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Trade liberalisation versus regionalism: The case of Uganda.

A research proposal submitted by

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ABSTRACT

This paper evaluates the constructs of regionalism in the East African Community and the various factors applicable to Uganda in particular. Furthermore the study debates whether this particular regionalism is either a step towards trade liberalisation or a step away towards protectionism. The study was conducted through interviews with senior academic economists, state policy advisors, a director at the EAC and the various Ugandan ministries responsible for economic policy.

Through these interviews, perspectives and opinions on the regional integration strategy of Uganda were identified. The results highlight the political, social and economic drivers driving regionalism being firstly a strong cultural and historic connection amongst member states. Moreover the integration framework provides Uganda a platform to overcome challenges such as access to ports and their security concerns. Economically, being a small market individually, integrating into a larger market increases their capacity to attract finance for development projects and achieve a more competitive business ecosystem through economies of scale.

In regards to trade liberalisation; The EAC was identified to be a stride towards trade liberalisation due to overall decreased tariff barriers in the region against the RoW and increased bargaining power with the countries being able to speak as one voice in global trade frameworks.

DECLARATION

I, Arnold Asiimwe, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

_____

Arnold Asiimwe

Signed at…….

On the ……day of……..2016

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CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

The purpose of this study is to evaluate Uganda's trade policy strategy in participation in the East African Community and whether this is a positive step towards global trade liberalisation or protectionism.

1.2 Context of the study

East Africa Community

Uganda is an East African country bordering the Democratic Republic of Congo, South Sudan, Tanzania, Kenya, and Rwanda (see Appendix A). Since the turn of the 20th century, there has been a strong willingness on the part of the Republic of Kenya, United Republic of Tanzania and Republic of Uganda to embark on regional integration due to a common language, culture and an infrastructure development agenda EAC (2011). According to Segal (1967), pre-political independence the EAC was initially an economic, non-political and non-African entity established by the colonial powers with services concentrated in Kenya and thus regional gains primarily benefitting Kenya.

In 1977, post political independence, there was an attempt at integration as mentioned by Castro (2005); whereby Uganda, Kenya and Tanzania moved to integrate regionally, however this failed due to what Uganda and Tanzania perceived as unbalanced trade with the more developed Kenya (Hazlewood, 1979). A renewed effort led the countries in the late nineties to sign the EAC treaty which is a regional intergovernmental organization with the mission to *"widen and deepen Economic, Political, Social and Culture integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments"* (EAC, 2011). This EAC agreement was later joined by Republic of Rwanda and Republic of Burundi in 2007 (Kishor & Ssozi, 2009). This study focuses on the economic and trade aspect.

Castro (2005) mentions that the members of this community are also part of other trade agreements such as Kenya, which is part of the COMESA free trade zone where they grant an 8 per cent tariff reduction on imports form the members, Tanzania grants SADC members preferential market access and Uganda provides 80% tariff preference to COMESA members. DeRosa, Obwona, and Roningen (2002) and Stahl (2005) advocate these countries being part of EAC will result in each country adjusting their external tariffs structures to align to the agreed CETs (Common External Tariff) that will thus supersede the other trade tariffs.

The groups of countries have a combined GDP of $US108.98 billion as of 2013 with the Republic of Uganda contributing $21.48 billion (EAC, 2011). WTO (2013) classifies Kenya as a middle-income country (Gross National Income per capita between $1,045 and $12,736) while Burundi, Rwanda, Tanzania and Uganda are described as LDCs (Least Developed Country with GNI of $1,045 or less). According to Omilola (2007), these countries' exporting trade products consist mainly of agricultural items with these countries predominantly importing manufactured goods from developed countries. The combined population of east Africa is approximately 143 million with Uganda having a population of 37.8 million (EAC, 2014). The agricultural economy of these countries contributes close to 30% of these country's GDPs where the majority of the agricultural value productivity is derived from subsistence farming, "In agriculture-based economies, rural population accounted on average for almost 70 per cent of total population, while agriculture amounted on average to 29 per cent of GDP in 2005." (Salami, Kamara, & Brixiova, 2010, p. 8).

Global Trade and regional trade Framework

In the global trade framework, the organisation known as the World Trade Organisation facilitates the rules of multilateral trade between countries (WTO, 2015). In addition, the WTO assists in managing trade disputes and fosters a framework for an open trading system (Subramanian & Wei, 2007). At the centre of this argument in promoting open trade is that of comparative advantage. According to Maneschi (1998) and Winham (2005), the theory of comparative advantage advocates that countries trade in order to meet their wants and needs

and comparative advantage is how countries make use of their relative advantage in resources, such as labour efficiencies or factor endowments, in order to focus on a specific trade/s to maximise development. A deeper understanding on this point is provided by Dasgupta (1998) and A. O. Krueger (1997) in regards to a Least Developing Countries (LDC), is that in the global trade framework, an LDC would generally specialise and export agricultural goods while importing industrial goods from more developed nations. Tsie (1996) argues that such a situation limited diversification of production and trade for the LDC; perpetuating a cycle of low development and vulnerability to fluctuations in global terms of trade. .

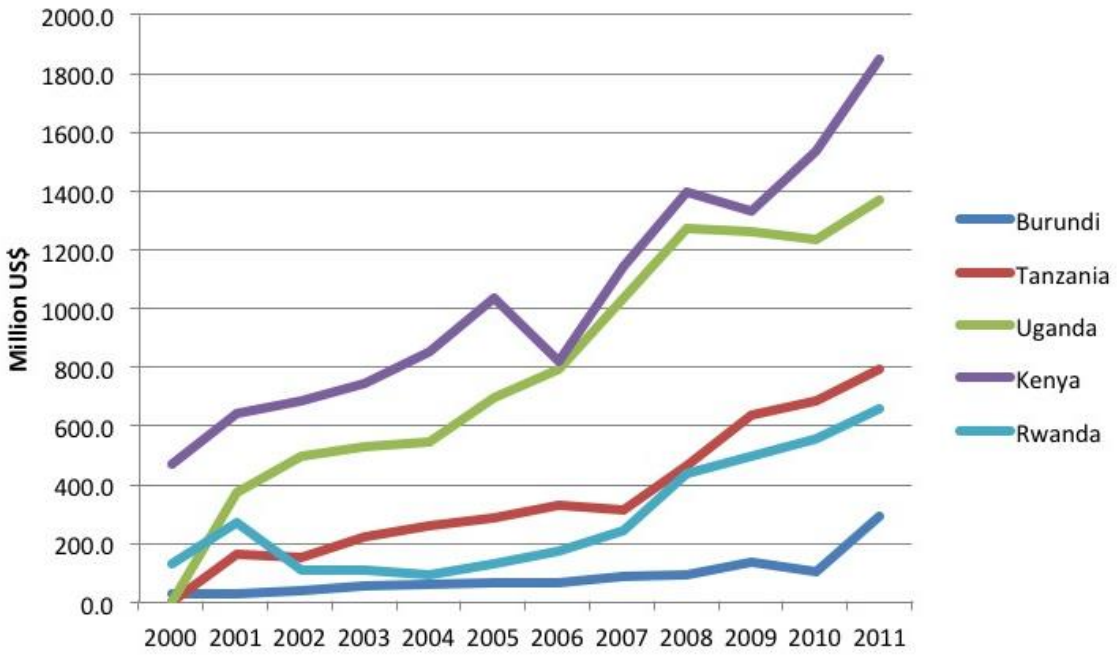
From the understanding of the global trade framework we arrive at the question: what would entice countries to embark on regional integration, especially from the perspective of an LDC country such as Uganda? The case for regional integration can be described in the points below:

- Regional integration provides member countries capacity to increase their production through avenues of economies of scale where they are able to spread costs across the region and improve FDI prospects (Mansfield & Solingen, 2010).
- For politically unstable countries, it provides the country's leadership with avenues for the discussion of security concerns and unified goals to address them (Castro, 2005).
- Improves member countries' bargaining power in multi-trade negotiations (Whalley, 1998).
- May secure market access for the smaller country members to the larger countries (Whalley, 1998).
- A country may join because all the countries around them are joining RTA's and this increases incentives to join as the trade diversion outweigh import costs (Kaffel, 2004); and
- Members may want to join regional federations in order to protect "infant industries"; argument being they would be internationally competitive if given time to develop (Winham, 2005).

The improvements and benefits to Uganda in joining the East African integration

is the topic of discussion and the literature and statistics in regards to intra EAC trade will be assessed.

According to EAC (2011, p. 10) since the formation of the new EAC, “Intra-EAC trade grew by 40% between 2005 and 2009”



Source: (ECDPM, 2013)

Figure 1 - Intra EAC trade by country

A review of contemporary literature provides the pillars in schools of thought of regional integration as a trade liberalisation mechanism or a protectionist mechanism. The arguments for regionalism not supporting growth and as a step towards protectionism are:

- Yang and Gupta (2007, p. 25) advocate, “African countries should reduce their trade barriers against non-RTA members when pursuing RTAs.” This is because the CET against the RoW that exists from the RTA will result in trade investment and trade diversions from more efficient suppliers to towards the less efficient suppliers in the region.
- “More generally, MFN liberalisation is found to be more conducive for growth and trade than discriminatory liberalisation. Using time-series data for 1950-92, Vamvakidis (1998) shows that economies grew faster after

broad-based liberalization, in both the short and long run, but slower after participation in an RTA ” (Yang & Gupta, 2007, p. 26)

- Foroutan (1993) discusses that members of Africa’s RTAs are incentivised to focus their exports into the RTA region. This occurs through the tendency for inward oriented policies that promote exports to neighbouring countries in the RTA than to the RoW. Secondly, that due to external tariffs this would make these agents less competitive internationally because they are disadvantaged by external tariffs to access more efficient supply chains or inputs from markets outside of the region (Panagariya, 2000b).

According to Onyango-Obbo (2011), there has been considerable interest in surrounding countries joining the East African Community in order to “reap the benefits” of integration. South Sudan has applied to join due to its cultural similarities and the business investment interests of Kenyan firms in that country; secondly Sudan has applied citing its political and economic ties with Kenya. We investigate the tenets to this interest in this paper.

1.3 Problem statement

1.3.1 *Main problem*

An evaluation of Uganda’s strategy, as a low-income country with development and comprehensive growth top of its agenda, in participating in the current framework of the East African Community and whether this is a move towards regional trade liberalisation or protectionism.

1.3.2 *Sub-problems*

The first sub-problem is to examine the components of the East African regional integration framework.

The second sub-problem is to analyse the Keynesian economist argument for the East African regional integration framework in relation to liberalisation in trade.

The third sub-problem is to evaluate the Mercantilist argument against East African regional integration in regards to protectionism.

1.4 Significance of the study

There is strong and growing interest in the African continent by global MNC's and developed countries as the next frontier for global growth "The current scramble is intriguing because it is not only the Western powers which are vying for continued access to Africa's markets and invaluable re-sources: a rising power – China – is also a major player" (Lee, 2006, p. 303). With growing democracies and stability in several regions; academic research is important to continuously evaluate the state of African countries and make this information available for policy makers and investment alike.

There has been considerable literature on the impact of the regional integration in the East African Community. The paper's intention is to examine what the tenets are that are of importance to Uganda and why are they are important.

There is an abundant historic discourse between the Keynesian economics of trade liberalisation and Mercantilist protectionism in regional integration strategies. This paper aims to add to that discussion with a particular view on the East Africa regional integration.

There is a gap in the literature with regard to the East Africa Community and thus this adds to the body of knowledge available.

The study provides guidance to countries in a similar position to Uganda i.e. LDC countries that are small, fragile and with no market power. Guidance is provided through the case study of Uganda's policy direction whereby trade is an important component of their growth strategy.

1.5 Delimitations of the study

The following are delimitations of the study:

- The focus is on the effect of trade entry and exit of Uganda as well as revenue impacts and a review of political aspects that may have affected trade regulations,
- Analysis of benefits and challenges of economic integration for an LDC country,
- Analysis of benefits and challenges of non-economic integration for an LDC country.

1.6 Definition of terms

The following are definitions and terms the reader should know:

- AU –African Union: The African Union is an organisational body
- COMESA – Common Market for Eastern and Southern Africa
- EAC – East African Community
- FTA – Free Trade Agreement
- GDP – Gross Domestic Product: Estimated value of a country's production and services within its borders
- GNP – Gross National Product: Estimated value of country's production and services within and outside its borders
- LDC – Least developed Countries: Poorest members of the world community
- MERCOSUR – Mercado Comun del Sur: Common market for South American countries
- MFN – Most Favoured Nation
- NEPAD – The New Partnership for Africa's development: A planning committee for socio-economic development in Africa
- NAFTA – North American Free Trade Agreement
- PTA – Preferential Trade Agreement
- RTAs – Regional Trade Agreement: Trade Agreements based on a specific region of countries
- RoW – Rest of the World
- SADC – South Africa Development Community:
- WTO – World Trade Organisation

1.7 Assumptions

- From the above, our assumption is that Uganda only has a choice between varying degrees of trade regimes with EAC or the global trade framework. In reality, there are a number of possible options available to countries in the execution of trade liberalisation.(Stiglitz & Charlton, 2005)
- We assume the same demand and supply inputs for the decade before integration and the decade after will apply, for example, inputs on GDP growth and prices for oil etc. and only make minor adjustments as necessary to compensate for economic shocks
- We do not include the impacts or estimates for unofficial exemptions or smuggling into the countries from 3rd countries i.e. leakages.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

The literature review focuses on the main problem identified as the evaluation of Uganda's strategy on participation in the East African Community and whether this regionalism is a step towards trade liberalisation or a move in protectionism. The first section introduces the literature review with the history of trade policy with regard to the contemporary framework. This provides historical background information considerations for countries navigating the trade framework and provides understanding of the positions and goals of various agents. Secondly, we review the existing literature on African regional integration attempts. Lastly, the third section provides an overview of the schools of thought on trade policy that have emerged in this arena.

