20.9	46.0	28.8	1.6	10.8	8.3	9.6	-	-	5.8	2.0
Tanzania	-	22.2	23.1	25.3	35	27.7	21.1	16.1	9.1	7.8	6.0	5.2	-
Uganda	29.9	27.7	54.5	5.1	10.6	6.6	5.4	10.4	5.5	-0.2	6.3	4.6	-
Fiscal deficit (inc. grants)% GDP													
Kenya	-5.1	-4.4	-7.0	-7.9	-3.6	-0.6	-1.3	-1.9	-1.2				
Tanzania	-0.5	0.4	0.9	-5.3	-2.0	-3.9	-2.1	2.1	0.2				
Uganda	-4.4	-3.4	-7.3	-3.2	-3.8	-2.9	-1.9	-1.8	-0.6				

Fiscal deficit (% of revenue)

	1999/2000	2000/2001	2001/2002	2002/2003
Kenya	-0.5	-2.3	-3.1	-4.4
Tanzania	10.5	7.3	3.0	6.9
Uganda	-	9.3	-	-

Domestic savings to GDP ratio

Kenya	12.3	11.2	10.1	-
Tanzania	14.3	15.4	16.5	-
Uganda	10.7	10.9	-	

GDP per capita (US dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Kenya	338	304	285	174	305	273	302	300	385	298	-	350	360
Tanzania	172	184	157	134	160	194	217	252	230	246	-	-	280
Uganda	180	144	175	199	303	308	324	-	310	-	260	250	

Source: IMF (2002); World Bank African Development Indicators, 1998-99, 2003 and Bheenick (2003), World Bank website country data profile, IMF (2002)

Economic structure and economic convergence

Economic performance in sub-Saharan Africa has been disappointing since the early 1980s, and growth was persistently negative until 1994. The picture for East Africa has been slightly different because growth has remained generally positive, although at rates insufficient to reduce poverty (table 2). Only Kenya's growth has been declining over time, reaching the all-time low of a negative rate in 2000.

Most macroeconomic variables have been converging towards common values across the EAC (table 2). For example, the real effective exchange rate index (1990 as the base period) was 102.5 and 86.8 for Kenya and Tanzania respectively. In 2001, the index is very close for Kenya and Tanzania at 111.8 and 121.8 respectively. One interesting feature concerning these countries is that they have moved from low to high inflation in the early 1990s, before returning back to low inflation. Fiscal deficits are all below 1 per cent of GDP and even in surplus for Tanzania. This is surprising because the expectation would have been that Uganda, the most successful reformer, would have shown a stronger fiscal position than Tanzania.

As for gross private investment as a percentage of GDP (table 3), Tanzania and Uganda have the largest shares while Kenya has the lowest in the most recent years. However, Tanzania's percentage has been declining, from 20.72 and 24.17 per cent in 1987 and 1991, to 14.1 per cent in 2000 and 13.1 per cent in 2001. Unlike Tanzania, Uganda has achieved a sustained increase in the share of private investments in GDP, perhaps because Uganda was among the first few African countries to adopt economic reforms aimed at promoting private sector led growth.

Another feature of the three economies is the predominance of agriculture, while manufacturing contributes minimally to GDP: 8 per cent in Tanzania, 9 per cent in Uganda, and 10 per cent for Kenya. The figures for manufactured exports are

TABLE 3: GROSS PRIVATE INVESTMENT RATES 1984-2001 (% OF GDP)

Year	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Kenya	7.43	7.11	7.88	9.05	7.23	7.49	6.75	7.67	6.21	8.89	7.5	7.51	9.65
Tanzania	-	-	-	20.72	13.46	13.51	19.21	24.17	17.8	17.4	18.5	16.2	14.13
Uganda	-	5.33	5.22	5.37	5.24	5.69	6.47	7.76	8.52	8.49	9.15	10.2	11.3

Year	1997	1998	1999	2000	2001
Kenya	8.15	8.03	9.3	8.5	8.1
Tanzania	11.8	10.3	12.3	14.1	13.1
Uganda	11.7	11.0	13.7	13.1	13.3

Source: World Bank: African Economic Indicators, 1996, 1998-99, 2003

equally minimal. Non-traditional exports have recorded sluggish growth.

