Konrad Adenauer Stiftung

REPORT OF THE PROCEEDINGS OF DIALOGUE BETWEEN EAC AND THE FORMER GERMAN PRESIDENT PROF. DR. HORST KÖHLER HELD IN ARUSHA ON 16 JUNE, 2011

AMBITION FOR AND REALITY OF THE EAST AFRICAN COMMUNITY IN A GLOBALIZED WORLD

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LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
COMESA	Common Market of Southern Africa
EAC	East African Community
EABC	East African Business Council
EACB	East African Currency Board
EU	European Union
GDP	Gross Domestic Product
FDI	Foreign Direct Investments
IMF	International Monetary Fund
KAS	Konrad Adenauer Stiftung
SADC	South African Development Community
WTO	World Trade Organization

APPRECIATION

On 16 June 2011, the Secretariat of the East African Community (EAC) and the Konrad-Adenauer-Stiftung (KAS) Tanzania Country Office jointly organized a roundtable discussion titled "***Ambition and Reality of the East African Community in a Globalized World***". The dialogue held in Arusha was attended by among others, the former German President, Prof. Dr. Horst Köhler who believes the EAC is the right project for the East Africa; and the Secretary General of the East African Community, Amb. Dr. Richard Sezibera.

Other speakers were Mr. Edwin Mtei, Secretary General of the defunct EAC, who spoke on the "Challenges concerning the implementation of EAC agreements" and Ms. Agatha Nderitu, Executive Director of the East African Business Council (EABC), who spoke on "Opportunities of Regional Integration in East Africa".

We would like to thank all the contributors to the dialogue. We thank the EAC Secretariet and the German Ambassador to Tanzania Dr. Guido Herz, Arusha regional authorities, and many others who contributed in various ways to the successful organization of the Dialogue. Our special thanks go to Dr. Bernadetta Killian, Dean School of Journalism and Mass Communication at the University of Dar es Salaam for excellent moderation the dialogue.

Editorial work of this publication was done by Mr. Lawrence Kilimwiko. We acknowledge and appreciate his important contribution.

INTRODUCTION

The countries of the East African Community have a unique relationship arising from culture, history, geography and human contact that dates from time immemorial.

Available records show that the roots of cooperation in East African region date back to the colonial era when the five member countries of the Community came under various German and British administrations as well as United Nations Trusteeship. Particulary the case of German administration of Tanganyika, Rwanda and Burundi and later British administration of Tanganyika including Zanzibar, Kenya and Uganda.

Cooperation in the field of trade, transport and communication, education and training, research and economic policies grew after independence for Tanzania, Kenya and Uganda in the early

1980s until the East African Community was formed in 1967. However, due to several factors, political, social and economic on which disputes arose among the member countries, the Community collapsed in 1977.

Following the signing of a Mediation Agreement for the Division of Assets and Liabilities of the former Community in 1984, Kenya, Uganda and Tanzania agreed to explore areas of cooperation, and to work out concrete arrangements for a more sustainable cooperation.

Subsequent meetings resulted in the revival of the EAC in 2000, first with the original three member states, Tanzania, Kenya and Uganda and later Rwanda and Burundi joined the EAC in 2007. It is even envisaged that very soon the Republic of South Sudan may also join the Community.

The East African region is rapidly developing into one of the world's new emerging regional economic blocs. EAC is now a huge regional body with enormous potential for investment and a vital bridge to development. The region has a combined population of 130 billion people with a combined GDP of $745 million. The regional body is already working on the establishment of the East African Federation by 2015.

It is against this background that the Arusha roundtable titled ***Ambition and Reality of the East African Community in a Globalized World*** was held by the Secretariat of East African Community in colaboration with Konrad-Adenauer-Stiftung. This publication highlights main issues brought out during the Arusha roundtable.

CHAPTER ONE

OFFICIAL OPENING

The official opening of the Roundtable featured the Welcoming Remarks by the Secretary General of the EAC, Amb. Dr. Richard Sezibera. This was followed by the introductory remarks by Dr. Bernadetta Killian, Dean of the School of Journalism and Mass Communication, University of Dar es Salaam, the dialogue moderator. Dr. Killian who briefly reviewed the development and progress of the EAC through the stages of Customs Union 2005, Common Market 2010; the prospected Monetary Union 2012, and Political Federation, 2015.

WELCOMING STATEMENT BY DR. RICHARD SEZIBERA, SECRETARY GENERAL OF THE EAST AFRICAN COMMUNITY DURING THE VISIT TO ARUSHA OF THE FORMER PRESIDENT OF THE FEDERAL REPUBLIC OF GERMANY, PROF. DR. HORST KÖHLER

Mount Meru Hotel, Arusha, 16 June 2011

Your Excellency Prof. Dr. Horst Köhler, Former President of the Federal Republic of Germany

The Distinguished Former Tanzanian Minister of Finance and Former Secretary General of the East African Community, Mr. Edwin Mtei

Distinguished Chairman of the East African Business Council, Ms Consolata Ndayishimiye

The Distinguished Moderator of our Roundtable, Dr. Bernadeta Kiliani, Dean of the School of Journalism, University of Dar es Salaam

Distinguished Participants of the Roundtable

Distinguished Representatives of the Media, Civil Society and Business Community

Ladies and Gentlemen

Your Excellency

On behalf of the East African Community, I am very pleased to extend a warm welcome to you and your delegation to East Africa. We are delighted and greatly honoured by this high level visit, which reaffirms the strong ties of friendship and cooperation between the EAC and the Federal Republic of Germany.

I thank the Konrad-Adenauer Foundation for generous collaboration with EAC in hosting this important Roundtable on the appropriate theme of "**Ambition and Reality of the East African Community in a Globalized World".** The Roundtable and other interactions of this nature will go a long way in promoting deeper understanding and cementing the relations between the EAC and the Federal Republic of Germany.

The East African Community which was launched in its revived phase in 2000 has, within a relatively short time, transformed from a loose co-operation framework into a fast emerging, solid and dynamic regional economic bloc. Through its successive Five-Year Development Strategies, the EAC has evolved strong institutions and vigorous programme delivery which are already making an impact on the economies of the region.

