EAST AFRICAN COMMUNITY INTEGRATION
What It Means To You

This year the East African Community (EAC) will become a fully-fledged Customs Union, which allows the free movement of goods between EAC countries. The Customs Union was first introduced in 2005 with the signing of a landmark treaty by Kenya, Tanzania and Uganda and has been implemented gradually since that time.

Since 2005, EAC membership has expanded to include Burundi and Rwanda. Five nations have united to create a large, stable and economically viable bloc to promote business in the region and with third parties. The headquarters of the EAC are in Arusha, in Tanzania.

In the first three years after the introduction of the Customs Union, with internal customs duties having been largely eliminated, intra-regional trade increased by nearly 50%. With the implementation of a fully-fledged Customs Union, customs duty is now only payable at new border posts between the EAC and other countries such as the Democratic Republic of Congo, Ethiopia, Somalia and Sudan. With the phasing in of 24-hour border posts, simplified and quicker clearance procedures, the elimination of non-tariff barriers to trade, and the introduction of an EAC passport, costs for businesses and traders are going down, increasing profits and jobs created.

Full EAC integration will take another huge step forward later this year when the EAC Common Market begins. The Common Market will gradually establish East Africa as a single, bigger, more attractive investment and tourist destination. Foreign Direct Investment in the region tripled between 2002 and 2007, indicating that foreign investors have taken notice of the ongoing changes within the EAC and its growing potential.

Through regional integration, Ugandan business will have access to 126 million EAC citizen-customers. It is hoped that over time, any East African will be able to freely cross into other EAC countries for social, academic, work and business purposes. From 1st July 2010 the Common Market will provide a predictable framework for those professionals that want to work in partner states, and it is hoped that over time more and more workers can benefit from this arrangement. Increased competition within the EAC will result in less expensive consumer products and services and more efficient companies, helping them to become more competitive in the global market.

After the introduction of the EAC Common Market, the next step in the integration process is a Monetary Union, scheduled for 2012. If there is freedom of movement for people, labour, students, goods, services and capital, then a common EAC currency and harmonised fiscal policies are logical extensions of those freedoms. With a common currency, people will no longer incur foreign exchange losses when they move from one country to another. People will only need to change money at the new border posts between EAC countries and their bordering neighbours.

To expedite the regional integration process, each EAC partner state has a ministry coordinating and acting as a focal point on EAC matter. The Ugandan Ministry for East African Community Affairs (MEACA), established in 2007, is providing strategic leadership and support for EAC integration, while promoting Uganda's interests as the transition moves forward.

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Frequently Asked Questions

1. What is a Common Market?

A Common Market is defined as "a single economic space within which business and labour operate in order to stimulate":

- greater productive efficiency
- higher levels of domestic & foreign investment
- increased employment
- growth of intra-regional trade and extra-regional trade

It involves freedom of movement of the factors of production (capital and labour) and goods and services and the rights of establishment and residence.

2. What are the objectives of the Common Market?

The overall objective is to widen and deepen cooperation among the Partner States (Rwanda, Burundi, Kenya, Tanzania and Uganda) in economic, social and cultural fields, research and technology for their mutual benefit.

Specific objectives are to: -

1. Accelerate economic growth and development through the attainment of free movement of persons, labour, capital and services and goods and the right of establishment and residence.
2. Strengthen, coordinate and regulate the economic and trade relations among Partner States in order to promote their accelerated harmonious and balanced development.
3. Sustain expansion and integration of economic activities, the benefit of which shall be equitably distributed.
4. Promote common understanding and cooperation among its people for their economic, social, cultural and technological advancement.

3. What are the elements of East African Common Market Protocol?

The Common Market shall be guided by the fundamental and operation principles of the EAC. These are categorised into five (4) freedoms and two (2) rights;

Freedoms

i. Free movement of goods
ii. Free movement of persons and labour
iii. Free movement of services
iv. Free movement of capital

Rights

i. Right of establishment
ii. Right of residence

The provisions of the Protocol will be implemented gradually, allowing the EAC to adopt a pace of integration aligned with the EAC's needs.

4. What examples can you provide of other successful Common Markets?

The most successful example of a Common Market is the European Union. The EU has developed a single market through a standardised system of laws which apply in all member states, ensuring the free movement of people, goods, services, and capital. Some examples of how the single market has benefitted the EU are:

- Over the last 15 years the Single Market has increased the EU's prosperity by 2.15% of GDP. In 2006 alone this meant an overall increase of €240 billion – or €518 for every EU citizen - compared to a situation without the Single Market.
- 2.75 million extra jobs have been created over the period 1992-2006 as a result of the Single Market.
- EU exports to third countries have increased from 6.9% of EU GDP in 1992 to 11.2% in 2001.
- The Single Market has made Europe a much more attractive location for foreign investors. New inflows of foreign direct investment into the European Union have more than doubled as a percentage of GDP.
- Wider choice for consumers: the range of products and services on sale across the EU is wider than ever and in most cases prices are easily compared thanks to the euro.
- Phone calls, internet access and air travel have all become cheaper. Technology combined with Single Market liberalisation means, for example, that prices charged for phone calls have been reduced by 40% over the period 2000-2006.
- Trade within the EU has risen by 30% since 1992. The absence of border bureaucracy has cut delivery times and reduced costs. Before the frontiers came down, the tax system alone required 60 million customs clearance documents annually: these are no longer needed.
- The mutual recognition principle means that in most cases companies can do business across the EU by complying with the rules in their home Member State.
- In many cases, rather than adding to red tape, Single Market rules often replace a large number of complex and different national laws with a single framework, reducing compliance costs for businesses, who pass those savings on to consumers. It has also become easier to start or buy a business: the average cost for setting up a new company in the former EU-15 has fallen from €813 in 2002 to €554 in 2007, and the time needed to register a company administratively was reduced from 24 days in 2002 to about 12 days currently.
- New export markets have been opened up to small and medium-sized enterprises (SMEs) who previously would have been prevented from exporting by the costs and difficulties involved.