Trade regimes are far more open now than during the EAC days of the 1970s. However, the supply response has not been as swift and positive as predicted. Reinforcing the capacity to trade thus remains a key policy priority (Bonaglia and Fukasaku, 2001). Intra-EAC trade is relatively limited, and the chances of increasing it are slim because export activities are complementary rather than competitive (Gitu et al., 2003). Furthermore, South Africa has become the largest single trading partner for Kenya and Tanzania, supplying 11.4 per cent and 12.6 per cent of their imports, respectively.

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New African regionalism and re-launching EAC

As African countries join regional trading blocs to catch up with global trends, the question is whether regional integration will have a positive impact on the nations involved. Regional integration in the continent has been beset with contradictions stemming from the absence of a clear consensus on the benefits of integration, the lack of political will necessary to make it work, vested interests, and a proliferation of a variety of groupings with multiple membership. In Eastern and Southern Africa alone, there are seven regional cooperation arrangements with economic cooperation in one way or another:

- Common Market for Eastern and Southern Africa (COMESA)
- Southern Africa Development Community (SADC): 12 members including Tanzania
- South African Customs Union (SACU): Botswana, Lesotho, Namibia, South Africa, Swaziland
- EAC (Tanzania is also a member of the Indian Ocean Rims-Association for Regional Cooperation (IOR-ARC)
- Indian Ocean Commission (IOC): Comoros, Madagascar, Mauritius, Seychelles
- Cross Border Initiative: EAC, IOC, Burundi, Malawi, Rwanda, Zambia, Zimbabwe
- Intergovernmental Authority on Development (IGAD): Djibouti, Ethiopia, Kenya, Somalia, Sudan, Uganda

Economic integration has not been very successful in Africa for various reasons: First, the continent is highly dependent on a small number of export commodities, mostly unprocessed agricultural products. Thus, they compete in third

markets rather than complementing each other. Second, multinational corporations use certain countries as an export base for the rest of each subregion, thereby contributing to uneven distribution of costs and benefits of regional trade. Third, there is over-dependence on trade taxes and this makes governments reluctant to open up as required by the integration pacts. Other factors that may undermine the integration process and that are not necessarily limited to Africa include: lack of appropriate compensation mechanisms, uncertainties about the likely impacts to government, producers and consumers, concerns about the damage to non-members, and likely loss of sovereignty and control over domestic policy formulation (Mullei, 2002).

These concerns may partly explain the reluctance to move EAC and other regional groupings in Africa to higher levels of integration. Collier and Gunning (1995) observe that strict commitments, thanks to agreements with external actors such as the EU, may provide the necessary political checks. Appropriate mechanisms could tie the hands of politicians and minimize the effects of policy slippage.

The new East African partnership started in earnest in 1986 with the formation of a tri-partite working group to work out modalities of renewed cooperation.

BOX 1: AREAS OF REGIONAL COOPERATION IN THE EAST AFRICAN COMMUNITY

Trade
Human resources, science and technology
Free movement of people, goods and services
Monetary and financial (currency convertibility, banking law, capital market)
Agriculture and food security
Industry
Environment and natural resources
Infrastructure (road, rail, air, maritime, post and telecommunications, energy, meteorology)
Regional and international relations
Social and cultural activities
Politics and law (security, defense, immigration, regional peace, human rights, democracy, legal training, standardization of judgements)
Private sector development and export promotion
Health and animal disease control
Tourism and wildlife management

But there was no progress until 1991, when the heads of state directed their ministers of foreign affairs to devise a programme and appropriate institutional framework for reactivated cooperation. The following year, a tri-partite committee of experts was formed to identify spheres of common economic interest. In November 1993, a Permanent Tripartite Commission for East African Cooperation was established to become the policy-making organ of the grouping. A Ministerial Forum heads the commission, with a subsidiary senior officials organ called the Co-ordination Committee of Officials, and a small secretariat in Arusha. The latter was launched in 1996.