In real growth terms, the region's combined GDP has currently risen to $75 billion, up from $20 billion at the time of launching the EAC. The regional programme has rapidly expanded with over 30 projects and programmes currently.

The Membership of the EAC itself has enlarged, from the original three member countries, Kenya Uganda and Tanzania, to the current five, including Rwanda and Burundi which joined in 2007. The region today provides a sizeable market of a combined population of 130 million and land area of 1.85 million square kilometers. The prospects of further expansion are being considered, following indications of interest to join by the DRC and South Sudan, among other countries in the eastern, central and southern African sub-region.

The EAC is also participating at the forefront of the Tripartite EAC-COMESA-SADC towards establishing a Grand Free Trade Area and subsequently Customs Union comprising of 26 countries with a combined population of 527 million, and a GDP of USD 624 billion. The realization of this Grand Free Trade Area will further boost EAC's market advantage and strength.

The EAC has made steady and systematic progress in fulfillment of its Treaty provisions with the establishment of the Customs

Union in 2005 and the Common Market in 2010. Following the launching of the Common Market , we have put the focus on the establishment of the Monetary Union while also front loading the process towards Political Federation, which is the ultimate objective of EAC integration.

The EAC Monetary Union process has been put on top gear following the commencement of the negotiations of the Monetary Union Protocol in January this year. Despite the complex issues involved in the establishment of the Monetary Union, we are determined to push through with the process and ensure the establishment of the Monetary Union in 2012 as has been agreed by the Summit.

I would like to point out, however, that despite this neat record of formalization of the Treaty prescribed stages of integration, the process is not without its many and big challenges. The Customs Union, for instance, still experiences serious setbacks, mainly the non tariff barriers (NTBs) which continue to impinge on its operations, six years after it had been established.

However, there is another side of the coin, which shows that the Customs Union is already yielding benefits. In the past three years, intra-EAC trade has grown by over 50%. The operations of the Customs Union has been largely without acrimony and, contrary to initial expressed fears , there is a general fair spread and distribution of the benefits among the Partner States under the Customs Union arrangement.

Following the signing of the Double Taxation Avoidance Agreement last December, these benefits are set to go on the upward trend with significant gains in Cross-border Investments and Foreign Direct Investment Inflows. We are currently working on the establishment of a Single Customs Territory which will further streamline and strengthen the operations of the Customs Union.

As regards the Common Market, a sense prevails that, despite its much heralded launch nearly a year ago, it has come to a slow start. The Partner States have expressed the need to expedite the process. A programme to address these concerns has been put in place that will be implemented in close collaboration with the East African Business Council.

At the programmatic level, EAC's development plans are expressly strategic. We have placed priority on projects in infrastructure - Roads, Railways, Inland Waterways, Ports and Harbours, Communications/ICT, Energy and Civil Aviation. Master plans covering these critical areas of integration have been developed. Since the beginning of last year, most of these master plans, which have been in the studies and planning stages for a long time, have been moved to the implementation stages.

For instance, the Arusha-Namanga- Athi River vital section of the East African Road Network, providing linkages through Tanzania and Kenya to Uganda and on to Rwanda and Burundi, is nearing completion. The power interconnection between Kenya and Tanzania has been commissioned at the Namanga border. Preparations are advanced on the extension of the Tanzania Central Railway from Isaka to Kigali and Bujumbura. Similarly, in the area of broadband technology, to connect the five EAC Partner States via a high capacity fibre optic link, progress has been made in securing the support of the African Development Bank. The estimated development cost of the infrastructure component is USD 30 million.

Investment in infrastructure poses the greatest challenge for our region on account of the huge capital demands. In the long term view, we hope that the EAC Private Sector Development Strategy, which we have already adopted and expect to roll out this year, will provide a lasting solution to addressing this challenge. While being committed to generate our own resources from our own public private partnerships for the development of the infrastructure sector, this remains one area where we would welcome and appreciate the readiness of our development partners to come to our support. We appeal for this support to come through a mix of investments and development aid interventions.

Apart from the infrastructure projects, we have intensified activities in the East African Agricultural and Rural Development Programme; Industrialization, Lake Victoria Basin Development and programmes in the productive and social sectors which also offer opportunities for investments.

In 2008 EAC launched intensive programme of investments and trade promotion which has involved the harmonization of the incentives regimes and joint promotion of investments and trade in the region. This programme will be intensified and is among the priorities set under the 4th Development Strategy.

The successful staging of the African Investment Forum in Dar es Salaam in May this year, following on the World Economic Forum on Africa which was also held in the same venue in 2010 has firmly placed our region in the spotlight of international trade and development attention.

Agricultural Development and Food Security remain key challenges for the region. EAC has adopted the EAC Food Security Action Plan (2011-2015) and the EAC Climate Change Policy which have also been prioritized for implementation.

Apart from the pragmatic orientation emphasizing economic growth, the EAC is focusing attention on the social development dimensions. The issues in social security, solidarity and development are mainstreamed the social within the broader programmes of the EAC across the sectors in, among others, the programmes of health co-operation, gender and community development; education, science and technology, culture and sports development; and environmental and natural resources management.

Issues in political co-operation have also come to the fore. Important instruments relating to the development of improved and harmonized governance structures and systems encompassing a wide array of constitutional issues have been developed. These include the issues of rule of law, human rights, anti-corruption, transparency, accountability, election observation and monitoring, and protection of human rights, foreign policy co-ordination, defence and regional peace and security matters.

The period that we are facing coincides with the implementation of the 4th Development Strategy (2011-2016), which will be launched at the beginning of the next Financial Year in July this year. The Strategy takes a long term view, spanning the second decade of the EAC (2011-2020). This will be a decade of concretizing the Community. It will be a decade of rigorous application to the challenges of the socio-economic transformation of East Africa.

The Strategy contains ambitious plans to implement various significant master plans in Industrial Development, Energy, Agriculture and Food Security which will lead to increased diversification and major transformation of the region's economy. Individually and collectively, the Partner States are determined to achieve the status of a middle income economy by 2020 and to move our region from a largely agriculture and primary produce economy to an industrial based economy.