2.2 Origins of the contemporary trade framework

Regulation on trade has been utilised as a tool to maximise revenue for millennia. Leemans (1960) asserts that the trade between Egypt and Babylonia is detailed in texts that have been found indicating tax of a tenth on the goods traders imported for the religious temples in Babylonia from Egypt in approximately 1760 B.C. Important to this is these regulations were part of the political relations between the two countries in that period. Condliffe (1950) states that looking through the history where there has been business, there has been regulation.

By the mid nineteenth century the consequence of government regulation on trade was well understood via the work of Adam Smith (Smith & Nicholson, 1887). He had noted with disapproval that that while tariffs were a source of revenue, they also had a negative impact by protecting domestic firms from competition. According to Winham (2005), the Smithsonian school of thought established the concept that a society able to trade as freely as possible, amongst others, would maximise global welfare. Furthermore, that this led to a

political movement sweeping through the British Empire in the 20th century but it never gained traction until later in that century in the repeal in England of the Corn Laws, a high protection tariff on agriculture, in 1848 (James & Lake, 1989). Kindleberger (1975) states that the motivation for its repeal was due to the imperialist ideology of Britain and the rise of industrialisation on the continent. The concept soon spread through Western Europe and was reciprocated in other European countries. It is important to note that, in this period, Great Britain was the major economic power.

This wave of reduction in tariffs continued until after the end of World War I, when a number of countries began to legislate tariff increases, which Crucini and Kahn (1996) state that historians had attributed this to internal reasons and international retaliation. The war and great depression caused great damage to the global economy and a number of countries endeavoured to rectify the damages through the implementation of tariffs on goods to increase and stabilise revenue (Eichengreen & Irwin, 2010). U.S followed the trend by raising taxes through the Smoot-Hawley Act of 1930, which raised tariffs to historic levels (Krasner, 1976). This wave of protectionism was alarming to western governments as it led to a collapse in global trade by two thirds by the mid 1930's (Winham, 2005).

The level of protectionism by the implementation of tariffs only began to turn back to a reduction in tariffs following the introduction in the United States of the Reciprocal Trade Agreement Act of 1934 (Irwin, 1998). Eichengreen and Irwin (1995) assert that the International significance of the RTAA was that for the 1st time, it included the concept that tariffs could not be unilaterally changed by a nation state but must be negotiated between the parties. Moreover, that the United States as the largest trading nation in this period went on to agree trade liberalisation treaties bilaterally with 17 countries by 1938 . This policy change set the foundations and assisted the institutionalisation of regional trade agreements such as NAFTA (Lusztig & James, 2005). Hiscox (1999) states that the progress in trade liberalisation this act generated; was that it altered the trade policymaking process by removing uniform discretion by a country in altering trade tariffs. According to Winham (2005) by the end of World War II, the U.S

had emerged as the world's largest manufacturer and the largest creditor and the need for global economic restructuring (the war greatly damaged the economies of Britain, France, Japan and Germany, which were at the time leading industrially) led to the U.S taking the leadership mantle.

Understanding the origins of trade policies of the Northern countries (U.S, UK, EU) assists in contextualising the international organisations set up and the factors of the trade policies Uganda employs with its trade partners.

2.2.1 *GATT and World Trade Organisation – Multilateral trade structures*

The bilateral agreements reached by the U.S and being the only superpower at the time resulted in the establishment of a legal regime amongst the trading nations i.e. the General Agreement on Tariffs and Trade (GATT) in 1947 (Richard, 1964). In the regime, the U.S extended its liberal view with the specific inclusion of the Most Favoured Nation principle (MFN) and principle of reciprocity. According to Winham (2005), the MFN principle required that contracting parties extend to all signatories the benefits of any agreement that it might have reached with any other country. This provision was a policy of non-discrimination coupled with the contracting parties to have only one MFN tariff promoted a unified multi-trade system (Bagwell & Staiger, 2004). Irwin, Mavroidis, and Sykes (2008) state that initially the GATT was meant to be a stepping-stone to an International Trade Organisation (ITO) that failed to materialise and thus GATT became the status quo (Toye, 2003). In addition, GATT was not meant to be an international organisation, rather a structure to lower trade tariffs globally and ensure countries did not implement protection via other measures. Table 1 exhibits the measures reached at the various GATT negotiation rounds.

Initially the contracting parties were developed nations but as more countries developed; underdeveloped countries joined the organisation (Richard, 1964). The GATT's aim to liberalise trade and regulate international trade was implemented through the sponsorship of multiple negotiation meetings in order to set, amend or revise trade rules (Winham, 2005). Bagwell and Staiger (2004) mention that these negotiations were successful in liberalising trade in the period

that GATT operated as it also provided a legal framework for countries to redress un-instituted concessions by a particular trading nation (1960-1994), See Table 1.

Table 1 - Results of GATT negotiations

Negotiation	No of countries	Results
Dillon Round 1960-1	26	• Average tariff cut of 10% on $4.9bn of trade
Kennedy Round 1963-7	62	• Average tariff cut of 35% on $40bn of trade • Anti-dumping code
Tokyo Round 1973-9	102	• Average tariff cut of 35% on $100bn of trade • Sixe codes dealing with non-tariff measures • Revision of GATT articles for developing countries
Uruguay Round 1986-94	128	• Average tariff cut of 39% on $3.7bn on trade • Twelve agreements including agriculture • New issues: Agreements on Trade in Services (GATS) • Dispute settlement understanding (DSU) • Creation of WTO, new legal multi-trade trade regime

Source: Winham (2005, p. 126)

Following the Uruguay Round in 1994, the GATT rules were incorporated in the establishment of a new international body for trade known as the World Trade Organisation (WTO) (WTO, 2015). J. Michael Finger and Nogues (2001) state that the WTO was created in response to the needs and suggestions of participating members such as growing concern in the inefficiencies of the GATT rules. Furthermore the authors comment that the major concern was that under the GATT rule, a concession was only applicable to the countries that accepted the rules and, as such, there were a number of side agreements. Matsushita, Schoenbaum, and Mavroidis (2003) argue that under the WTO, members would be obliged to accept agreements as a package and be required to bring their

domestic laws into accordance. The authors add that the challenge of the WTO has been the difficulty in obtaining consensus among the members in recent negotiations. According to Cho (2004a), the large number of members and strategic collusion of the developing nations to obtain better access to U.S and European markets have been at the heart of the current deadlock between North and South countries. The current deadlock in the perspective of Africans who represent the effort to address concerns of heavy subsidisation by the developed nations and the minimal participation of African countries post colonisation in the GATT and WTO organisation (J. Michael Finger & Nogues, 2001). Mosoti (2006) mentions that these concerns range from low volumes of trade with an export base usually of one commodity, a complicated and expensive dispute settlement, inadequate legal expertise and a less litigious approach to disputes, particularly when major trading partners or donors are involved.

2.3 Current global regional trade agreements

A noteworthy subject of RTAs is that not all RTA's are the same and the East African Community is an example of an RTA that is just a step in its aim to become a fully-fledged political and economic union (EAC, 2009). In this pursuit the 1st step, according to Mansfield and Solingen (2010), is to have a free trade area where all members eliminate barriers between member states but each member state maintains its individual external trade barriers for non-member countries. Second, as mentioned by DeRosa et al. (2002), is a customs union where intra trade barriers amongst member are removed but a defined external tariff structure is set up for non-members. Third, a common market instituted is a higher degree of economic integration in which factors of production move freely between members (Langhammer & Hiemenz, 1990). Fourth is a deeper form of economic integration that has members co-ordinate and harmonise the monetary, fiscal and welfare policies (EAC, 2011). Fifth is where participating countries agree to become a single country (Castro, 2005). This provides us a context when reviewing the various agreements of what type of framework they represent.

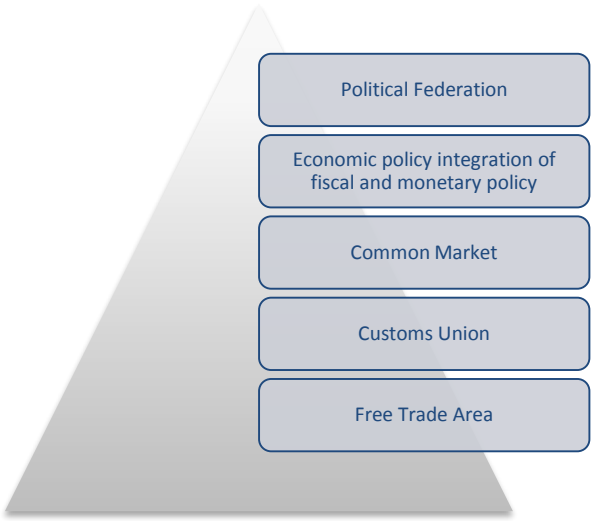


Figure 2 - Steps in RTA integration (adapted)

The 1980's ushered a renewed effort in fostering regional integration by nations, most notably in Latin America with the Mercado Commun del Sur (Mercosur) comprising Argentina, Brazil, Paraguay and Uruguay. In North America a free trade agreement between United States and Canada was formed in 1989, and extended to include Mexico in 1994 (Winham, 2005). The Association of South East Asian Nations (ASEAN) was established in 1967, but only in 1992 had they agreed to establish a free trade area. The Asia Pacific Economic Co-operation forum (APEC); was launched in 1989 by Australia, New Zealand, Japan, South Korea, Canada, United States and the ASEAN countries. The other notable grouping is the Japan centred Asian bloc, The East Asian Economic grouping (EAEG). In Africa, the establishment of the Economic Community of West African Countries in 1975 with members, Nigeria, Togo etc. to name a few; the Southern African Development Community was established in 1980 and included the member states of Angola, Zambia, Tanzania, Botswana, Lesotho, Malawi, Swaziland and Zimbabwe. Its main objective was to reduce dependence on the then apartheid government (Hartzenberg, 2011); in 1994 South Africa became the 11th member. In the east of Africa, was the establishment of the East African Community in 1977 comprising Uganda, Kenya and Tanzania. With the establishment of these regional integrations, one wonders what are the reasons in the pursuit of regionalism?

2.3.1 *Reasons for regionalism*

Why were these regional agreements formed? Was the end goal of this co-operation? According to Langhammer and Hiemenz (1990) in Latin America regional integration was mainly a tool to overcome the limits of import-substitution in limited domestic markets and gain competitiveness before entering world markets. Africa, on the other hand, inherited a fair level of integration post colonialism but the African governments' nation building and sovereignty ideals threatened this. Langhammer and Hiemenz (1990) go on to mention that the Middle East and Asia was characterised by extreme heterogeneity of countries in national endowment, market size etc. and thus conflicts and divergence were more easily found than consensus. In Europe, in the wake of the second World War, there was a naturally driven force to establish supranational control over resources that render warfare possible; by creating this European structure of governance it would be capable of eradicating intra-European conflicts (Mattli, 1999). According to Maurice and Winters (2003), customs unions were precursors enclosed in the formation of new states and in post-World War 2, FTA's and customs unions were used in rebuilding Europe through the creation of the Benelux customs union in 1947 to the far reaching European Economic Community (EEC) in 1957 which later became the European Union (EU).

Table 2 shows the trade as a percentage of GDP amongst some of the RTA's mentioned here, notwithstanding that some of these RTAs were not fully implemented. According to Vamvakidis (1999), even though the share of intra-group was very small for many RTAs, it did increase significantly between 1960 and 1991 and while there could be many forces driving this increase, it would be reasonable to assume that the implementation of the RTA was one of them.