Since the objective is eventually to achieve a political union, the current arrangement provides for regional cooperation in virtually all areas (see box 1). It is hoped that cooperation in these areas will open up investment and trade opportunities for local producers to enjoy economies of scale and in the process lead to general increase in welfare and poverty reduction.

AN ASSESSMENT

Since its re-launch, EAC has set targets in a number of areas of mutual cooperation and is achieving some interesting results. The current integration efforts are being undertaken with a customs union as the starting point. Since the signing of the Treaty establishing EAC in 1999, the main substantive progress made has been in reaching agreement on the process of phasing out internal tariffs, rules of origin and a common external tariff.

Development strategy. The first East African Cooperation Development Strategy 1997-2000 and the second EAC Development Strategy 2001–2005 provide more precise medium-term guidelines for economic and social development. For instance, on macroeconomic management, indicators include real GDP growth rate of 6 per cent, single-digit inflation by the year 2000, national savings rates of 20 per cent of GDP in the medium term, and maintenance of stable, market-determined, exchange rates. Fiscal policy objectives include institutional mechanisms — in particular, pre- and post-budget consultations and tripartite agreements on double taxation — and the reduction of budget deficits to 5 per cent by 1998. Furthermore, countries seek to achieve full currency convertibility. At present, Kenya has completely liberalized its capital account, but Uganda and Tanzania still keep various forms of control.

Customs union. A draft customs union protocol has been finalized and is expected to be ready in legal form for endorsement by heads of state in early 2004. Many issues critical to customs integration have been agreed upon, including:

- Harmonized customs documentation,
- Rules of origin,
- Harmonized commodity description,
- Regulations on safeguards, anti-dumping, subsidies and countervailing measures,

- Regulations on export processing zones and manufacturing under bond,
- Regulations for duty drawback, duty and VAT remission schemes, and refund and remission of duties and taxes,
- Regulations on dispute settlement, and
- Provisions on transit trade and transit facilities.

Tariffs. Some agreements have been reached on eliminating tariffs, non-tariff barriers and non-tariff measures. Member countries have already identified those import goods whose tariffs will immediately be reduced to zero and those that qualify for phased tariff reduction. It has been agreed that, when the customs union protocol comes into force, Kenya should fully liberalize its trade with Uganda and Tanzania. To safeguard the less competitive producers in Uganda and Tanzania from Kenyan exports, member states require that a certain category of Kenya exports to the other members be subjected to a tariff based on the application of the principle of asymmetry. The tariffs applied to selected Kenya exports would finally come to zero in five years (by the year 2009). Tanzania and Uganda plan to reach the required level of zero internal tariffs in phases over a period of six years.

The countries have agreed on a common external tariff (CET) level of 25 per cent and a minimum of 0 per cent, but the sequencing of implementation and exceptions still needs a lot of work. This was not easy given concerns about loss of tariff revenue, the risk of trade deficits, and the removal of protection to infant industries. For Uganda, 25 per cent CET implies protectionism to non-EAC members, since it had already reduced its external tariff to 15 per cent as part of trade policy reform. In the case of Kenya, the 25 per cent CET will imply more openness to international trade compared to the current external tariff of 35 per cent. The countries propose to use a three-band tariff structure with a middle CET of 10 per cent. However, the countries have to agree on a methodology to classify and categorize various imports in each of the three tariff band rates, in addition to negotiating on imports where the CET may not apply.

Regional institutions. EAC already has institutions to deal with and guide various aspects of East African integration. These include: the summit, council of ministers, the secretariat, coordinating committee, sectoral committees, court of justice and legislative assembly. The council of ministers comprises the ministers in charge of regional integration and makes major decisions on integration. The court of justice is supposed to implement the EAC treaty, the secretariat executes all EAC programmes, and the legislative assembly ensures major issues are democratically debated and agreed upon. The coordinating committee, made up of the permanent secretaries responsible for regional cooperation, coordinates the work of sectoral

committees that design and monitor implementation of EAC programmes.