In order to achieve this objective our priorities in the period ahead will be placed on managing the following challenges:

i. Prudent management of resources and clear matching of the commitment to regional objectives to systematic strengthening of the regional integration institutions; and placing emphasis and priority on regional integration initiatives.

ii. Ensuring prompt ratification and timely implementation of agreements and protocols once agreed. With regard to the Customs Union, the hardest nut to crack, which nevertheless we must crack, is to ensure the establishment of the Single Customs Territory. As regards the Common Market, we need to actualize the Common Market Protocol by putting in place the necessary legal and operational frameworks and closely monitor progress. We need also to ensure prompt conclusion of the Protocol on the Monetary Union as a component of our march towards Political Federation.

iii. Consolidating the gains of the past, particularly in the critical areas of regional integration, including Negotiating as a bloc, intensification of regional Infrastructure development, Industrialization and Agricultural Development and Food Security.

iv. Strengthening popular participation, a common East African identity and political will behind the regional integration process; maintenance of Peace and Security; and, on the whole, good Governance that apply commonly across the region. We shall also need to ensure that regional integration truly works for the people, in terms of improving their welfare and well being, including creation of employment, generation of wealth and realization of social justice for all.

v. Active promotion of a knowledge and science and technology-based entrepreneurial culture in the region, including human resource development, promotion of ICT general awareness , innovation and application; development of indigenous capacity for investment, productivity, growth and development; and

vi. Finally, positive engagements with and development of good and principled relations with the industrialized countries within a competitive world economic system which are essential ingredients East African integration dynamics.

Your Excellency

With this brief introduction to the achievements, prospects and priorities of the EAC in the period ahead, I would once again like to applaud the German EAC partnership. Germany has supported our integration process since the inception.

I would say that Germany has been a true and great friend of East Africa.

I would also say that the jewel in the crown and a fitting monument to our special friendship and co-operation is the new EAC Headquarters Building construction which is due for completion in about two months. The new EAC Headquarters Building has been totally funded through the German grant of Euro 14 million. I thank you and I am pleased to note that in the course of your brief stay in Arusha, you will spare some time to visit the new EAC Headquarters site and inspect the progress.

It is my sincere hope and trust that the EAC co-operation with Germany will continue to grow and that we shall continue to build on this success. In particular, I would like to take this opportunity of the visit of Your Excellency, a true and trusted champion of EAC-Germany cooperation, to appeal, through you, to German investors, to come and invest in East Africa.

I thank you for your kind attention.

CHAPTER TWO

OPPORTUNITIES OF REGIONAL INTEGRATION IN EAST AFRICA, PRESENTATION BY AGATHA NDERITU, EXECUTIVE DIRECTOR, EAST AFRICAN BUSINESS COUNCIL

The presenter, Ms Agatha Nderitu, Executive Director of the East African Business Council told the gathering that the East African Business Council (EABC) is an organization that represents the private sector at the regional level. The EABC promotes business interests and improves the climate for doing business in the EAC member states.

She outlined EABC's strong ties with the GIZ which has and is still providing support and cooperation to the East African Integration Process stating that the East African integration process is market led and people centered.

She identified economic integration as the core issue of the regional integration. She said that people stood to benefit from regional intergration and pointed out the economies of the EAC region were improving following the establishment of the customs union in 2005.

She said agriculture and small and medium enterprises formed the backbone of the economy in the EAC region.

Addressing the question, why integration? Ms. Nderitu made the following points:- First, Integration improves the predictability of policies. Customs Union, Common Market and Monetary Union are joint commitments that ensure stable environments for business. Second,Integration offers better access to a bigger market for external trade partners.

She said that free movement of goods and people is essential for harmonizing markets, pointing out that the consolidation of national budgets is a major task.

With regard to the effects of Regional Integration, Ms Nderitu noted that cross market investments and foreign direct investment increased by 35 % in Tanzania. She pointed out that Tanzanian and Kenyan investments in Uganda had tripled since the founding of the EAC.

She said, Kenya remains the major economic player in the region. She also emphasized the high trade gains generated since the introduction of the customs union in the regional body. She pointed out that the leverage and collective bargaining power for EAC as a bloc increased tremendously.

She underscored the importance of political stability and security for economic growth, citing the Kenyan post-election violence in 2008 was resolved by Tanzanian und Ugandan statesmen.

With regard to challenges facing the regional integration, Ms. Nderitu acknowledged that East African integration had a long way to go. The existence of Non-tariff barriers, poor infrastructure and lack of support for small and micro enterprises which account for approximately 70% of the GDP were major challenges that need to be overcome.

Finally, Ms. Nderitu identified the following success factors: First, Integration must improve the standard of living by a fair distribution of benefits. This incorporates the support of small states. Second, the cost of doing business in the region needs to be seriously addressed, including reducing transport costs and overall improvement of infrastructure.

CHALLENGES CONCERNING THE IMPLEMENTATION OF EAC AGREEMENTS - EXCERPTS OF PRESENTATION BY MR. EDWIN MTEI, FORMER SECRETARY GENERAL OF EAC.

As former Secretary General of the defunct EAC, Mr. Edwin Mtei began his presentation with a historical background of the regional organization. He said that as the last Secretary General of the EAC subsequently Minister of Finance of Tanzania, he had gained tremendous insights both, from a national and supranational perspective.

He said the history of cooperation in East Africa is very long and goes beyond 1967. Both the German and British colonies introduced a customs and monetary union. The currency of Kenya and Uganda was the Indian Rupee. The German on the other hand, introduced an equivalent currency that was exchanged one

to one to the Rupee. However, when Tanganyika was mandated by the British, the East African Shilling was introduced.

Mr. Mtei explained that additionally to the monetary union, various services were integrated by the British colonial administrations. Such services included integrated post and telegraph services, income tax and research facilities.

The East Africa High Commission was set up in 1948 to run integrated services and later an East African central Legislative Assembly was established.

Mr. Mtei noted however, that there were reservations and even increased hostility towards the Colonial East Africa High Commissions. There was a fear of white dominance among the East African countries. This, however, according to him diminished after the independence of the East African countries, Tanganyika in 1961, Uganda in 1962 and Kenya in 1963.