5. What is the legal basis for the East African Community Common Market?

After the successful establishment of the Customs Union, the next step was to establish a Common Market in all the 5 East African Partner States.

The EAC Treaty**,** entered into force on 7th July 2000, called for the establishment of a Customs Union (2005), Common Market (2010) in Article 2, Monetary Union (2012) and ultimately a Political Federation as the different stages for EAC integration. The Customs Union has been operational since 1st January 2005.

The Protocol for the Establishment of the East African Community Common Market is expected to come into force from 1st July 2010.

6. What are the other areas of cooperation in the Common Market other than through the four freedoms and two rights?

There are many areas of cooperation covered in the Common Market Protocol which will support the implementation of the four freedoms and two rights. These range from cooperation in financial sector policy coordination to environmental management, harmonisation of social policies and cooperation in agriculture and food security.

7. What is the difference between a Customs Union and Common Market?

A Customs Union is a free trade area in which goods move freely within the partner states without being subject to trade taxes and a common external tariff is applied to goods entering from outside.

A Common Market is a regional bloc in which goods, services, labour and capital move freely within the partner states without restriction based on nationality. It requires the harmonisation of national legislation and regulation in many areas to support the creation of a single regional market.

8. Who was responsible for negotiating the EAC Common Market Protocol?

The EAC Council of Ministers approved a framework for the negotiations. This consisted of Multi-Sectoral Committees of Permanent Secretaries and Ministers and a High Level Task Force (HLTF) from each Partner State.

The Uganda HLTF coordinated by the Ministry of East African Community Affairs comprises high level officials from the following ministries and Institutions:-

- Ministry of East African Community Affairs
- Ministry of Finance, Planning and economic development.
- Ministry of Tourism, Trade and industry
- Ministry of Internal Affairs
- Ministry of Gender, Labour and Social development

- Ministry of Agriculture, Animal Industry and Fisheries
- Ministry of Lands, housing and Urban Development
- Ministry of Education and Sports
- Ministry of Justice and Constitutional Affairs
- Bank of Uganda
- Uganda Revenue Authority
- Private Sector Foundation Uganda
- Uganda Manufacturers Association

9. How was the East African Community Common Market Protocol negotiated?

All the Partner States have High Level Task Forces (HLTF) that together constituted a regional EAC HLTF which carried out the negotiations. The EAC HLTF went through 12 rounds of negotiations. The national HLTFs carried out country consultations with all relevant stakeholders on issues to be negotiated. On the basis of these consultations a country position was developed which was presented and argued for at the negotiation table. The negotiation venue rotated through all Partner States.

10. How will it be implemented?

The implementation of the Common Market will be carried out in a systematic and progressive manner. The Protocol and Annexes provide the framework for implementation and will be supported as necessary by Schedules and Directives from the Council.

For example:

- Directive and Regulation for Harmonisation and Mutual Recognition of Academic and Professional Qualification as provided for in Article 8(2) of the Protocol.
- Joint Programmes to encourage the Exchange of Young Workers as provided for in Article 5 of the Protocol.

11. What are the opportunities under the Common Market?

For both businesses and consumers within the Common Market, a single market is a very competitive environment which means that efficient firms can benefit from economies of scale, increased competitiveness and lower costs. Consumers will benefit from the Common Market as the competitive business environment will bring them cheaper products, more efficient and responsive service providers, and an increased choice of products.

The eventual development of a single labour market will create opportunities for workers to pursue higher wages and preferential employment benefits in Partner States. This will result in higher income not only for the workers, but for those households which may receive remittances from the household member working in the region. Increased income can result in higher quality of life and creation of opportunities for both the worker and household.

12. What about the challenges?

The creation of a Common Market should result in a net increase in welfare across the EAC region. However, as with all liberalisation initiatives there will be winners and losers from the regional integration process, for example, transition to a single market can have short-term negative impact on some sectors of the national economy due to increased international competition. Enterprises that previously enjoyed national market protection and national subsidy (and could therefore continue in business despite falling short of international performance benchmarks) may struggle to survive against their more efficient peers.

It is anticipated that the advantages of the Common Market will allow for interventions to be taken to compensate those that may not benefit. Government will implement appropriate complementary policies to ensure that the integration process creates gains for the greatest possible number of people.

13. How will the disparities in the different economies be handled?

The creation of a Common Market encourages specialization among member countries. Specialization allows nations to devote their scarce resources to the production of the particular goods and services for which that nation has a comparative advantage. It is hoped that the disparities between the different economies of EAC Partner States will be addressed through the development of comparative advantages for individual countries.

14. How should the Ugandan economy prepare for the EAC Common Market?

- Businesses should reorganise internally to increase efficiency including through the development of cooperative ventures with other businesses within Uganda and in other EAC Partner States;
- Business and individuals should identify possible commercial opportunities in EAC Partner States, particularly in the service sectors liberalised under the Protocol;
- Individuals should invest in academic training and relevant career experience in order to take advantage of the wider labour market for professional services.

15. What is the next step after the Common Market?

The EAC Treaty calls for the establishment of a Monetary Union by 2012. The initial stages of research and preparation for this process are beginning in all Partner States.

16. Where can I get more information about the Common Market?

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