Infrastructure. The countries have identified needed joint investments aimed at overcoming the very poor state of infrastructure in East Africa, which increases transaction costs and thus reduces profitability and productivity of investments. EAC intends to coordinate and harmonize transport and communications policies so as to improve existing links and establish new ones. Results so far have not been very encouraging because of the inefficiency of the region's largest port at Mombasa and the Kenya-Uganda railway line. Other facilities that connect the countries include a road running along the Kampala/Kasese railway and a road network going from Kampala to Rwanda through Kigali and Bujumbura. The 1,254 kilometre Dar-es-Salaam-Kigoma railway makes up the Central Corridor, connecting to Bujumbura via Lake Tanganyika and to Rwanda by road. Considerable effort is underway to improve the primary East-West road from the Kenyan border to Kabale and the highway between Kampala and Entebbe. In all three countries, scheduled power cuts and rationing have been common occurrences. So far, each country has developed its own strategy to secure supplies and imports, but there are plans to invest jointly in energy production and distribution.

Financial system. A Memorandum of Understanding has been signed covering the harmonization of capital market laws and regulations. The respective stock exchanges have agreed on the principles of cross-border listing and are now focusing on developing regional products. An apex regional business organization, the East African Securities Regulatory Authorities has also been formed.

Other initiatives. The East African Travel Document, though still not operational, was introduced in March 1997, but no steps have been taken on free movement of labour within the region. A security committee has been set up to curb the proliferation of small arms in the region. Simultaneous presentation of annual government budgets is being done. A public relations and marketing plan has been developed to create a sense of identity among the citizens of Kenya, Uganda and Tanzania and build trust and goodwill within the partnership.

CONCLUSIONS AND RECOMMENDATIONS

Unlike in the 1960s and 1970s, when ideological differences contributed to derailing the integration process, the EAC states are currently all based on a market economy. EAC provides opportunities that could be harnessed to improve the welfare of people in the region. The three countries could mobilize resources internally and externally and pool them to identify and invest in joint projects for mutual benefit. In addition, with policy harmonization, foreign direct investment may rise as the region becomes more attractive to outside investors. It is also

expected that the regional institutions of EAC, such as the East African Development Bank, will take advantage of a larger market and lead to greater social and economic cooperation. Moreover, the integration will be good for social cohesion and hence promotion of peace in the region. Once the EAC experiment with the customs union succeeds, the countries could move further into more advanced levels of regional integration.

The road to economic integration is naturally not assured, and there are a number of challenges and obstacles on the way. East African integration may fail due to dependency on agricultural exports, small and inefficient industrial bases, vulnerability to fluctuations in world markets, lack of compensation mechanisms, failure to involve all people and lack of information to the general public on opportunities from integration. According to Venables (2000), when countries with these characteristics integrate, income levels tend to diverge. Other fundamental factors that could undermine EAC integration attempts in East Africa are poverty, government debt, and donor dependency.

Perhaps the broadest and most significant challenges are to achieve some degree of macroeconomic convergence, to build and sustain genuine democracy, and to maintain the essential political will for integration. In addition, there are some specific steps that should be taken; some of these aim to avoid certain pitfalls typical of regional integration attempts in general and of earlier East African schemes in particular; others seek to build momentum by controlling or eliminating negative factors, and take advantage of positive factors, that affect the speed, spread and success of integration. The key guideline here is that countries should not just focus on potential benefits, but rather must assess both the benefits and costs of integration (Aryeetey, 1998).

Integration will be good for social cohesion and promotion of peace in the region.

Some of the main recommended steps are as follows:

- EAC member states will have to deal with the challenges of globalization, new membership, declining import tariffs revenue and imbalances that may arise as the integration process intensifies. They must also tackle problems that could arise because of overlapping membership in regional bodies with different rules of origin and lists of exceptions.
- Policy co-ordination is crucial to cushion against the vagaries of the world economy and to build on existing strengths. For example,

countries could benefit by specializing in areas where they enjoy relative comparative advantages — Kenya in the provision of a wide range of tradable services, Tanzania in its vast natural resources, and Uganda in agro-industrial products and food.