Table 2 – Intra-Group Trade in RTAs as a per cent of Total Exports, Percentage Changes

RTA	1960	1970	1975	1980	1990	1991	% change (1960 -1980)	% change (1960 -1991)
MRU	-	-	-	-	-	-	-	-
UDEAC	1.6	3.4	3.9	4.1	4.3	4.2	156.25	162.5
CEPGL	-	0.2	0.1	0.2	0.5	-	-	150
ASEAN	-	14.7	13.9	17.8	18.5	19.3	21.09	23.83
ACM	-	-	-	-	-	-	-	-
CACM	7.5	26.8	21.6	22	15.6	16.4	193.33	118.67
CAPRICOM	4.5	7.3	6.7	6.4	5.6	5.3	42.22	17.78
ECOWAS	1.2	2.1	3.1	3.9	5.6	6.1	2.25	408.33
ECO	2.2	1.1	0.7	2.7	3.7	3.5	22.73	59.09
LAIA/LAFT	7.7	10.2	12.8	13.5	10.9	13.2	75.32	71.43
EU	34.6	48.9	52.5	-	60.7	61.4	51.73	77.46

Source: UNCTAD (1994)

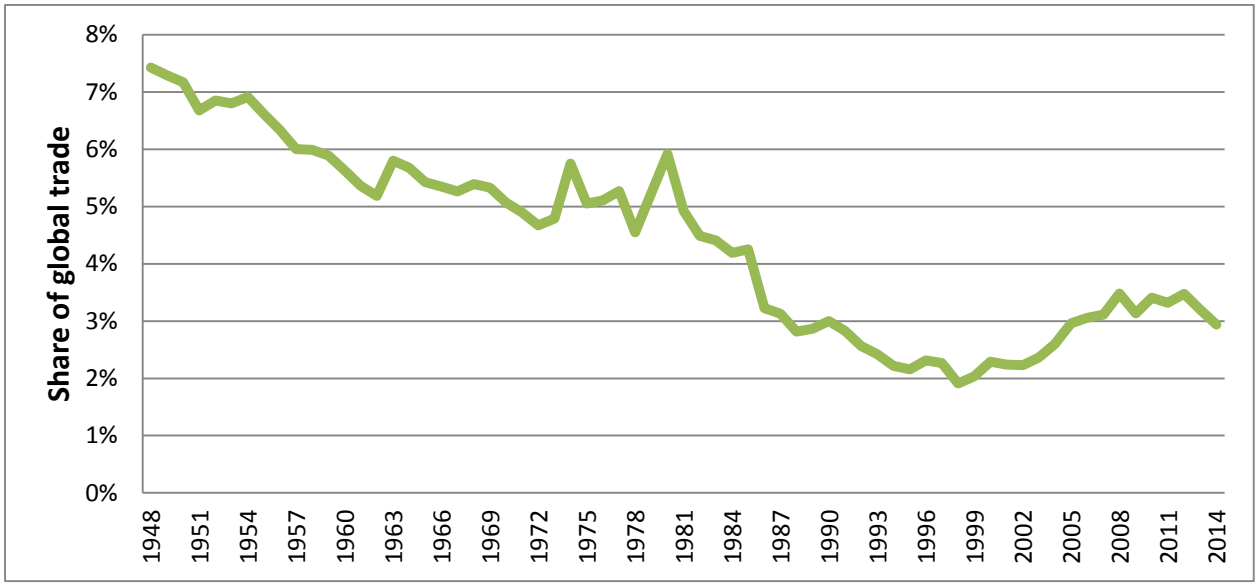
2.4 Regional integration in Africa and EAC

Hartzenberg (2011) and De Macedo, Kabbaj, and Organisatie voor Economische Samenwerking en (2002) state that postcolonial Africa has been characterised by low economic growth and although there was a proliferation of regional integrations agreements post colonialism, that did not result in the planned economic gains.

According to Fole (2003), debt owed by development countries and the macroeconomic crisis in the 1980's led to economic reforms that replaced inward-looking, import substituting strategies with outward-oriented trade liberalisation strategies. Moreover Yang and Gupta (2007) and Hartzenberg (2011) comment that the status of current major African RTAs shows a mixed bag of results most likely due to the reliance of the countries on exporting primary commodities and the external factor of the volatile price of these

commodities. Global trade growth has tripled, while Africa has not featured prominently in this trend as its share of world trade has declined (UNCTAD, 2014).

Africa contributed approximately 8% in 1948 and 6% in 1980 and dropped further to 3% in 2013.



Source: UNCTAD (2014)

Figure 3 - Africa share of world trade

With regard to the performance of COMESA, Hartzenberg (2011) comments that the regional bloc has been plagued by challenges in achieving the set objectives to schedule but progress has been on the institutional aspect. In addition, the author attributes that unequal benefit distribution has led to poor implementation of agreed tariff reductions. According to Gibb (1998), the disparities in economies and overlap in country membership agreements between SADC in COMESA hampered progress to a free trade area. De Macedo et al. (2002) argue that COMESA has instituted instruments with the help of the EU that should assist in the effective monitoring of trade liberalisation and outcomes of the lifting of barriers to the circulation of goods.

SADC is the more resource rich of the African regional groups, but appears to be dragging its feet in the quest for regional integration, as confirmed by Yang and

Gupta (2007) . Gibb (1998) indicates that contention exists between SADC and SACU whereby Swaziland, Lesotho, Namibia and Botswana leaders argue that under the customs union they have been forced to purchase South Africa's 'internationally uncompetitive' goods which are protected from the CET and the tariff being set by South Africa. De Macedo et al. (2002) appears to support this view as they comment that the economic and political landscape appears to continue to be characterised with South Africa as a central pivot and the other countries in the periphery

In the West of Africa, we have ECOWAS; which is made up of 16 African states that experienced worthy macro-economic growth but its challenges lies in the societal configurations (Hartzenberg, 2011). Beyond the occasional civil unrest experienced by the countries, there appears to be a language trade separation between the French speaking countries and the English speaking countries (Hanink & Owusu, 1998). This is in addition to current challenges of high costs for the movement of goods and persons with a high number of checkpoints every 100kms and high cost of compensation for the loss of tax revenue (ECA, 2013).

In the north of Africa is the Arab Maghreb Union (AMU) made up of five countries (Algeria, Morocco, Mauritania, Libya and Tunisia) with the aim to have become a common market by 2002. Achieving this goal has been hindered by political differences, but the bi-lateral agreements reached between them has proved positive to improve the movement of persons and with infrastructure having already been well integrated pre-AMU (Omilola, 2007).

The (re) establishment of the EAC in 1999 had the aim to establish the region from a free trade area to a customs union and finally to a common market. There have been noticeable achievements in the establishment of the customs union and the foundations for a common market with notable challenges arising. The challenges have been primarily budgetary constraints and divergent development policies by the member states (EAC, 2011). Steady progress has been made in the implementation of a common external tariff and significant increase in intra member trade. This has been achieved through the elimination of internal tariffs from EAC members with the agreement of gradual reduction of

restrictions in trade in services and movement of workers (McAuliffe, Saxena, & Yabara, 2012).

The African regional agreements are typified with challenges in the regional institutions, co-ordination and slow pace in implementation of agreed rules in the regional agreements such as NTBs (McAuliffe et al., 2012). These challenges increase the complexity in adhering to both the regional and the multilateral trade agreements.

2.5 Schools of thought on regional integration

There exist multiple schools of thought in the international economic concepts between state and market relations. The current science describes a range of conflicting ideals in this arena. The monetarists (known as Orthodox Economic Liberals) value minimal state intervention, regulation of the economy and free trade. This group's main thinkers were Adam Smith, David Ricardo and Milton Friedman. Their approach focuses on the determination of prices, outputs and distribution through supply and demand.

Extensions of this theory developed by John M. Keynes during the 1930's in the height of the Great Depression (people following this theory are known as Keynesians) believe the state should play an interventionist economic position. This perspective believes in efficiency by the state in terms of using monetary and fiscal policies by the government to promote trade. Furthermore they see the free market as volatile and not producing the best possible good, and therefore the government should and is able to manipulate economic factors to provide a less volatile economy. The main contemporary thinkers of the Keynesian perspectives are Deepak Lal and Jagdish Bhagwati.

Monetarists, also known as the Chicago school of thought, is most widely associated with Milton Friedman and calls for primarily a free market economy with little to no government intervention except through monetary policy i.e. money supply. The premise of the school rests on the idea that as productivity increases so must money supply, otherwise there will be an economic standstill caused by the chronic fall in prices and buyers will ask why buy today when it will

be cheaper tomorrow. Their approach is to keep money supply growing at roughly the same pace or more than the economy so that general prices remain stable or increase slightly year after year.

Mercantilists, who represent the developmental state model, however, believe the state plays a proactive role in the economy to guide and protect its major industries. They value national security and relative equality amongst citizens. Socialism also known as structuralism is at the other end of the spectrum whereby the state controls the economy. Prices set by state officials and an emphasis on state planning; theories here were developed and promulgated by Karl Marx, Vladimir Lenin and Fidel Castro.

In this paper we focus on the two dominant theories of neoliberalism also known as the Keynesian views that value economic efficiency and integrated international markets. Their policy tools involving petite monetary and fiscal policies that are only necessary for market function. The second pillar we discuss is that of Mercantilism where the state is an active member in the economy with the objective to increase national wealth and welfare. Mercantilism is centred around the ideals of legal, political and economic institutions framework and were justified in increasing national wealth (Scully, 1988).

2.5.1 *Neoliberal theory for trade liberalisation in developing countries*

Vamvakidis (1999) comments that the liberal approach to trade has seen trade liberalisation as the means for a country to increase its welfare beyond its local production parameters. Winham (2005) states that by a country focusing on its comparative advantage, it can achieve efficient use of resources that results in general overall welfare. Uganda, in this respect, can increase access to markets for its agricultural goods and increase foreign direct investment albeit in limited industries due to its small market size through open trade, with as many other countries as possible. According to Robinson and Thierfelder (2002), neo liberal economists believe that the free flow of goods is a public good as there will be gains in importing from the least cost supplier and selling goods at the best price that results in a welfare gain for countries developed or underdeveloped.

Many developing countries were characterised with having an abundance of unskilled labour engaged in agricultural activities, to quote W. Arthur Lewis (1954 p.141). There was an accepted fact of surplus labour, or “disguised unemployment” in less developed countries (LDCs), whereby the halving of labour in a sector would not affect output. In addition to this, Hallaert, Cavazos-Cepeda, and Kang (2011) assert LDCs were characterised by little to no basic infrastructure and were dependant on foreign trade through the production of primary commodities and export. A concern to the liberal ideology is noted by A. O. Krueger (1997, p. 4), where it followed that if these countries adopted policies of free trade then they would be focused on primary production; there existed pessimism by developing nations of this view due to the domestic low income and price elasticity of primary commodities. This led to the view of these countries to follow import substitution as the mechanism to achieve rapid growth. Chenery (1955, p. 52) mentions that "Industrialization consists primarily in the substitution of domestic production of manufactured goods for imports." A. O. Krueger (1997) and Boianovsky (2013) mention that the developments of these import substitution (IS) industries were heavily reliant on the protection of state, i.e. the infant industry argument, and thus became the foundation of the establishment of trade barriers and tariffs.

The inner orientated growth strategy failed for most of the countries, as it proved to enhance a stop and go cycle of economic growth (Bruton, 1998). According to Winham (2005), this may be explained in that as countries pursue IS opportunities, the evident opportunities shall be exploited first and these may lie in the realms of comparative advantage. The author continues to mention that as IS proceeds are supported by protectionism; the new activities may lie further and further away from the country’s comparative advantage and where developed countries have relatively high unskilled labour this results in more human capital-intensive activities. At a particular savings and investment rate, this results in a declining rate of economic growth, according to A. Krueger (1998).

For the reasons above and others, the appeal shifted to trade liberalisation mainly advocated by the GATT/WTO agreements. Globalisation or trade

liberalisation is by definition the removal of the barriers created in the IS phase of developing countries (Bruton, 1998). Table 3 details the successive tariff liberalisation developments since the mid-1990s. Uganda and Tanzania have liberalised their tariff schedule significantly, as can be seen by the reduction of the top rate, the number of tariff bands, and the tariff levels as measured by the Simple Average Tariff (SAT) and Weighted Average Tariff (WAT). Castro (2005) indicates that although Kenya's top rate and number of bands has remained unchanged over the same period, its SAT and WAT have fallen as a result of changes in tariff categorisation; products have been moved from higher to lower tariff bands.

Table 3 – Evolution of tariff structure for Kenya, Tanzania and Uganda

Country	Tariff rates	1997	1999	2001	2001
Tanzania	Top rate	50	25	25	25
	SAT	23.5	16.4	12.8	12.1
	WAT	18.4	20.9	10.9	11.1
Kenya	Top rate	40	35	35	35
	SAT	20.8	15.2	16.6	16.2
	WAT	16.1	11.1	13.6	10.9
Uganda	Top rate	30	15	15	15
	SAT	13.2	9.2	9.1	6.1
	WAT	10/7	n.a	7.4	7.7

Source: (Castro, 2005, p. 7)

Bhagwati and Panagariya (1996) and Panagariya (2000a) opposed the need for an alternative to the GATT/WTO through RTA's and argue that RTA's would likely reduce welfare for the member countries through trade diversion from the non-member countries which is possibly the least cost supplier and that this would dominate over trade creation. In A. O. Krueger (1997) and UNECA (2013)'s analysis, they note that there appears a correlation between growth of exports and growth of GDP, implying that countries with an open trade outer

orientation grow faster over time. Greenaway, Morgan, and Wright (2002) observed that their analysis suggests trade liberalisation may impact favourably on growth, but that the effect would appear to be lagged and relatively modest. Supplement to this, is that trade openness cannot be successful by itself and requires supporting government interventions in the correct fiscal and monetary policies. A. O. Krueger (1997, p. 18) states that "good-policy relevant theory provided blueprints for those windows of opportunity in which governments genuinely sought to improve economic performance, as was the case in Taiwan and Korea in the 1960's ".