He said that the idea of an East African Political Federation became very popular among intellectuals. The common market and services kept on working after the independence of East African Countries. The East African Currency Board (EACB) was established to retain common market.

The Treaty of East African Cooperation set up the East African Community in 1967. Mr. Mtei explained that co-operations like joint Railways or the postal services were financed by the East African Development Bank. The Headquarter of the first EAC was located in Arusha.

Mr. Mtei said that while the first EAC had various mechanisms to deal with disputes among the member states, there was absence of means to coordinate policies. Conflicts were therefore inevitable. The EAC member states could not settle disputes among them, hence the collapse.

On the future prospects of the new EAC, Mr. Mtei pointed out that economies of scale would always favor the integration of small states. Merger efforts are therefore not optional, but an imperative. He expressed his delight about the integration of Rwanda and Burundi that has increased partner states from three to five.

DISCUSSIONS, QUESTIONS AND ANSWERS SESSION

Following the Presentations, the Dialogue Moderator Posed Queastions to each of the Speakers as follows:-

To the EAC Secretary General Dr. Sezibera: East African integration is challenged by the fears of peoples. In Tanzania two dominant fears are the worries about land-grabbing and Kenya's trade dominance. How can these fears be overcome?

Dr. Sezibera answered that the Integration process is facing challenges that need to be dealt with. With regard to the discussion about monetary and political union land grapping would remain an issue. However, Dr. Sezibera stated, the linkage between land-grabbing and integration is flawed as people with money would always be able to buy land. The problem is not the acquisition of land itself, but the fact that land is not utilized efficiently.

He argued that Industrialization and education would reduce the number of people that depend on land and therefore soften the land-grabbing issue.

On the issue of Kenya's dominance, Dr. Sezibera outlined the flaws of the linkage between nationality and companies: In a globalized world, nationality is not a relevant factor. The stock exchange operations, for instance, make the issue of nationality irrelevant. Furthermore, East African trade is still very small in relation to international trade. Kenya therefore cannot control the EAC simply because of the lack of capacities. Global open markets are making it inevitable to integrate production factors in order to face global challenges.

To Ms. Agatha Nderitu: The East African integration is meant to be people driven. However, the majority of people are not involved. What do you mean by people driven?

Ms. Nderitu responded that the people of East Africa are mainly concerned about employment. Higher employment rates and revenue created by integration must be distributed fairly to raise the standard of living of the people. Efficient strategies must support and foster small and medium enterprises. The generation of benefits needs to be outlined and communicated, especially to the youth of East Africa.

To Mr. Edwin Mtei: What can we learn from the history?

Mr. Mtei answered that the history of the first EAC shows that it is crucial to coordinate policies and programmes and involve the people deeply. Conflicts are inevitable but do not necessarily lead to failure of integration. To avoid pilling up decision making on top authorities, like done by the first EAC, cooperation on every level needs to be strengthened. Additionally, supranationality should be improved. Mr. Mtei argued, that Ministers can cooperate more efficiently than top authorities.

CHAPTER THREE

OPTIMISISM OF EAC FUTURE

The Former German President, Prof. Dr. Köhler was asked his views on the future of the EAC.

He expresses his optimism and his trust in East African officials and with reference to the European Union, he warned that integration is a difficult process. He noted that the EAC is the right project for East Africa. The opportunities to foster sustainable growth are better than without integration. Professor Köhler said, bigger markets promote economic growth and are more attractive. Likewise, the process of integration itself promotes growth. Bigger markets lead to differentiating structures and therefore to a specialization of economy, he said.

Professor Köhler said problems were mostly caused by the lack of implementation of decisions arguing that customs union and monetary union are not as robust as they should be adding that signing protocols is one thing but implementation is way more costly and time consuming.

Professor Köhler outlined the risk of disappointment, if high expectations cannot be met, saying he favored a step by step approach: first customs union and common market, than good governance and focus on implementation and only after that the monetary union.

He spoke strongly on the importance of strong leadership that supports the integration process because the monetary union will touch vital aspects of sovereignty of the partner states. Motivation is therefore very essential. With reference to the Greek factor in regard to the problems associated with lack of broad motivational basis, he argued that fiscal discipline is crucial to sustainable growth.

With regard to the role of private sector in the integration process, Professor Köhler said the private sector is the basis of regional cooperation. In this regard, an ideological consensus about the relation of state and the private sector needs to be achieved. He warned that the Community will not work if members will not do their homework, saying national actors tend to use the Community as a scapegoat.

He stressed the importance of the participation of civil society adding that even the EU is too political and elite driven. He said policies and benefits should be communicated to the people.

CHAPTER FOUR

MAIN ISSUES RAISED

Several issues were raised by participants as follows:

- The EAC states that it is people driven. However, clear policies on corporate social responsibility of FDIs and environmental concerns are missing. Compliance is still a big problem. What can be done?

- The EAC today is a revival of the old EAC. What is the role of the EAC Ministries today? Are they ineffective?

- Leaders are very national and tend to blame the Community. What efforts can be taken by the EAC to communicate advantages and benefits for the people?

- What initiatives are available to the challenge of lack of youth engagement? Why are visional pro integration leaders so rare?

- Would the current EAC with its set up today survive a crisis like 1977 that led to the collapse of the first EAC?

- How to address the problem of youth unemployment?

- Statistics show that 65% of the population is considered to be youth. What are possible strategies of the EABC and EAC to support the potential of young people?

Further responses to these issues were provided by the presenters as follows:-

Mr. Edwin Mtei said the current EAC can and will survive. He emphasized that economies of scale support industrialization which leads to higher employment especially for young workers. However, the importance of infrastructure for regional integration cannot be underestimated. Support by the World Bank and Germany are critical and highly recommended.

Prof. Dr. Köhler outlined the success of the Social Market Economy approach which was founded after World War II. The Social Market Economy balances the free market and promotes social justice and sustainability. Corporate Social Responsibility is a success story based on good social partnership between management and workers. This includes strong trade unions as well as benefits for the management generated by the surplus of having satisfied workers. Referring to the UN Agenda on Corporate Social Responsibility and environmental issues, Dr.

Köhler pointed out that combination of freedom of the market and social security is possible.