- Supply-side constraints such as weak infrastructure, costly transport, insufficient skills and red tape must be addressed. In particular, policies on infrastructure, communication networks, and information technology should be harmonized, and the East African Development Bank should be re-structured and refinanced to play a leading role in financing infrastructure projects.
- To strengthen the integration process, it is important to speed up the harmonization of monetary, fiscal and exchange rate policies, and to achieve currency convertibility, even though it is difficult to achieve.
- Countries must have built-in automaticity in the schedule for liberalization, so that tariff and non-tariff barriers are lowered automatically.
- If one or two member countries are willing to integrate more quickly, they should not be deterred so as to avoid having regionalism dictated by the slowest member. At the same time, acceptable mechanisms for compensating losers are necessary.
- There should be no restrictions on factor mobility and, in fact, greater labour mobility should be promoted in the region.
- To ensure that efficiency gains accompany economic integration, members should establish a common policy towards foreign direct investment to encourage cross-border joint production.
- Finally, resources will have to be devoted to public awareness of the opportunities arising from EAC, since the success of the process ultimately depends on the involvement and support of the people of East Africa.

Countries should not just focus on potential benefits, but rather must assess both the benefits and costs of integration.

ANNEX: MAJOR DEVELOPMENTS AFTER RELAUNCH OF EAC

Period	Event/Developments
November 30, 1993	· First Heads of State Summit
1994	· Established Secretariat of PTC
1996	· Established EAC Secretariat in Arusha · Agreed to establish East African Business Council · First East African Cooperation Development Strategy 1997-2000
1997	· Signed financing agreement for East African Digital Transmission Telecommunications with the East African Development Bank and European Investment Bank
1998	· Signed Memorandum of Understanding on defense cooperation. · Conference on East African Road Network, Arusha · Established EAC Defence Liaison Unit, Arusha · First East African Ministerial meeting on Lake Victoria hyacinth
1999	· Heads of State Third and Fourth Summits, Arusha · EAC Memorandum of Understanding on foreign policy coordination, Arusha · First Ministerial seminar to discuss draft EAC Treaty, Arusha · First EAC media workshop, Arusha · 13th extraordinary meeting on plans to establish EAC held by Permanent Tripartite Commission · Second Ministerial seminar on control of water hyacinth · Signing of Treaty establishing EAC by Heads of State during the Fourth Summit, Arusha
2000	· EAC Treaty enters into force 7 July 2000 · 15th meeting of Permanent Tripartite Commission approves revitalization of Inter-University Council for East Africa, Arusha
2001	· First and Second EAC Council of Ministers, Nairobi and Arusha · Appointment of Registrar, East African Court of Justice, and Clerk, East African Legislative Assembly · Launch of Lake Victoria Development Unit
April 24, 2001	· Second Summit of Heads of State, Arusha · Second EAC Development Strategy: 2001-2005 · Partnership Agreement on promotion of sustainable development in Lake Victoria Basin · Appointment of new secretary general

ANNEX: ***continued***

Period	Event/Developments
July 12-13, 2001	· Leading scientists and researchers from EAC members recommend formation of East African Council for Science and Technology
August 2-3, 2001	· Inter-Parliamentary Committee for East Africa recommends use of East African passport beyond East Africa · EAC Council of Ministers, Arusha · Signed rules for admission of new members, control of drug traffic, and standardization, quality assurance, metrology and testing · First Summit of EAC · Formal launch of EAC, Arusha, January 15 · Second summit of Heads of State · Inauguration of East African Assembly and Court of Appeal
April 10-11 2003	· Meeting of Permanent Secretaries responsible for trade, industry, finance and regional integration.
June 20 2003	· Second extraordinary Heads of State Summit, Nairobi directs finalization of draft protocol to be signed November 2003
September 29–October 02, 2003	· EAC High Level Task Force on 1) possible transitional fund for any imbalances arising from integration, and 2) legal, institutional and administrative structure of EAC customs union. · Meeting of Trade, Communication and Investment Committee of East African Legislative Assembly on standardization, testing, quality and operationalization of EAC customs union protocol

Source: compiled from (EAC 2001) EACNEWS Newsletter of the Secretariat of the East African Community Issue 7 August 2001; EAC website; EAC (2000)

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