Regional integration has a myriad forms which are not required for our discussion, other than when Mansfield and Solingen (2010, p. 146) refers to Russet (1967) in that a region is based on a "geographic proximity, social and cultural homogeneity, shared political attitudes and political institutions, and economic interdependence". Generally regional integration is an agreement between three or more countries where there is an agreement of preferential market access that is offered between the members (Winham, 2005). This inherently discriminates between members and non-member and goes against the core principle of non-discrimination in the GATT/WTO rules. Although this is discrimination principally, Crawford and Laird (2001) mention GATTs Article XXV that allows countries to form RTA's as long as the level of protection applied to non-members is not higher than the protection that existed before the RTA. Scholars are divided on whether these RTA's are a stumbling block to trade liberalisation. Gibb (1998) re-iterates Kemp and Wan (1976) in that the regional trade agreement may support multilateralism and expand till it culminates into the global free trade system by consolidating participants and unionising tariff structures. On the other hand, Panagariya (2000a, p. 328) argues the proliferation of trade agreements has produced a 'spaghetti bowl' of varying trade tariffs based on differing rules of trade agreements that shall result in the same inefficiency and trade diversion as in protectionism.

2.5.2 *Mercantilist view of trade*

The traditional opposing school of thought to liberalisation has been Mercantilism. J. Michael Finger and Nogues (2001) describes mercantilism as a balance of trade where 'apples are traded for apples'. In mercantilism, the state plays an active role in guiding and protecting the major industries. Theorists such as Joseph Michael Finger and Schuler (1999) continue to mention that the Uruguay round of GATT trade negotiations between the North and theSouth resulted in a damaging blow to multilateral liberalisation due to the real costs to the South in the implementation of intellectual property controls which was secured but the benefits of access to North markets was not. In general, Tsie (1996) and Mosoti (2006) suggest that this was the case for developing countries such as Uganda, due to the low level of market power in agricultural products, very limited industrial diversification; they were backed into a corner that resulted in agreements that were, in the end, not beneficial as they would have implementation costs but have to compete directly with countries with better productivity and financial muscle in agricultural goods. The Uruguay round resulted in an unbalanced outcome for the following reasons

1. Developing countries lacked WTO experience in negotiations; specifically on the effects of the agreements on their nations (J. Michael Finger & Nogues, 2001)
2. The U.S mercantilist views; where as a major power, it fiercely protects its markets from vital access of African products (Tsie, 1996)
3. The WTO changed from the GATT tradition of agreement by consensus to where a member refused to an agreement it would be "out", stripped of the protection provided in the previous agreement (Winham, 2005).

A view on the inner workings of the trade organisations is provided by a British official and noted by Toye (2003, p. 304)

> 'The interpretation of many of the articles of the Charter will inevitably depend on the economic strength of the parties debating them. We can therefore hope, as we regain strength, to be able to get an increasingly favourable

interpretation of the development and non-discrimination articles, provided that we remain on good terms with the USA'

There is a complex myriad reasons for a country to join an RTA

Reasons for regionalism

- Regional trade agreements involving key partners may have a high possibility of success, as the number of countries is small. Uganda being a small country aligns to this strategy, as Kenya is one of the key trading partners and has the largest market in East Africa (Whalley, 1998).
- Strengthening domestic reforms by agreeing to regional agreements can solidify domestic policy reforms. Regional agreements are predominantly agreed upon by state officials and institutions and once agreed can be cascaded down to local state bodies (Mansfield & Solingen, 2010)
- Increase bargaining power with the 3rd countries, such as that as individual small European countries that may have difficulty in negotiating with the U.S but as a part of the E.U the leverage would exist. This has some foundation for the case of Uganda, as it is a small country with very little trade contribution to the global economy (Whalley, 1998).
- Guarantee of Access to a larger market for a smaller country and thus provide security of access of their exports. Uganda's major trading partner is with Europe and Kenya, securing Kenya and increasing trade for the country's exports supports stability as Kenya is a larger market and a more industrial market (Mattli, 1999).
- Regional agreements can be the foundation of security arrangements that will support stability and lessen possible war in the region. Uganda being landlocked with numerous neighbours that can impact domestic stability and efforts that lessen this risk should be assessed (Levy, 1997).
- As a tactical purpose to increase bargaining power in multilateral negotiations. As previously mentioned, the U.S is the major economic power employing subsidies that protect its agricultural sector. Power and

strategic standing would be important to obtain concessions from the U.S and Europe to further open their market (Whalley, 1998).

This position could be the reason for the rise of the proliferation of RTAs across the world; according to Crawford and Laird (2001) 76 per cent of WTO members were part of a RTA, then this grew to 97% in 2000.

Chang (2002) refutes the statements by neoliberal advocates that free trade would lead to growth. He states that Britain and U.S that have advocated free trade have actually been the countries that have implemented strict trade barriers to protect their own industries. They only began to advocate for free trade once they had moved from being developing countries to be developed. Furthermore, in recent decades, economic development has been more difficult for developing countries once the developed countries began pressuring the developing nations to adopt “global standards” policies and institutions. Additionally, Tsie (1996) argues that embarking on trade liberalisation for development with a comparative advantage in agriculture would not bear fruit due to the US and the EU succeeding in achieving productivity outweighing those of the industry limited and labour abundant African developing countries. Furthermore, that neo-liberalism tends to ignore the realities of the structural position of developing countries in the world economy that includes debt-ridden developing countries with an unbalanced and asymmetric trading system.

Considering the fact that the main countries of Uganda, Kenya and Tanzania had previously pursued integration, what were the lessons learnt? Langhammer and Hiemenz (1990) notes, amongst others, that previously Kenya had a market orientated macroeconomic policy vs. Tanzania’s state planning caused them to regularly be at loggerheads, secondly, free circulation of labour was a major component missing in the previous framework and thirdly, a majority of the institutions subsequently were set up in Kenya, resulting in the call for compensation by Uganda and Tanzania. All these paid a substantial role in feelings of unbalanced benefit (Hazlewood, 1979). Have things changed since then?

2.6 Conclusion of Literature Review

The literature indicates that African LDCs historically have not benefitted from an inward orientated trade strategy. Furthermore, this has resulted in recent approaches by these countries to have a more open and freer trade orientation. Trade liberalisation has not come without its challenges as developing countries in the international trade framework face unfair competition against the northern developed countries' agricultural subsidisation and the complexity and costs of arbitration through the international frameworks such as the WTO. Furthermore, there are opposing views that developed countries had in any case reached their status through protectionism.

The proliferation of RTAs appears to have been a response to the above challenges. On one hand, RTAs do not have many success stories compared to the EU, but on the other hand, the multilateral trade regime through the WTO has faced deadlock rounds of late between the north and south countries with little progress in its aim for an open and freer trade platform.

The literature advocates that a more competitive trading framework is more beneficial than a less competitive one, but if the international community, or key trading economies, are not as open, will the benefit still hold? All these are questions still to be investigated and will most likely require a global view and context to identify a solution.

2.6.1 What are the components of regionalism that are driving Uganda's participation in the EAC?

2.6.2 What are the neoliberal factors that indicate the EAC is a step towards trade liberalisation?

2.6.3 What are the mercantilist factors that indicate the EAC is a step away from trade liberalisation?

CHAPTER 3. RESEARCH METHODOLOGY

In this chapter the methodology used to conduct the research is discussed. The first section on research methodology discusses qualitative research and its appropriateness for this study. Using a qualitative approach, the following topics are then discussed in the second section:

- Research design,
- The research instrument,
- Population and sample,
- Procedure for arranging and conducting interviews,
- Interview transcript analysis and interpretation,
- Limitations of the study,
- Validity and reliability.

3.1 Research methodology

The research is to be conducted using qualitative methodology. The research concentrates on experiences and understandings of individuals of the factors of the observed trade policy. In addition, qualitative research is adaptable allowing for in-depth discussion in particular sub-topics and the use of the respondents' own words to discover answers to questions raised. A qualitative approach is appropriate for this research as it is an exploratory study, and useful to expand the limited literature on the social and historical context on the topic using interviews.

3.2 Research Design

The approach to be conducted is that of unstructured interviews where substantiation of any facts provided in the interview shall be investigated. This particular approach is applicable due to the context of the East African Community as being a social construct by the leadership of the countries to bring

improved regional and international competitiveness and socio-economic development (EAC, 2011).

The advantages of qualitative research is embedded in a paradigm, which holds that reality is socially constructed through individual or collective definitions of the situation (Bogdan & Taylor, 1990). Moreover that the ideal qualitative study is that which helps the reader understand the definitions of the situation of that being studied (Goodenough, 1981). Through qualitative research the researcher becomes submerged in the life of the topic as described by J. Michael Finger and Nogues (2001).

Disadvantages of qualitative research are that the study may lack reproducibility and the ability of other researchers to arrive at the same conclusion. Furthermore understanding of the context is required, as mentioned by Piore (1979), as selected interviewees, especially in the public sphere may have been appointed to their position because their values fit the values of a particular constituency. Attention in the study needs to be applied to provide a view of the procedures and process to be applied that would enhance discipline in judgment by the researcher. Additionally where there is no strategic and rich description, the researcher risks not transferring the importance or context of particular areas onto the reader. The onus is on the researcher to base findings on the participants' descriptions and thus opens it up to criticism of bias (Madill, Jordan, & Shirley, 2000) and lastly, findings may change, dependent on who is observed.

3.3 Population and sample

3.3.1 *Population*

The population selected is important to ensure the coverage is representative for the general conclusions discovered (Stenbacka, 2001). The population of the research involve the following parties to the outcome:

- African economists,
- The Ugandan Trade authority,
- East African Community trade council members,

- Representatives of research centers providing policy guidance to government.

3.3.2 *Sample and sampling method*

The sample was 10 interviews across the above population. The number of people should be appropriate in obtaining a reasonable coverage of impacted parties while being cognisant of the limited time. Participants were contacted and a meeting scheduled to request their participation in the study. The process involved informing them of the study and its purpose and how their contribution may be used as a channel in expressing their views and concerns to a wider audience.

Table1: Profile of respondents

Description of respondent type,	Number to be sampled
Uganda Economic, Finance and Panning Authority policy representative	1
Uganda EAC Ministry policy representative	1
East African Community policy representatives	2
Multi National Trade policy consultants representatives	3
Economists	4

3.4 The research instrument

The research instrument that was used is the open-ended unstructured interview because of its exploratory nature and thus its ability to be adjust based on the respondent's answers. Furthermore, according to Piore (1979), this instrument allows the respondent to reveal an understanding of the socioeconomic reality that may actually reflect reality. This is critical in diving deeper into an aspect, when required, that could enlighten the context.

In addition, an unstructured interview allows the respondent to express himself/herself in their own words and helpd develop a perception of their understanding of the situation. The value from this is that this perception may

allow the observer to possibly model the participant behaviour for economic research purposes. Lastly, the observer in this type of study may also be considered a research instrument, as it is their views and interpretation that may impact the outcome of the study.

3.5 Procedure for data collection

Specific groups of people for an Interview that lived in the specific context or situation being observed were identified. Respondents were interviewed in person with a recorder machine. Subsequently all recorded interviews were collected and uploaded into a computer for thematic analysis

3.6 Data analysis and interpretation

The data was analysed using thematic analysis. Thematic analysis is the process of detecting and categorising prominent themes and patterns of behaviour (Aronson, 1994)

The process involved the collection of data, using audiotaping of recordings before transcribing the data. From the transcribed data, patterns of themes were identified, using direct quotes or summarising common ideas. The next step was to expand on these categorised themes by identifying all the data that relate to the themes. Identifying and cataloguing the data related to the main themes and thus allowing the researcher to create categories of the data and expand on the identified patterns (Madill et al., 2000). Important to note; is that the process of interpretation involves a relationship between the observer and what is being produced and as such; conveying these aspects to the reader and participants is fundamental (Madill et al., 2000).

3.7 Limitations of the study

- Potential limitations included the skills of the interviewer to know when to probe questions. The impact of this is missed opportunities to gain situational contexts.

- This process was a costly endeavour compared to using questionnaires and costs associated in scheduling the meetings with some of the participants, as the offices may only be a specific country or city.

3.8 Validity and reliability

The issue in validity is a question of whether the intended item being measured is actually being measured. For reliability it is the capability to reproduce the same result over and over again (Stenbacka, 2001). External validity

The research meets the external validity as it has the data collected using recorded audio of interviews, conversations and interview transcripts of participant interviews from a wide spectrum of interested parties on the discipline. This process of triangulation assists in minimising bias by 'weighing one account against the other' (Madill et al., 2000) . Madill et al. (2000) note Fielding and Fielding (1986)m when they state that triangulation provides a richer picture not an objective one. In addition, sharing of the biases between the reader and the participants is an important factor in the reader's assessment of the research.