Moreover, the Former President emphasized the importance of youth for the integration process. The establishment of exchange programs like “go Africa, go Germany” or the ERASMUS program in the EU are strategies to strengthen social and cultural ties within the Community. Good education on every sector should be the top priority for young people.

Turning to economic policy, Dr. Köhler underscored the need to put in place programmes to support start-up businesses. Decentralized financial institutions should be established to support the East African economy. They care more about small and medium businesses, noted the Former President.

Dr. Richard Sezibera on his part acknowledged the importance of Corporate Social Responsibility and environmental issues. Turning to economic policies he argued that a business friendly mentality is needed in East Africa. The integration should be private sector driven. Wealth is created by one company at a time and not by Ministries. Too much subsidies is not effective and indeed is a threat integration. Subsidies should therefore be removed, excepting those meant to support food security.

According to Dr. Sezibera the EAC simply has to survive. If it would collapse the partener states themselves would be in danger. Concerning the institutions, he stated that they did a good job and are well established. However they need to evolve and be reviewed, because the circumstances change and challenges grow.

The involvement of peoples of East Africa is a crucial success factor. Especially youth engagement is important but lacks three important issues: information, education and finance. Dr. Sezibera obscured that leaders are still national, but today they have a regional mindset. However, regional thinking is needed at every level of administration.

Ms. Agatha Nderitu emphasized the role of Ministries of the EAC that were established to promote implementation. They have a key role as communicator between national authorities and the Secretary General. She said that the EABC encourages business to have higher rates of youth employment by decreasing costs of regulation.

Second round of questions from the floor:

- Strong Institutions are essential. However, the institutions of the old EAC were stronger than those of the new one. Why are the EAC institutions so weak?

- People of East Africa have fears and doubts, but there is a different angle too. Regional Integration is based on a treaty which is based on national constitutions. The treaty is a core tool to engage Partner States, because it provides sanctions to ensure compliance

- What can be done to achieve the monetary union?

- The informal business on borders is dominated by youth. What can be done by the EABC to incorporate informal businesses into the formal sector? What kind of monitoring systems exist within and outside of the EAC?

Responses from the presenters to the second round of questions from the floor were as follows.

MS. Agatha Nderitu stated that EAC addresses relevant issues. If a better promotion of trade and a fair distribution of revenue can be achieved, people in East Africa will largely benefit.

Dr. Richard Sezibera stated that EAC is moving at a good pace; however, challenges must be met. Problems like poor participation and non-tariff-borders must be addressed. He said the EAC institutions were specifically designed for East Africa, but they needed to be reviewed over time. Dr. Sezibera acknowledged that the implementation will take decades and a fully functional monetary union will eventually emerge. In any case, the success of the EAC will be measured by growth of average income and an increasing gross domestic product.

Professor Horst Köhler stated that the EAC is a good project and if implementation is successful, it will serve the needs of the people. He recommended to work very hard on trade obstacles, because free movement is a precondition for further integration.

Professor Kohler however, stated that he was not optimistic of achieving the EAC in a monetary union by 2012. He said it was an unrealistic goal that should be reviewed. Reference be made to EU where the process up to the monetary union took a long time.

Mr. Edwin Mtei emphasized that the first EAC was mainly based on support of administrative authorities. However joint efforts are more efficient.

He admitted that institutions of the first EAC were strong, but the focus on national leaders led to mistakes.

He stated that the new EAC was built from scratch and has a broader approach.

The presenters collectively underscored the importance of leadership, implementation, civic participation and private sector for the Integration process.

SUMMARY OF MAIN ISSUES RAISED

i. The people of East Africa have lived interconnected from time immemorial making Regional Integration not optional but inevitable.

ii. EAC is the right project for opportunities to foster sustainable growth.

iii. East African integration has still a long way to go with the following areas top of the agenda: the existence of non tariff barriers, poor infrastructure and lack of support for small and micro enterprises.

iv. Critical issues that need to be coordinated relate to human rights, foreign policy, legislation and the fight against graft.

v. The principles of partnership between EAC and the European Union which is based on mutual trust and benefits should be carried forward. Germany should be lauded for donating Euro 14 million to support the construction of EAC headquarters in Arusha.

vi. Conflicts are inevitable but must not lead to failure of integration. Piling up decision making on top authorities was a major problem of the defunct EAC. Decision-making therefore, needs to be located at every level of cooperation.

vii. There is need for decentralized financial institutions to care about small and medium businesses so as to boost the east African economy.

viii. People of East Africa have fears and doubts. But there is a different angle too. Regional integration is based on a treaty which is based on national constitutions. The treaty is core tool to engage partner states, because it provides sanctions to ensure compliance.

ix. It is unrealistic to target monetary union in 2012. A reference should be made to EU were the process up to the monetary union took a long time.

x. The EAC Secretariat and KAS Tanzania country office are thankful to the former German President, Prof. Dr. Köhler for his insightful views on the EAC project.

CLOSING REMARKS

The roundtable was closed by Mr. Stefan Reith, KAS Country Resident Director who thanked the roundtable panelists and audience for their response and active participation.

Mr. Reith provided perspectives of possible future cooperation between the EAC and KAS. He emphasized the importance of civil society and youth in the integration process and that it needs support.

APPENDICES

A) STATEMENT BY MR. EDWIN MTEI, FORMER SECRETARY GENERAL OF EAC

East African Co-operation: Challenges in Implementing Agreements

A Historical Review by Edwin Mtei

Co-operation in modern East Africa began with the annexation of the territories comprising Kenya and Uganda by the British, and Tanganyika, Rwanda and Burundi by the Germans in the late 19th century. Thus from from 1901 there were a number of services administered on a joint basis like the Kenya-Uganda Railway and customs by the British, whilst the Germans had built the Central Railway all the way to Kigoma and thus serving also Burundi and Rwanda. At the end of the First World War, Tanganyika, as a mandated territory of the British, moved into close co-operation with her northern neighbours, with their customs administrations being integrated from 1920. The East African Currency Board was launched in 1920 and issued the EASh. as legal legal tender to replace the Rupee in Kenya and Uganda, and the German Rupee which circulated in Tanganyika.