3.8.1 *Internal validity*

The analysis of the transcription and oral audio recordings of participants were verified against written records (Mays & Pope, 1995). Where possible, findings from the interviews were reverted back to the interviewees to ascertain whether they found the results a reasonable account of the context or situation. While it was possible that various interviewees mighht have different accounts, it was important that those accounts were plausible. The reader in this research aimed to maintain a holistic view; keeping the big picture in mind.

3.8.2 *Reliability*

The research meets the external validity as it has the data collected using recorded audio of interviews, conversations and interview transcripts of participant interviews. Secondly an identified independent observer reviewed the

identified themes and sub-themes. A meticulous data recording process and review was critical to achieve reliability in the research process (Mays & Pope, 1995). The audiotapes provided the capability for external observers to perform subsequent analysis. The thematic analysis was conducted and documented to indicate the identified themes and sub-themes. In addition, corresponding direct quotes and phrases that related to the themes from the data were highlighted and provided.

CHAPTER 4. PRESENTATION OF RESULTS

4.1 Introduction

The results from the research are presented in an order that develops the views expressed by the interview participants. The results were obtained following thematic analysis of the semi-structured interviews conducted to address the research questions posed in the research methodology chapter. The results are presented in the following main themes.

a) History and culture of the region
b) Regional member concerns and convictions
c) Security and stability as a regional agenda
d) Market access and resources
e) Negotiation/bargaining power
f) Training ground in knowledge, capacity and skill
g) Lessons from the previous EAC
h) Deeper integration and the developmental agenda

4.2 Results relating to research question 1

In exploring the factors relating to research question 1 involving aspects of regionalism in Uganda's participation in the East African Community; a number of themes on politics, social and economics were discovered under the themes history and culture of the region, regional trust, security and stability as a regional agenda, regional access to markets and allocation of resources and competitiveness of economic agents.

4.2.1 *History and culture of the region*

All respondents have mentioned the shared history of the major East Africa country members is a strong impetus for regional integration. Kenya, Tanzania and Uganda were British colonies. The EAC existed before their independence

as a group shared common services such as the East African Railway and the East African Postal service. Beyond these shared services that provide the people of the region a common reality around these services, the participants all noted the commonality in cultures. One of the participants is quoted as saying in relation to the people of East Africa “The culture is the same and what they grow in terms or productivity is almost the same, common preferences and foodstuffs” while another mentions “We are culturally interconnected; there is a historical background from the wars and support we received from our neighbours have enhanced integration”.

This leads to the common regional language of Swahili being spoken by Kenya and Tanzania; which participants’ mention greatly aids communication and co-operation between the countries, such as the ability for traders across Tanzania’s and Kenya’s border to trade. One of the respondents comments “The region shares a lot of languages, and tribes that is only separated by colonial borders. The same people interact; engage in cross border trade and in cross border marriages etc. That’s why the EAC slogan is one people, one destiny”. In the case of Uganda, Swahili is an artificial official language introduced in order to foster solidarity with its neighbours. One respondent commented on the challenges for the current generation to adopt Swahili but it is available at schools and is seen as a long-term goal for the future generations to absorb. Swahili as a medium of instruction is yet to be established in the region, currently English dominates the business medium, and thus according to one respondent “Tanzania established the medium of instruction in Swahili, which has put the country a bit back because the overall medium for doing business in EA is English but the tools to make Swahili as the medium for business aren’t in place regionally” - this disadvantages Tanzania as its English proficiency is deficient in the region compared to the other members.

Furthermore, two respondents mentioned the family linkages between countries. A number of families have intermarried in the region for various reasons. Kenya has a large Ugandan community as they immigrated there for job opportunities and Uganda has a number of Rwandese; who were previously refugees during the country’s civil war. An example is provided by Mr Kiguta,

Director General of EAC, where he comments “take the Awori family for example where there are two brothers, one was vice president of Kenya and the other a politician in Uganda’s government”. This indicates that there are a number of the same people straddled across artificial colonial borders such as the Awori and Masai people.

4.2.2 *Regional member concerns and convictions*

A number of respondents mentioned varying expectations and convictions as a factor between the members of the region. Dr Shinyekwa of the Economic Policy Research Centre mentions, “Tanzania have fears that Kenyans and Ugandans will take over everything. To a certain extent they are right, under the provisions of the freedom of movement of persons. They fear Ugandans will buy out the land, as they [Uganda] have had experiences with military buying all the land”. This indicates that there is concern by Tanzania on some of the articles of regional integration that would allow free movement of people and ability of other members’ citizens to purchase Tanzania lands for their own interests. Further concerns arise, as mentioned by the respondents, due to the view that Tanzanian human capital citizens are not as proficient in skills as to compete with the other partners. Furthermore, the size and potential of the Tanzania market is large, Miss Nderitu from the policy advisory TradeMarkEA, states “Tanzania is a very big market that everyone wants to get into”, it has a large coastline and mineral resources yet to be fully utilised which are of interest to the “aggressive” partners such as Kenya. Miss Namara, senior economist at the Uganda department for the EAC, comments that “It is Tanzania that feels that they don’t need us [EAC] much because they have their foot in the SADC” Only way to cure Tanzania problem is through the tripartite free trade and thus remove the edge Tanzania has”.

There is also concern on the governance structures of the members. One respondent comments; “when you look at Uganda, Rwanda and Burundi, they are not changing leaders. Constitutions are amended, military is in government and parliament. So the question is what type of leadership do we have? The military factor is strong in Burundi, Uganda and Rwanda. On the political side

this affects the fathering of the region. To be frank we (Uganda) are not trusted. Military leaders rule Rwanda and Uganda with a stronghold on their countries politics. Kenya and Tanzania have managed to have transitional leadership of late. The concern is what type of rule shall prevail under political integration?

Lastly a factor impacting trust in the region is the ability of the countries to agree non-EAC deals behind members' backs. While there is no evidence or example of this in the current EAC structure there are no sanctions for those that contravene the rules and thus allows for abuse. A respondent remarks, "Implementation of agreements [EAC] is not as thorough as we would want it to be. We do not have mechanisms to hold partner states to account; we only urge partner states to implement what has been agreed". Moreover member countries could be approached or approach 3rd parties to agree a deal not on the table with EAC countries. One respondent argues, "As part of the current treaties and protocols, an EA country cannot broker its own bilateral deal different to our agreed tariffs. When a country negotiates bilaterally it must share it with the other countries in order for them to study it and ensure it is consistent with the EAC protocols".

4.2.3 *Security and stability*

All the respondents have stated the growing factor of security and the stability in the region as a major draw card for regionalism. The majority of respondents stated the prevalence of tensions in the region that considerably affect stability and security in the region and Uganda. Issues such as post-election violence, rebel activity such as the LRA and stability of neighbouring countries, such as South Sudan and Somalia, have sizeable impacts on an EAC country's stability. A respondent states "Why do you think we [Uganda] are in Somalia when it is in disarray its because the region had many guns coming through. Why do you think Uganda is in Sudan, any instability there would affect us dramatically on a security aspect." For Uganda especially, this is paramount as it borders a number of countries and is not physically large in area.

One respondent comments how "Initially security wasn't a factor, but it has now become a serious factor… We have security protocols, mutual defence pact

etc." Regionalism allows countries to consolidate initiatives such as co-ordinating military activities in Somalia to limit spill over effects into Kenya and Uganda. Regionalism furthermore allows member countries to apply pressure to a member country that is going through post-election violence in order for the warring factions to foster stability and chart a way forward such as the election violence in Kenya and the current Burundi election violence.

One of the elements of the EAC mentioned by a respondent is that previously security and stability were not priority items of the agenda of the EAC but it has been growing as tensions flare within countries such as the Burundi crisis and Westgate shopping centre attack in Kenya. Economist Mr Mondi comments "regions are attractive when they provide stability and one voice."

4.2.4 *Market access and resources*

All the respondents mention the economic benefit of market access and market size of the region as a major pulling factor. The larger the market the more economies of scale can be applied; lower average unit of cost of production. Individually the countries are small fragmented countries as mentioned by a respondent but with an integrated larger market the scope for market activities increases. The respondent remarks "On an economic perspective an integrated market makes it possible for economies of scale to operate, rather than small fragmented markets. You are able to do more business, attract more investment, and produce goods more competitively". In addition the ability to attract investment to improve the dilapidated state of infrastructure in the region is easier to attract. Investment is easier to attract because the number of economic agents for a power utility project can be considered for the proposal such as selling electricity to the neighbouring partner states. The EAC DG states, "the secretariat acts as an honest broker where we identify, mobilise partner states and resources and we find that it's easier to sell a project for a transnational project than for a national road. In EA we have identified regional corridors between the countries… Tanzania uses power from the Kenya side… We are interlinking our networks.".

Another factor stated by respondents is the pooling of resources. Countries such as Uganda and Rwanda are landlocked countries with access to ports a key strategic point for them. Regional integration allows country ports to not only be considered as national assets but as regional assets. A senior economist from the ministry of the EAC elaborates by stating “We [Uganda] are also a landlocked country and our strategic entrance to being a member of the region, is to have access to the sea. We want to be as united to the region as possible so that we feel that Kenya is part of us.” Furthermore a number of respondents mention that there are a number of initiatives that allow collaboration and co-operation with integration. The EAC has embarked on the harmonisation plans between the member states; not only tariffs but also health, education etc. with the aim of achieving an outcome larger than each member state trying to achieve their goals on their own. A respondent mentioned that the harmonisation greatly improves the ability of businesses to operate as it reduces the bureaucracy involved.

Senior economist at a policy advisory institute, Mr Langalanga, advocates that larger markets, through regional integration, tend to only benefit the more developed partner state…As such the benefit must be in the development of regional value chains in order to benefit all member states. The respondent further comments that regional value chains have increasing importance for LDCSs; ”the less economically developed you are, the more you are to benefit from regional integration, which is driving by value chain rather than market. A value chain requires the use of various country competitive advantages of the countries for production.”

The same respondent highlights a diverging view of regionalism in the sense that regionalism can be focused on fostering economic hubs more than just the elimination of borders between countries. He mentioned that there were studies on the benefits of creating linkages such as between two economic centres situated in two different countries. “It would make more sense to create more linkages in infrastructure and for firms in the towns to feed each other beyond the country borders. If you look at most countries it’s rare to find the capital

centrally located, so you try and create linkages between the nearest economic centres."

4.2.5 *Competitiveness and collaboration*

Most respondents emphasised the poor conditions of the individual countries to foster competitive industries. One stated that transportation costs are amongst the highest globally, electricity prices are high and, as such, production costs as well. Predominantly this greatly limits the competitiveness of businesses and institutions in the region and thus the member countries. Most respondents have stated that regionalism in the EA perspective, is about pooling certain resources in order to be more effective and compete better. A number of respondents commented that working within the region allows members to compete and co-operate amongst themselves, which helps them sharpen their skills to compete against the rest of the world better. The focal point, as mentioned by another respondent, is that the region becomes a playing field for institutions and firms to increase capacity and know how. The TradeMarkEA Director of Tanzania, Dr Kap-Kirwok, comments "I like to look at regionalism as testing your skills before you go to the big leagues. When you start competing as a region you hone your skills that prepare you then to take on the world and play at the global stage. I believe that it is part of the reason why under the WTO rules it is allowed."

Furthermore a number of respondents state there are protectionist mechanisms in place that favour local industries but that this is meant to be for a period until such point as these industries and initiatives have developed the required competitiveness, Economist Langalanga states "if the region is protecting sectors than it should have a sunset. There may be protectionist measures in place but they should be in place only for a period."

4.2.6 *Lessons from previous EAC*

Most respondents identify the challenges being faced in the previous attempt at a regional community as divergence in political ideologies amongst the

members, impetus and co-ordination lay primarily at presidential level. Mr Byomugisha from the Ugandan Ministry of the EAC states “one of the weaknesses was that it was politically driven and some of its key decisions depended on the whims of the leaders at the time - Presidents Jomo Kenyatta, Milton Obote and Julius Nyerere” and lastly that political tensions were raised when military dictator Amin came into power.

The findings from the interviews conducted indicate the following as lessons learnt:

- Regional member states have convergence in political ideologies as all countries are focused on capitalism and market economies.
- Secondly, regional institutional governance is structured on ministerial leadership between the member states and not the presidential executive.
- Thirdly there is the participation of the private sector and not for profit sector (which was absent previously) as the driving agents for regionalism.

Mr Kiguta, Deputy DG of the EAC, states the above in his view that “with the current EAC the presidents of the countries provide impetus and guidance but do not have a role in the administration of the EAC, this is mainly managed through the ministers of the countries. In addition in that time we didn’t have a private sector to speak of. So you find the previous EAC didn’t factor the role of the private sector and civil sector. The current EAC is multilevel and that’s why we have a forum for private sector to influence and participate with the EAC.”

4.3 Results pertaining to Research Question 2

In exploring the factors involved in regionalism being a stepping-stone to multilateral trade; a number of themes were considered, such as bargaining power, predictability and framework and preferential treatment.

4.3.1 *Bargaining/negotiation power*

All respondents stated that regionalism with neighbouring countries provided the bloc a stronger negotiating power position when in multilateral negotiations. One respondent mentioned the reality of countries in East Africa being small countries that do not impact global trade and result in an inability to influence global policy. Furthermore, the world will continue to trade, with or without the country. Being able to garner votes that are in the interests of the countries is important to impact decisions and thus regionalism is a dynamic in geopolitics. This is fundamentally important as mentioned by Miss Nderitu who comments "one element is about yes…no tariffs, but there are so many supply side issues that we would like addressed, issues to do with technical barriers that we also want addressed. We don't have the clout for lack of a better term to push these issues through". Issues include Uganda advocating for the access to developed nations for agricultural goods and the limitation of subsidisation policies applied by developed nations that make their goods more competitive. In this regard; going to multilateral negotiations with the market size of 120mill, etc., speaking in one voice, increases the probability of reaching a valuable outcome. In the words of the Deputy DG, Mr Kiguta, of the EAC "one of the benefits in negotiation [multilateral] is that you pool resources, human resources when negotiating with other countries and region. You are likely to broker a better deal than doing it alone".

One respondent commented how stalled activity of the WTO Doha round was not by any activity of the EA countries but by the increase of influence of India, Brazil and China and how it cannot be assumed that these countries have the same interests as an LDC such as Uganda. Miss Nderitu of policy advisory TradeMarkEA states "I think the WTO is still in the grip of the big boys, the developed countries, that still have the means to arm twist us in agreements and until countries like China and India became strong it was difficult to hear the perspectives of a developing country. "

4.3.2 *Predictability and framework*

Most respondents have stated that the advantage of the multilateral trade framework of WTO, which is seen as the governing body of multilateral trade, is its predictability. They have a set of rules that all members must adhere to. Rules and guidelines such as the matrix of Rules of Origin that simplify the trade of goods amongst countries and ensure states speak the same language. Secondly is that with these rules, there is an implication of predictability in outcomes.

Furthermore there is an arbitration process that allows parties to provide evidence where rules have been contravened. Senior economist at the Ugandan ministry of Economic and Finance Development states, “The WTO provides a global constitution where all the rules set nationally or regionally must be aligned to. The WTO is there to settle disputes and ensure fairness in trade at the international level. If you look at it in that sense, then those are the advantages.”

4.3.3 *Particular agreements designed for LDC countries*

A number of respondents advocate the immense advantage provided by agreements focused on Least Developed Countries. These agreements, such as the U.S AGOA agreement and the EU EPA, have provided access to markets and established linkages in the global chain that would only have occurred under the WTO and thus cannot be underestimated. Prof Shinyekwa from the Economic Policy Research Centre advising state policy remarks “Included in multilateralism there are so many clauses in the major agreements, some of those have to do with preferences aimed at development countries, these AGOA’s arise all because of the provisions of the framework, and we cannot underestimate that.”

4.4 Results pertaining to Research Question 3

All respondents advocate that there is some level of protectionism inherent in regionalism. A number of factors emanated from the discussion around the

multi-faceted aspects involved in trade, the training ground argument, time and bureaucracy and development industrialisation. These themes straddled between push and pull factors towards the regionalism as a protectionist mechanism.

4.4.1 *Training ground in knowledge, capacity and skill*

Most respondents have indicated that there has been a deficiency in capacity and skill in negotiations in the multilateral level. Regionalism allows the country members to co-operate and build capacity to increase their competitiveness. One respondent comments “we [East African countries] don’t have the clout in the understanding of issues, I think in some of the areas, I think we don’t a thorough understanding of how EAP [example] will have an impact on our region…” Furthermore they did not have a clear vision of what they were trying to achieve and consequently unbalanced trade agreements were entered into. Regionalism, as advocated by a number of the respondents, provides a platform to harness those skills and practice them in a safe environment. Mr Kiguta, deputy DG of the EAC, argues “Previously our pool trade experts and negotiators were few, I think now we have built up capacity to negotiate in EA, through negotiating between ourselves. Negotiating the customs union, the treaty, common market protocol and other legal instruments I think have been a training ground for EA experts. Of course I recognise developed countries have better facilitates, more exposed and negotiate with different countries. I think we [EA] are starting to develop good negotiators and being on guard.”

A number of respondents have argued that trade liberalisation offers short terms gains at the expense of more sustainable development agendas. Pan African advisor, Prof Boateng, remarks “We have a tendency to have what I call short-term gain, long-term pain syndrome. Where we look at things at mainly a price perspective, if goods come in, our people will be happy in terms of affordability. But have they looked at the implications in terms of employment and income to the national fiscus.” He argues that while “open trade allows for a cheaper supply chain and cheaper goods to consumers, now, if the country is not ready, it risks limiting the capacity to development employment needed for

the consumers to purchase goods later. “ Furthermore, Senior Economist, Prof Alagidede, supports this in his comments “you can go anywhere in EA and you see the influx of products from every part of the world yet you go to the western capitals you do not see the key exports from EA countries. There is an obvious terms of trade mismatch here between what you are receiving and what you are giving up”

4.4.2 *Time and bureaucracy*

All respondents mention that the issues of the multilateral trade framework of the WTO have greatly spurred the proliferation of regionalism. Prof Shinyekwa from the Economic Policy Research Centre, states, “One big advantage is that multilateralism is what has produced regionalism. The failure of multilateralism has spurred the advantages of regionalism”. Respondents advocate that the last Doha round was 2001 and failed to find consensus, it has been more than ten years since another round has been conducted. They state the reasons for stalled multilateral negotiations have been the impasse between the North and South countries. As such, countries on the periphery have needed other mechanisms to drive their development agendas i.e. regionalism and mega-regions.

A number of respondents have also advocated the difficulty in the multilateral trade framework addressing their issues. Dispute resolution is expensive as evidence and presentations need to be conducted as well the scheduling of the hearing of disputes is often at a distant date. Prof Alagidede comments “we [African countries] know things are being dumped but how to prove is a big issue” that countries such as Uganda and its neighbour with limited finances often cannot afford or do not have the capacity to research evidence required to enter into dispute at the WTO level. Furthermore, that in the region where you have regular discussions, it is easier to address issues as part of the various agendas on the table. MD Mr Kap-Kirwok from TradeMarkEA Tanzania, comments, “What countries are doing most, especially the EA countries. They are pursuing two tracks; they are members of WTO and subscribe to a large extent to the WTO rules. So they want to participate at the global level, so

whatever is agreed they got those benefits but at the same time while that is going on and is a slow track, why can't we have our own groupings and move faster. They have one leg here and another leg in the region".

4.4.3 *Deeper integration and the developmental agenda*

A number of respondents have advocated the complexity in regionalism in the region not being purely about the economics. They advocate that the regionalism allows for the application of a development agenda that is centred on trade. Senior economist at the Ugandan ministry for Economic and Finance Development states "infrastructure development, pooling of resources and providing a one business package assists in obtaining finance for them, WTO won't assist in increasing FDI to a country. We attract investment because we are a bigger market now. Increase in competitiveness through acting on the ecosystem of trade such as customs clearing that improves our transport lead times." This indicates the deficiency in the current multilateral trade framework as mainly focusing on the commercial aspects of trade and not taking into account the dynamics of a region.

A number of respondents advocate that the industrialisation is at the core of the EA integration. Multilateral trade does not address industrialisation. A respondent stated that EA regionalism is more about developing the infrastructure that is hindering local competitiveness than it is about market access. With regionalism, member countries can attract the finances and provide the consumer numbers and purchasing power needed to create business plans that fill these gaps. Prof Shinyekwa, from the Economic Policy Research Centre, states, "I look at this regional integration as more developmental. There are many things these countries can do jointly than individually… At developmental regionalism, you look at whatever you do as being part of a region. Your economies are more intertwined. Right now Africa's intra-trade is at 13% because the markets are not connected. Before talking about access to markets let's first develop the region. "

Prof Boateng remarks on open trade, "how we open our markets and level of openness, there's a disconnect, that I have an issue with…we should try and

protect certain sectors. It's unequal because we are not competing on the same level, they are advanced and we are not. That's why a lot of industries have collapsed." One respondent moreover mentions that is what is wrong with protection, as all countries have applied protectionism, especially the developed countries. Countries such as Uganda have agreed on approximately 65 lines that are sensitive in nature i.e. sensitive list, where they can provide extreme tariffs or quotas in order to protect that industry. Senior economist Ndyomugabi, from the Ministry of Economic and Finance Development, argues that while regionalism inherently involves protectionism, the EAC has less protectionist measures overall in his remark "the sensitive list is only about 4/5 products by each country, so it is not applied on a large number of products. There still exist a number of products that have high tariffs but it is overall less than before."

4.5 Conclusion

The findings of the interviews in terms of question 1 draw strong indications that Uganda's concerns are being addressed with regionalism, namely that of security and stability in a region regularly dealing with intra- and extra-territorial tensions. Regional co-operation facilitates addressing fertile grounds for instability. The economic reasons are evident amongst respondents; larger markets increase potential for FDI and scalability of domestic firms. The importance of attracting investment is highlighted as being central in a development agenda to overcome the dilapidated infrastructure in power, transport, etc. Furthermore a strong positive cultural and historical context defines the region and speaks to the level of homogeneity prevailing in the region.

With regard to question 2, the results highlight bargaining power as the prominent driver that allows for a more beneficial participation in multilateral frameworks. Through the consolidation into one voice for the region, issues that arre specific to these members are more likely to achieve a valuable result. Furthermore, institutions such as the WTO are viewed positively in providing the constitution for international trade and the preferential agreements provided to LDCs.

Question 3 brought out discussions centralising the concept of deeper integration and the difficulties in conducting WTO trade rounds in recent years as push factors to regionalism. There is acknowledgment of protectionist measures inherent in regionalism as a means to become more competitive.

CHAPTER 5. ANALYSIS OF THE RESULTS

5.1 Introduction

This chapter discusses the results from the findings of the case study on Uganda with regard to trade liberalisation and regionalism. Furthermore, in this chapter we review the literature against the results of the interviews to pull out similarities and deviances. We analyse the literature with regard to the findings of question 1 that relate to the regional factors involved in the integration of East Africa. The findings are compared to the theory on drivers of regionalism, especially with regard to developing nations. In addition to this is an analysis on what the results of the findings were on the differences encountered between the current EAC and the previously failed attempt.

The fundamental goal as presented in chapter 1 is to determine what aspects need to be considered for Uganda between defining participation in the East African Community versus trade liberalisation. This study gathers importance in light of the global geopolitical transitions; more regional blocs are being formed and the foundations and drivers of regionalism are in place for East Africa. For a landlocked country, such as Uganda, the ability to understand shifting trends as well as strong considerations of the path embarked on is valuable intelligence. Assessment of the findings of question 1 provide a perspective of the agents on the ground, their views against the theory and whether or not the findings align to regional economic theory.

Afterwards, the results to question 2 are discussed, detailing the findings of what the arguments were that were presented of the neoliberal arguments for trade liberalisation. These findings are compared to the theory on neoliberal regionalism factors for trade liberalisation

Following which, we review the results to question 3 and we detail the findings of the arguments presented of mercantilist arguments of regionalism. These findings are compared to the theory on regionalism aspects that identify with mercantilism.

5.2 Discussion pertaining to research question 1

5.2.1 *Proximity and cultural homogeneity*

Mansfield and Solingen (2010) reference Russett (1967) where he defines a region as one with social and cultural homogeneity, geographic contiguity, shared political attitudes and institutions and economic interdependence. Below is a list of attributes, amongst others, pertaining to regions according to Thompson (1973):

- Proximity on geographic region
- Interrelatedness whereby a change at one point of the system affects other points
- Geographically a historical zone
- Some degree of shared ethnic, linguistic, cultural, social and historic bonds

The East African Community constitutes a collection of five countries neighbouring one another, satisfying this concept. Uganda and Tanzania are the EAC members that border at least three other members. From the interviews held, respondents have commented that trading with your neighbour is easier and preferred due to a number of reasons, notably the distance.

In terms of the region being an historical zone, this attribute is unquestionable as through the history of colonialism the three major members had the same British colonial structure, as well as shared services under the colonial administration. One respondent mentions that the current endeavour constitutes a restoration exercise, as a number of the initiatives currently being embarked on, previously existed.

From the interviews, respondents commented on the social and cultural homogeneity and interrelatedness aspects of the EAC. From the interviews respondents highlighting the following:

- The region had the predominant language of Swahili spoken in the two major members of Kenya and Tanzania and currently an official language in Uganda (the countries with the highest population in EAC)
- Similarity and interrelatedness in tribes and tribal customs in the regions. A number of tribes such as the Masai and the Awoli people, for example, reside in both sides of the border between Kenya, Uganda and Tanzania
- Strong historic ties with Uganda's participation in harbouring refugees during the Rwandan civil war, considerable Ugandan immigrant community in Kenya and the shared services of the East African community.

Following the comments from the respondents and the literature, there appears strong evidence of the cultural constructs of a region in the East African Community. The outcomes from the interviews can be considered to illustrate the contextual dialogue, patterns of persuasion and communicative logic informing the East African Community.