Rwanda and Burundi had been mandated to the Belgians who made their own arrangements to suit the administration of their bigger colony of Congo. The Sultanate of Zanzibar where the Indian Rupee continued to circulate, adopted the EASh. in 1936.

The common customs administration of the three territories was improved, so that in 1927 “transfer forms” for external imports not consumed in the territory of initial entry, were introduced. Free trade in locally produced goods was implemented at the same time, when arrangements for transfer of excise duty levied on them to the consuming country, were formalized. Thus was established the East African Common Market.

Co-ordination of these co-operative efforts was initially undertaken by the Collonial Office in London, but Governors’ Conferences under the chairmanship of the Governor of Kenya were instituted in 1926, and carried out this function. Rapid expansion and strengthening of the common services then followed: the Customs and Excise Department, the Railways and Harbours , the Posts and Telegraphs Administration, the Income Tax Department, many of the scientific research services, including agriculture, forestry, veterinary, fisheries and medical researches were organized under an East African umbrella. Civil Aviation and Meteorological services and even an East African Airways Corporation, were established before 1939. Before the Second World War broke out in 1939, the British had even organized the King’s African Rifles as an East African army.

It should be noted that between the two world wars, the British Goverment had sent out a number of Commissions to examine the question of federation of these three territories. However each time, the idea of federation evoked strong opposition in both Uganda and Tanganyika because of African fear that the White settlers of Kenya would dominate such an arrangement. Even some British politicians in Britain felt uneasy about the influence of the Kenya white settlers and opposed the idea.

In 1948 the Governors' Conferences evolved into the East Africa High Commission which was formally given the mandate to run the common servises. An East African Central Legislative Assembly was incorporated in the High Commission to enact laws to facilitate the running of the common services. The Administrator of the new High Commission was an officer appointed by the British Government and in seniority ranked only after the Governors.

Advent of Independence

Throughout this period, Tanganyika and Uganda persistently complained that the benefits of the East African Common Market and common services were unfairly enjoyed by Kenya and considered that federation would entrench and spread the domination of the Kenya White settlers. However as independence approached and the likelihood of Africans being in control became obvious, fear of domination by the white settlers of Kenya faded away. At the time of Tanganyika's independence in 1961, it was therefore possible to re-model the East Africa High Commission and to continue with the East African Common Market and most of the other common services under what was termed the East African Common Services Organization (EACSO). The only major exclusion from the common services was the King's African Rifles because Tanganyika was determined to create her own army.

Instead of the Colonial Office having the final authority over joint East African affairs, EACSO was controlled by an EACSO Authority composed of the Prime Minister of Tanganyika sitting with the most Senior elected ministers from Uganda and Kenya (at that time being Julius Nyerere. Milton Obote and Jomo Kenyatta). Tripartite Ministerial Councils were set up to deliberate and decide on policies and guidance for the various departments and administrations of EACSO, depending on their sectors.

During the negotiations leading to the establishment of EACSO, attempt was also made to remove the causes of complaints by Tanganyika and Uganda regarding unequal benefits from the Common Market and the other common services.. A Distributable Pool Fund consisting of a percentage of the corporation tax paid by all companies operating in East Africa was established. The DPF basically was to finance the recurrent expenditures of the non-self contained services like the central secretariat, the scientific research services, metereological and civil aviation departments etc.instead of depending on direct contributions from the budgets of the member countries. Balances in this Distributable Pool Fund were distributed equally to the goverments of the three countries of Kenya, Tanganyika and Uganda. The rationale for the DPF was that since Kenya based companies were the largest contributors of corporation tax, the arrangement would assuage Tanganyika and Uganda regarding benefits derived from the Common Market and other common services.

Nevertheless, an important factor which made the Tanganyika leadership accept to continue with the EACSO arrangements at the time of their Independence in 1961 was the assumption that on Uganda and Kenya attaining their independence, they would form a Federation of East African States, whose government would undertake as part of its major policy, to resolve the issues that were the source of disgruntlement.

Federation was a very popular subject in Tanganyika at this time. In 1960 Julius Nyerere had even declared that he was prepared to delay the independence of Tanganyika if the British would hasten that of Uganda and Kenya so that the three attain independence on the same date, when they would also simultaneously proclaim a Federation of East African States. His own political party (TANU) was however not as enthusiastic, and so the preparations for a free Tanganyika in 1961 went ahead uniterrupted.

Even before Kenya's independence in December 1963, serious discussions were initiated within the EACSO, regarding plans for a federation. This was a sequel to a declaration by Nyerere, Obote and Kenyatta, in their capacity as Members of the EACSO Authority, that their three countries would launch a federation immediately after Kenya attained full sovereignty. Ministerial Committees were set up to negotiate and draft a Treaty for co-operation and a draft Federal Constitution. Specialist committees of officials examined various aspects of co-operation and Consultants were retained by EACSO and the governments, to study various aspects of co-operation, and recommend what would be ideal when a federal government was set up.

Enthusiasm for federation was particularly evident in the East African Central Legislative Assembly, which took the initiative to set up a tripartite Commission of its own Members to study and recommend a Federal Constitution for East Africa. Under the chairmanship of Bhoke Munanka, a Tanganyika EALA Member, the Commission toured the whole of East Africa, interviewing the public and government officials, including the Presidents. It visited a number of foreign countries to gather information and views. It produced a Report for submission to the Ministerial Committee carrying on the formal negotiations for drafting a treaty, and proceeded to debate it very vociferously in the East African Legislative Assembly.

Unfortunately, after Kenya's Independence, (and indeed, whilst the Munanka Commission was preparing its report), some East African leaders began to have second thoughts on the pace at which East Africa was moving towards federation. In Uganda where the leadership was rather lukewarm on the subject, a prominent M.P. who was a confidant of Prime Minister Milton Obote, Shaffiq Arrain, sponsored a motion in Parliament urging the need for caution in moving towards federation. In Kenya, President Jomo Kenyatta was quoted as saying at a public rally that the joint declaration for federation in 1962 was "ujanja" to hasten the British to grant early independence to Kenya, and that his government was not in a hurry to form a federation. Some press reports interpretted "ujanja" as a hoax!