5.2.2 *Security and stability*

Security regionalism involves states within a region embarking on collective security mechanisms, security regimes and co-operative security dialogues. This is ventured into due to the shared political ideologies of the ruling coalitions in the region (Solingen, 1998). States have the potential to achieve positive gains by trading with their allies rather than with their adversaries as they are able to aggregate their military-political power and improve their common security (Mansfield & Solingen, 2010).

According to Mansfield and Pevehouse (2003), empirical studies have shown that increased trade between states in close proximity has reduced military conflicts. Furthermore, heightened commerce raise the cost of military conflict and that PTA's can inhibit interstate aggression by the establishment of platforms for negotiation and facilitation of resolutions. Aptly stated by Keynes (1919, p. 249) "A free trade union…might do as much for the peace and prosperity of the world as the League of Nations itself". The quote applies

considerable weight on the footing of trade amongst states to limit conflicts amongst them. One could go further to assume that while trade amongst countries inhibits interstate conflicts, it probably also may apply to the intrastate conflicts that prevail in African states.

All the results from the interviews support the literature constructs of the importance of security and stability in the region as a major factor for regionalism. The findings emphasise the joint military pacts of the EAC that have culminated in regional military training and exercises conducted in Uganda. The establishment of security protocols and mutual defence pacts is testament to a forum for security co-operation and negotiation.

Secondly, the literature supports the findings of military coalition activity in an aim to improve common security. This is evident in the activities of Uganda and Kenya co-ordinating military actions in Somalia to limit and address conflicts in that country that could rise to instability in the region or a proliferation of weapons. In addition, the intra state conflict experienced by resolution of the post-election violence was greatly influenced by the outspoken criticism of Uganda and Tanzania. Another example currently playing out is in the Burundi election violence that is also being criticised and monitored by the EAC. This aligns to the literature where, according to Mansfield and Pevehouse (2003) trade agreements can institute expectations on state behaviour, facilitate co-operation when deviations to this behaviour is identified.

Thirdly, the importance of securing markets is highlighted in the results as the interviews consistently comment on the advantage regionalism provides Kenya. Historically Uganda has been Kenya's second largest trading partner behind the EU and is a key market. Due to the country being slightly more developed, regionalism assists its producers to shore up economic benefits. The economic benefits are not one-sided as there has been increasing intra-country trade, albeit from a small base.

The above points to a growing reality observed that security and economic regionalism are closely related. Furthermore, the initiatives pointed out assist in maintaining stability in the region. According to Mansfield and Solingen (2010)

regional co-operation may reduce the expenditure in fruitless military investments. Our findings support this supposition as it highlights the regional targets to reign in on debt to GDP levels by a particular date and thus would impact military expenditure; currently we have seen a considerable drop in Uganda's expenditure from 2.2% in 2005 to -1.8 in 2009 (Perlo-Freeman, Cooper, & Ismail, 2012).

5.2.3 *Markets, competitiveness and resources*

Regionalism can confer two principal economic benefits; it can provide a larger market and secondly, it can increase the attractiveness of an economy to possible investors (Mattli, 1999). The former benefit advocates that a larger economy will allow the industries in the economies to produce more efficiently via economies of scale. Economies of scale are the result of lower average cost per unit from the large-scale production achieved by the larger market. By achieving the lower average unit cost, firms are able to achieve efficiencies that result in increased competitiveness by firms. Omilola (2007) references Corden (1972) in stating that economies of scale may result in lower output prices as firms in the region capture larger markets for products both domestically and abroad. In addition, regionalism is likely to create spill over effects between producers and consumers and allow the realisation of mutually beneficial projects in the production of public goods such as connecting rail and road networks.

Secondly, the larger market improves the attractiveness of the region to investors. A company that was previously exporting to the individual countries may find the unified region appropriate in size to for local production i.e. Foreign Direct Investment (Mattli, 1999). Furthermore, FDI inflows could increase as firms look to take advantage of the comparative advantage in low cost labour, especially in respect to LDCs.

An additional point of view provided by Langhammer and Hiemenz (1990) is the developing countries equate rapid economic development with expansion of the industrial base. As such, anything that lowers the additional cost of industrial output, through participation in regionalism and the potential for economies of

scale and comparative advantage, would be preferred and seen to increase welfare and development. The author goes further to warn that countries could feel transgressed if they find expansion in the nonindustrial sector compared to the industrial sector or if a powerful member in the region succeeds in providing high-cost products without compensation.

The findings from the interviews have conveyed a focus on development regionalism around the concepts of increasing the regions competitiveness. Respondents have highlighted the following:

- The mobilization of resources allows for the EAC to act as a broker to identify partner states and resources to sell transnational projects such as regional corridors, for example the interlinking of power grids between Tanzania and Kenya in Namanga. This is of high importance to the EAC as it grapples aging infrastructure that is a constraint to regional competiveness.
- Firms operating in the region's small and fragmented markets are less constrained with regionalism as they increase production to reach a market of approx. 120 million and achieve economies of scale. The advent of Kenyan banks and retailers in the region is testament. Further to this is the proclivity that through regionalism there will be increased quality assurance protocols to further enhance regional competitiveness. MD, Mr Kap-Kirwok of TradeMarkEA Tanzania, remarks "on an economic perspective an integrated market makes it possible for economies of scale to operate, rather than small fragmented markets. You are able to do more business, attract more investment, and produce goods more competitively."
- Albeit from a low base, there is increased capacity in manufacturing and where previously Kenya was a considerably dominant industrial nation in the region, currently countries like Tanzania have been increasing their industrial capacity.
- Participation of economic agents such as private firms in EAC business forums to drive agenda and lobby for policies that improve operation.

At the core of the EAC are the economic fundamentals described above of a developmental agenda to improve competitiveness through improved infrastructure, and mobilisation of resources to achieve economies of scale in collaboration with the private sector are closely supported by the literature.

5.2.4 *Lessons from the past*

In 1967 the first foray into the EAC was established; by 1977, approximately just ten years, the EAC was no more. The previous EAC was focused on the establishment of a customs union, consequently the EAC failed due to a number of reasons, but particularly the following:

- Dissatisfaction with the distribution of benefits, as the headquarters for various services were located in Kenya as it was the most industrial country of the region and thus the income and employment benefits appeared to accrue there (Mugomba, 1978).
- Complicated Community government where ultimate control rested with the Presidents of the three countries. It is argued that a government based on compromise at the ministerial level would have made the community less disaster prone (Hazlewood, 1979).
- The military coup of Amin in 1977 created tensions between the presidents, as Tanzania was accused of harbouring forces aimed at toppling his regime. This resulted in the isolation of Uganda and limitation in its participation in EAC (Mugomba, 1978).
- The opposing ideologies of the capitalist Kenya and the socialist Tanzania kept the countries at loggerheads. Their ideologies did not aid co-operation, as there were continuous divisions on approaches to initiatives (Potholm, 1979).

The results from the findings are supported by the literature in that these are well-understood themes for the dismemberment of the EAC. The findings go further to identify the measures taken to ensure the challenges previously faced do not recur; the following were identified:

- While previously the whims of the EAC depended largely on the whims of the leaders, the current structure is based on ministerial level committees with the role of presidents of the countries to support and provide guidance and the presidents do not have a role in the administration of the EAC.
- Respondents identified that the previously divergence in political will between countries is no longer the case. The contemporary foreign policy of the countries is largely the same with all countries focused on market led economies i.e. capitalist states. Therefore, there is convergence in ideologies that is underpinning the integration.
- All states have stable democratic governments and therefor the risk of a disruptive political leadership, such as was previously the case with Amin is lessened with successive elections held by the states.
- Previous dissatisfaction of the benefits of the region have been specifically addressed via more coordinated industrial policies of the member states that has informed domestic policy and vice versa.

The literature provides support for the lessons that were learnt from the previous EAC. Furthermore, respondents have gone on to mention the aspirations of the current EAC in that it is currently going further than just a Customs Union but has a goal to have a monetary union and finally be a federal union. This deviance is most likely due to the objective at that period with states more focused on nationalist interests.

The literature points to a strong socio-political agenda prevalent at that time, with strong impetus being provided by the state leadership to shore up the region previously. The results from interviews have advocated a divergence in this regard, in that the current EAC is strongly private sector led. A number of committees for EA business and for non-profit firms are there for these economic agents to be involved and direct implementation and regional policy.

5.3 Results pertaining to Research Question 2

5.3.1 *Increase multilateral Negotiation and bargaining power*

According to Ravenhill (2014), many regional groupings are inspired by the need to enhance bargaining power with trading partners and transnational corporations. Furthermore, regionalism enhanced bargaining power with external actors as the region is able to negotiate with one voice and prevent occurrences where Trans National Co-operations play off governments of the region against each other and uses the carrot of a larger market to gain concessions from potential investors.

According to Whalley (1998), individual countries had the notion that they had limited leverage when negotiating with major powers, such as the United States and Europe, and thus acting co-operatively with a common trade policy would increase their leverage

The literature supports the results of the interviews where respondents highlight the increased negotiating power of regionalism as a key factor. Furthermore, results highlight some of the challenges experienced by LDC in having their voices heard in multilateral negotiations, especially with regard to technical barriers to trade on the supply side.

Further points highlighted from the results; is that regionalism allows for the pooling of resources (e.g. human resources) and provides a training ground for EA experts. Previously mentioned by the respondents is that individual countries had deficiencies in understanding the impact and scope of negotiations as well as the capacity to implement deals made. With the pooling of resources, the region is able to negotiate a better deal than the countries would be able to individually.

In addition, the findings illustrate an example to negotiate with the U.S in the recent round of the AGOA agreement to pull Kenya into the arrangement even though it is no longer an LDC but because of its membership in the EAC, there was successful negotiation in achieving their participation.

5.3.2 *Harmonisation of regulations and trade policy*

Kawai and Wignaraja (2008) state that standardisation of rules of origin and harmonisation of trade policy amongst members in a region would be a positive contribution to achieving a freer trade globally, as it reduces the business costs involved; furthermore that regional grouping interactions and implementations of best practices are steps toward multi-lateralising trade agreements.

According to Omilola (2007), if African regions are to avoid the challenges of the past, a number of activities should be implemented, including the harmonisation of trade policies. Moreover McAuliffe et al. (2012) argue deeper integration involving the harmonisation of regulatory frameworks can do more, such as improving the business environment and regional collaboration of investment promotion and tax reform would limit intraregional competition and attract finance.

The findings of the interviews align to the literature on a number of points mentioned above. Firstly, lowering of tariffs overall in the region and the implementation of CETs based on simplified tariff structures to aid trading amongst countries. Secondly, the respondents stated it is easier to agree policies amongst a small group of similar countries in order to expedite reform that results in an improved business environment.

5.3.3 *Trade creation and diversion*

The major discussion of whether regionalism is a stumbling block to trade liberalisation is centred on trade creation and trade divergent theory, where if regionalism causes firms in the region to source goods in the region that are more costly than they would outside of the region, then the result is a decrease in world welfare (Oatley, 2012). Furthermore widely held views by the renowned Bhagwati and Panagariya (1996) argue that RTAs are likely to reduce welfare amongst the member countries and dominate the trade that is created.

Baldwin (2011, p. 20) argues to the contrary, in that the empirical evidence on trade diversion in RTAs is not conclusive, as evidence exists on regional agreements being trade creating rather than trade diverting. The author continues when he states “Magee (2008) uses data from the late 20th century to estimate the creation/diversion effects of 15 separate RTAs including NAFTA, the 1986 enlargement of the EU, and 1992 bilateral RTAs between the EU and several Central European nations, Mercosur, ASEAN, and select RTAs among Latin American and among African nations. Only 8 of the 15 RTAs are found to have been effective in the sense of creating new trade among the partners (controlling for other factors). The others did not increase or decrease trade significantly.”

The results from the interviews were not conclusive, however there was indication of an orientation of the region towards trade creation. This was highlighted through a trade creation and trade divergent study that was done on exporting data of 70 trading partners that trade mainly with the EAC partner states. The results indicated that in their study the EAC had created trade rather than diverted trade (Shinyekwa & Othieno, 2015).

5.4 Results pertaining to Research Question 3

5.4.1 *Deeper integration*

Regionalism may be more attractive to multilateral arrangements as it allows for discussion on issues that would not be possible under the WTO according to Ravenhill (2014). According to the WorldBank (2011), RTAs have been setting agreements that go beyond the WTO and this continues to be a major driving force to the recent regionalism. Baldwin (2011) advocates that there is a new wave of regionalism i.e. 21st century regionalism, that is focused more on regulatory measures and not tariff measures. The author argues the precepts to regionalism based on governments may be incorrect as government is responding to special interest groups and therefore depends on endogenous political forces and activities between regionalism and multilateralism are embarked on in parallel by states.

The literature supports the results from the interviews in that the respondents highlight the ability to pursue integration initiatives outside of the scope of the WTO as a driving force. The results indicate firmly that issues such as labour movement, environmental factors and security, have been strong draw cards in addressing the region's concerns. Further highlighted is that a number of the multilateral regimes are too specific on commercial aspects of trade and not on the supportive mechanisms, such as peace. In essence, the 20th century view of trade being primarily about the efficient import and export of goods is no longer…the current trade landscape is more complex.

5.4.2 *Protection of sectors*

According to Ravenhill (2014), regionalism may involve the protection of sectors that would otherwise not survive in global competition. The idea is that economic agents in the domestic market lobby the government in the belief that domestic producers benefit from competing in the region and with access to larger (protected) markets. Further to this is that governments would be able to exclude politically sensitive domestic sectors from trade liberalisation with a regional agreement that would not be able to be reached at a global level. Spindler (2002) mentions that the purpose of protectionism is to enable companies to contend with global externalities. He continues that regionalism in the third world was a strategy of “collective self-reliance” typically leading to policies of import-substitution.

The findings appear to initially be supported by the literature in that the results state there is a collection of sensitive items included as part of the EAC that contain higher tariffs than the CET. The sensitive list includes items such as cement and the items listed in Figure 6.

Product	Rate (%)
1. Milk and cream	60
2. Wheat and meslin grain	35
3. Wheat and meslin flour	60
4. Maize	50
5. Rice	75
6. Cane and Beet Sugar	100
7. Khanga, Kikoy, Kitenge	50
8. Worn clothes	45

Source: (EAC, 2009)

Figure 4 - CET Rates for selected sensitive products

Respondents advocate that these items on the sensitive list have been seen as items critical to the citizens of the country as these are items that need to be mainly produced locally/regionally. These identified sectors are looked at for industrial development.

In addition there is a recognition that protectionism through higher rates of tariffs i.e. import substitution, previously lasted too long and is meant to be for a limited period until these industries are efficient and productive.

In contrast to the literature, the findings emphasise that the level of protectionism is very low and the over-arching factor is trade liberalisation due to the overall mechanisms instituted which result in lower regional trade barriers. These include a regional CET that is lower on average than the individual members initially had and the harmonisation of trade policies that ease trade between members and 3rd countries, to name a few. From this we recognise that the region is more focused on market facilitation which is why the number of protected products are few.

5.4.3 *Stalled multilateralism through the WTO*

The increased membership of the WTO and the diverse agendas by participants is blamed for the failure of the recent rounds of the WTO. These rounds took longer and longer to reach a conclusion to the point that the current Doha round which was started in 2001, has been continuing for 15 years

without considerable progress on the items on the table due to huge disparities between regions (Chong, 2014). Furthermore, this was push factor to governments setting FTA's and the ascent of mega-regional groupings.

According to Ravenhill (2014) Governments chose RTAs to advance their trade agendas.

In addition there was tension between North and South members or the developed versus the developing countries on progress on phasing out of agricultural export subsidies of the North countries (Cho, 2004b).

The literature supports an overwhelming concept of failures being observed in the multilateralism format of the WTO. The following is highlighted:

- Lack of political will of the major developed countries to provide equitable access to their markets
- The disadvantaged position of LDC in systems and infrastructure and limited scope in capacity to adequately negotiate or implement the scope of agreements
- Cost and capacity required in disputing agreements, as LDC countries have limited resources and finance for this endeavour.
- Deficiency in WTO addressing the fact that members are different countries, especially LDCs that have different needs and systems that the agendas do not address.

In light of these issues, there is a strong understanding by the respondents that these issues do not push them from participation in multilateralism agreements and that they still are strongly involved and hopeful of the platforms.

5.5 Conclusion

There are myriad factors that drive regionalism globally. The literature strongly points to political and economic drivers; illuminating the intertwined nature of these drivers and their significance to trade with regard to a country's growth. The approach and end goal of the identified policies can occur in different forms from market led integration in one corner to protective measures in the other.

A market led integration approach calls for the withering away of the role of state agents, removal of barriers and prominence of private agents to direct and consolidate integration. The protectionist approach may well call for the prominent role of the state in fostering integration and the establishment of barriers to protect industry.

The position of an LDC, such as Uganda, takes centre stage, as its development agenda requires addressing the considerable infrastructural gap it has. The results from interviews highlight the country's limited clout in multilateral organisations and its security concerns in the region demand initiatives that address these, such as regionalism. The cultural and historical link between the countries, albeit with challenges, can only be considered a positive foundation in fostering co-operative discourse among member states as indicated in question 1 analysis.

The findings in terms of question 2 and 3 with regard to whether the region is a liberal integration or a protectionist mechanism delivers perspectives that support both approaches, namely, the goal of the integration to be market led and limited scope of protectionism applied. With regard to protectionism, the role of the state in fostering developing programs that address infrastructure gaps and the concerns of the multilateral trade regime point to moving to being more resilient to external trends, as well as fostering a base of self-reliance through security or cultural programs no matter the current small base. Over all, the respondents advocate open regionalism as the approach, a type of new regionalism that appears to redefine the components of trade liberalisation and protectionism and move beyond these.

CHAPTER 6. Conclusion and Recommendations

6.1 Findings

The study queries Uganda's strategy in participating in the EAC and whether this is a move towards trade liberalisation or protectionism.

Regionalism has many forms and constructs, from security regionalism in an effort to foster strategic allegiances in the region to economic collaboration to drive development. Economically, regionalism creates a larger market that allows firms to be more competitive through economies of scale. The other aspect of importance is the attraction of investment; which is key in improving the FDI prospects in a continent being looked at as the next growth frontier.

The EAC has incorporated lessons from the previous community in order to produce a legitimate and robust integration movement. The timing seems appropriate in that the number of challenges previously experienced no longer exist as members are viewed as more aligned. In this regard, there are multiple facets that advocate for regionalism: proximity, culture, security, political alignment and economic approach.

The findings indicate a strong social uniformity across member nations beyond the common language of Swahili. This, coupled with a shared history with the East African shared services companies from the colonial period, indicates uniformity in experience. In addition, there exists interrelatedness due to intermarriages between ethnic groups residing in the various member states, the Ugandan immigrant community in Kenya and Rwandese refugee communities in Uganda.

In light of the above, there are social differences that rise to the surface at times and are challenges to the cultural foundation of the region, namely, the strong concerns by Tanzania on the pace of integration with regard to the ambitions of the other member states. There are opinions by respondents of Tanzania's skills deficiencies and abundance in resources fuel concerns of exploitation of

these vulnerabilities by member states which results in two tracks of integration with the Coalition of the Willing (Uganda, Rwanda and Kenya) and the other, consisting of all members.

The political factors for regionalism are centred on security and stability as pockets of tensions flare up regularly in the region. The geographic nature of Uganda being surrounded by a number of countries pivots it on the axis of being susceptible to instabilities that occur in neighbouring countries. There is a view that for economic development to be achieved, stability is required to promote an investment climate. To develop stability in the region, co-operation amongst members, especially with regard to intelligence and military efforts is essentially.

Economic aspects mentioned by the respondents highlight a shared industrial development agenda. Respondents stressed the difficulty in delivering a better life for the member country citizens with the current infrastructural capacity and scope. In light of this, in addition to domestic industrialisation efforts, cross border initiatives have the potential to attract the additional finance to establish and strengthen regional corridors. The EAC plays a significant role in identifying the corridors for development through research and leveraging the appropriate partners in order to approach potential investors and development banks. The perspectives point to a common shared understanding that more can be done as a unit than separately.

With regard to regionalism either being a trade liberalisation theory or a protectionist mechanism, respondents advocate it is predominantly the former. Current focus and effort is on integration mechanisms in light of the lack of progress in the multilateral framework under the WTO, as it allows the participants to increase bargaining power in the region. They strongly favour participation in multilateral frameworks and continue to be involved in various EPAs. The focus is particularly on being able to improve the outcome to be achieved by participation in these frameworks. They have identified consolidation of their voices and capacity of the region to be a training ground to improve their knowledge and skills as key drivers.

Drawing factors to regional integration is the capacity of regionalism to meet their needs for deeper integration as is evident in the goal to be a consolidated political federation in the future. This includes the consolidation of protection measures for a limited number of trade lines, simplified and harmonised tariff structure and lack of evidence of trade diversion from the results highlight the view of the region being a freer trade measure.

The literature supports the market led approach of the regional integration with private firms as the main drivers of integration and efforts put in place to harmonise trade regimes, reduce and simplify tariff barriers. The traditional literature of mercantilism advocates a guiding role provided by the state, which is supported in the role being played by the member governments and the EAC. The capacity built through deeper integration addresses the deficiencies in the economic system particular to Africa and the region as a whole. Through regionalism, there is a collective reliance that can be maximised.

6.2 Recommendations for further studies

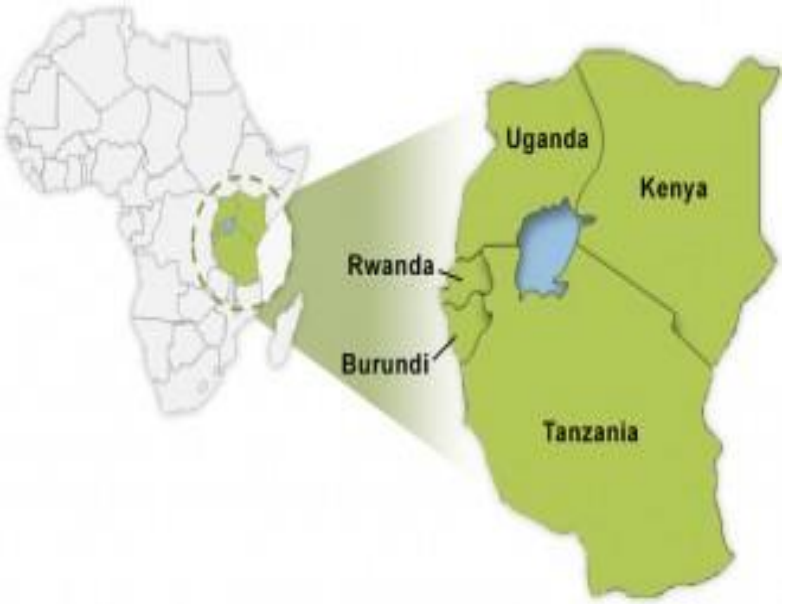
Regionalism in Africa has not been embarked before to the level planned by the EAC and as such, continuous assessments of its progress and successes will be valuable to the African context. The value of these studies arises due to the limited successes of RTAs in Africa and the ambitious target of the EAC to become a political federation.

For future research the identification and significance of the EAC role in developing economic hubs and corridors should be investigated. Economic hubs and corridors have been identified as key market drivers for the development agenda in regionalism and thus investigations of its impact would provide policy insights. Additional investigation on the scope of the progress in the creation of regional value chains in the region and its impact on a region’s development would provide further policy insights.

In addition, assessments of regionalism to address the security and stability concerns in the region and how it may improve the institutionalisation of regional governance and structures should be undertaken.

Lastly, this study raises the question of the future of the WTO and to what extent it is able to meet the needs of LDC countries.

Appendix A – East Africa map



Appendix B – Consistency matrix

Research problem stated here					
Sub-problem	**Literature Review**	**Hypotheses or Propositions or Research questions**	**Source of data**	**Type of data**	**Analysis**
The first sub-problem is to un-pack the components of regionalism in Uganda's participation in the East African regional integration framework.	▪ EAC (2011) ▪ DeRosa et al. (2002) ▪ Hazlewood (1979)	What are the components regionalism in the East African regional integration framework?	Actual interview / questionnaire questions that will provide the data. World Bank and United Nations statistics databases.	Primary and categorical	Exploratory thematic analysis
The second sub-problem is to analyse the Classical economist argument for the East African regional integration framework in relation to liberalisation in trade.	▪ A. Krueger (1998) ▪ Bhagwati and Panagariya (1996) ▪ Winham (2005) ▪ UNCTAD (2014)	What are the neoliberal factors that indicate the EAC is a step towards trade liberalisation?	Actual interview / questionnaire questions that will provide the data. World Bank and United Nations statistics databases.	Primary and categorical	Exploratory thematic analysis

Research problem stated here					
Sub-problem	**Literature Review**	**Hypotheses or Propositions or Research questions**	**Source of data**	**Type of data**	**Analysis**
The third sub-problem is to evaluate the Mercantilist argument against East African regional integration in regards to protectionism.	▪ Mattli (1999) ▪ Whalley (1998) ▪ Chang (2002)	What are the mercantilist factors that indicate the EAC is a step away from trade liberalisation?	Actual interview / questionnaire questions that will provide the data.	Primary and categorical	Exploratory thematic analysis

Appendix C – Research Questionnaire

	Questions
1	What are the economic factors impacting the decision between multilateralism and regionalism? Are there any specific to East Africa to be considered?
2	Are there social aspects that played a factor in joining and embarking on the East Africa Community? a. Security as a factor?
3	What are the perceived advantages and disadvantages of the current multilateral regime of the WTO?
4	What are the perceived benefits to be achieved in participation to the EAC?
5	Would these and others not have been achieved under trade liberalisation and not being part of the EAC?
6	What were the difficulties faced that led to the collapse of the East African Community in the 70's? a. How are these difficulties to be addressed in the new structure?

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