President Nyerere of Tanganyika was very much disappointed by these developments in Kenya and Uganda. His government had accepted the EACSO arrangements as an interim measure, pending the launch of a federation as soon as Kenya gained sovereignty. The first decision that the Tanganyika government took was therefore to urge an immediate review of the EACSO agreements. This related to the future of the East African Currency Board which had been retained as an EACSO body on the assumption that it would be the nucleus of a federal central bank.

At a meeting of Finance Ministers held in Entebbe in February 1965, it was agreed that the path of monetary co-operation in East Africa lay in the working together of neighbourly separate conventional central banks, rather than in the evolution of the Currency Board into a federal central bank. It was further agreed to start preparing to launch such banks immediately, but that public announcement of the decision would be made in the June 1965 budget sessions of the East African parliaments. It should be noted that since the establishment of the Common Market in the late 1920s, the budgets of the three territories were closely co-ordinated and were read simultaneously in their respective legislatures.

Whilst preparations for the establishment of separate central banks and currencies were going on, the EACSO Authority set up the Philip Commission to recommend how the East African common services, including the Common Market, were to operate in an environment of separate currencies. An important additional term of reference for the Commission was to recommend how the Common

Market and the other common services would be operated and organized to facilitate more equitable enjoyment of the benefits of co-operation by all partner states.

The Commission, composed of Senior Ministers of the partner states, was actually a negotiating pannel with Professor Philip as moderator. When it completed its task, the Treaty for East African Co-operation to establish the East African Community was ready for signing and ratification. The Community in its new form started formally operating in December, 1967, the separate central banks having been set up between June and September, 1966.

Problems of the East African Community (Phase I)

Elaborate provisions for safeguarding the Common Market were made in the Treaty, and re-siting and re-structuring of the common services were undertaken. A new East African Development Bank with a mandate to carry out investments with the aim of correcting imbalances in industrial development was established with its head office in Kampala, Uganda. Although the East African Railways and Airways were to continue to operate with their headquarters in Nairobi, the Harbours were to have their head office in Dar es Salaam and that of the Posts and Telecommunications corporation in Kampala. The seat of the General Funds Services and Central Secretariat of the East African Community was transferred from Nairobi to Arusha, Tanzania.

It is pertinent to stress that enthusiasm for co-operation was still evident and it is at this time that even political leadership was made resident at the Central Secretariat with the appointment of resident Ministers and their Deputies at the Headquarters of the new community. Each of the three Governments sent a Minister who was a Member of its Cabinet, to reside at Arusha. The common services were organized so that the corporations, namely the Railways, Harbours and Marine Services, the Posts and Telecommunications, the East African Airways, the Civil Aviation and Meteorological Departments and the Scientific Reasearch and Social Services were under one Minister. Another Minister was responsible for Economic Affairs and the Common Market. The third Minister was responsible for Finance and Administration, and served as Chairman of the Committee of Ministers. Each Minister had a Deputy Minister who came from a partner state other than his own. The Secretary General was the Chief Executive Officer of the Community and served as Secretary to the Committee of East African Ministers.

It is pertinent to stress that as the Treaty was being drafted and its provisions being implemented, the partner states were embarking on and implementing divergent and almost conflicting economic and social policies. Such policies were of course, not the subjects of negotiation with the other partners or within the Philip Commission. For example, the Arusha Declaration resulting in the nationalization of "the comanding heights" of the Tanzanian economy was promulgated in February, 1967. Soon afterwards, Milton Obote's "move to the left" resulted in the compulsory acquisition of majority shareholdings in major Uganda commercial enterprizes. All these measures were in sharp contrast to the market-oriented policies pursued by Kenya.

The adoption of these policies was bound to make it difficult to reach quick and amicable decisions as to how to operate the Common Market and especially how to introduce the measures designed to correct the industrial imbalances which had been the source of friction. Added to these differences was the fact that this was the period of the Cold War, with the West being very averse to the leaning of any African country to the Eastern bloc. The EAC was treated as a stumbling block in the West's co-operation with Kenya. Indeed when the crisis for its breaking up came in 1977, not a single country or "the international community" intervened to try to save it, in spite of the fact that the East African Community had been one the most advanced regional economic integration areas of the world, surpassing even the then European Economic Community.

The Crises Leading to the Break Up

Anyway before 1977, the EAC for a period of seven years, had experienced a number of crises, each bringing it almost to the brink of collapse. The crises began with Idi Amin's coup in Uganda in 1971 when President Julius Nyerere granted ousted Milton Obote political asylum in Tanzania. Nyerere's refusal to recognize the new regime in Uganda or to sit in one table with Amin as Members of the EAC authority almost brought the Community to the brink of disintegration. The occasional resolution of sensitive issues by the Presidents sitting as the Authority was to take place no more.

The non-recognition of the new Uganda regime by Tanzania itself could have meant a break-up, but the common services including the corporations staggered on. The next incident spelling the end was when in April, 1971 the East African Legislative Assembly convened to deliberate the annual budget for the General Fund Services. Members of the EALA were supposed to be elected by the Parliaments of Member States. In the case of Uganda, dictator Idi Amin had disbanded Parliament. The new Uganda members had been the appointees of Amin, so some of the other Members asserted that they could not be sworn in as Members of the EALA. Without the Uganda Members, the budget could not be passed and so the Community could not be financed.

After a few days when East Africa was gripped by an impending crisis, Herman Sarwatt, a bold and realistic Speaker of the Assembly, who happened to be a Tanzanian, reconvened the Assembly and decided on his own to swear in the Uganda Members, asserting that Idi Amin had assumed the powers of Parliament in Uganda. He added that Amin had already enacted other laws in Uganda which were recognized by other countries, including international bodies. So the crisis for the time being was averted.

Supporters of Milton Obote had gone to Tanzania as refugees, especially when Amin started to “eliminate” his opponents. So most of the next crises threatening the collapse of the EAC were related to attempts by the Uganda exiles in Tanzania to oust Idi Amin. The incursions of these exiles were not forcefully discouraged by the Tanzanian authorities, and Amin believed they were actively supported by Tanzania. Each time they occurred, the EAC was threatened with an imminent collapse. I guess the reason why even Amin himself did not take steps to break the EAC was because Uganda most needed the Community. Kenya which could have intervened to mediate, was more pre-occupied with strengthening her economy; although I believe she would have probably made better economic strides if her partners in the Community had been settled and pursuing more positive development efforts..

The problems of operating the Community and its corporations were exacerbated at this period by the World Oil Crisis which erupted in 1973, causing serious balance-of-payments problems to oil importing developing countries. For example, the East African Airways, whose major maintanance operations were centered in Nairobi could not receive at head office, funds earned in Uganda and Tanzania to ensure adequate repairs, payment of landing fees and for aviation fuel. Similarly the E.A. Railways had difficulties in receiving funds from Tanzania and Uganda.

Similar problems faced E.A. Posts and Telecommunications based in Kampala. They could not have funds from Kenya or Tanzania. The Harbours Corporation based in Dar es Salaam also was unable to transfer funds from Mombasa Kenya. Running any corporation with substantial portions of its normal revenues tied up in accounts which cannot be freely utilized for the whole body corporate is bound to disrupt operations. And this is exactly what happened to the the EAC services in all sectors at this time.

Frustrated by the mulfuncioning of the Community, Kenya government officials seem to have started at this time, to take steps to server relations with the partner states. Trains on the Kenya side of the Railways were prevented from crossing into Tanzania.. Non-Kenyan senior staff at E.A. Railways and Airways Headquarters in Nairobi were expelled from Kenya. Amin's bizarre claim that large areas of western Kenya ought to be part of Uganda territory made matters worse for the future. The occasional conciliatory effort by Mzee Jomo Kenyatta by telephone to make Nyerere and Amin understand one another, when considering EAC issues, took place no more.

Nevertheless, as a last resort, the East African Authority, through exchange of letters delivered personally to Members by the Secretary General, did agree to the setting up of a Treaty Review Commission. Composed of three Senior Ministers from each partner state and chaired by Dr. William Demas, a prominent economist, who was then Secretary General of the Caribbean Economic Community, the Commission produced a Report proposing measures to salvage the EAC. The Commission's recommendations couuld not however be considered as the Community collapsed before the Authority could meet to consider it.

The last lap of disagreements between the partner states, probably because of the accumulation of frustrations, took the form of a war of words. The official press (radio and newspapers), especially in Kenya and Tanzania, began to engage in very disruptive and abusive exchanges. The Tanzania side was calling the Kenya leadership "man-eat-man society" and "nyang'au", meaning predatory hyenas.

The Kenya press was calling the Tanzania side, “beggarly man-eat nothing society” led by “bare-foot economists”. These hostile exchanges made every evening over the radio and repeated in newspapers, made the operation of the EAC Haedquarters extremely difficult. Pleas by the East African Committee of Ministers and the Secretary General for these broadcasts and press statements to be toned down were of no avail.

The Collapse

The final blow came in the first week of February, 1977 when Tanzania was preparing to formally launch Chama cha Mapinduzi (amalgamating Tanganyika African National Union and Afro-Shirazi Party), and also celebrate the Tenth Anniversary of the Arusha Declaration. The twin events were to be celebrated in Arusha and Zanzibar and many distinguished international guests had been invited, and were arriving, most flying in by the national carrier, the East African Airways. By the 3rd February, 1977 many had arrived and Mwalimu Nyerere was already in Arusha where the ceremonies were to formally begin in the morning of 5th February.

As noted earlier, because of inability of the E. A. Airways Corporation to get necessary funds at Head Office, it fell behind in paying many of its creditors for services rendered. An irate creditor therefore obtained a court order and detained one the airlines’ passenger liners at an airport in Europe. When they were informed of this incidence in the morning of 3rd February, without consulting their partners in Tanzania and Uganda, the Kenya authorities decided to ground all EAA planes due to take off from the Nairobi International Airport. So some of the international guests invited to the celebrations in Tanzania found themselves stranded in Nairobi because of cancellation of all EAA flights. The Tanzania authorities were very embarassed and had to arrange to ferry these guests from Nairobi by motor vehicles.

Coupled with the irritations caused by the then on-going war of words referred to earlier, President Nyerere treated this unilateral action on the part of the Kenya authorities, as the last straw on the camels's back. After an emergency meeting of his Cabinet held in Arusha, he declared that the Kenya-Tanzania border was closed. With the closure of the border, the East African Common Market which had existed since the early days of the British colonial era, came to an undignified and abrupt end. From then on, it was a matter of closing down the operations of the rest of the common services, including the East African Corporations, the formal financing of which would, in any case lapse on 30th June, 1977.

Apportionment of Assets and Liabilities

After June 1977 what followed in East Africa was an exercise by a mediator appointed by the three governments to apportion the assets and liabilities of the erstwhile Community and its corporations. Undertaken under the leadership of Victor Umbricht, a Swiss diplomat recommended to the East African Governments by the World Bank, the main credtor to the Community, the exercise proved very complicated. It involved tracing the history of assets dating back to the beginning of the 20th century, establishing their siting and maintenance and value. It also involved verifying the claims by innumerable creditors of all sizes. The fact that many records had been lost or destroyed made matters worse. No wonder therefore the mediation exercise was not completed until 1984 when some of the actors relating to the Community were no longer on the scene, and tempers had somewhat cooled. It was therefore possible for Victor Umbricht not only to recommend acceptable amicable solution to the three Governments, but he was also able to sew in his Final Mediation Report, some seed for the revival of an East African Community.

What of the Future?

It is not intended in this brief review of the history of co-operation in East Africa to describe the features of the new EAC created out of the ashes of the old. The new is no where near the attainment of the old in terms of the deepenning and variety of services, although it is refreshing to note the bold decisions on territorial expansion in accepting Rwanda and Burundi as new members. Genuine co-operation or unity among the countries of East Africa is a source of strength in terms of all aspects of life: political, diplomatic, economic, financial, social and technological. In approaching the subject of integration and learning from our history, I believe the debate should therefore be:

- When and how to co-operate or unite rather than whether.

- We should note especially that the environmement for co-operation and working together exists as we are geographical neighbours.

- The partners have compatible systems of governmental organization, language and culture.

- Harmony and absence of conflicts between the partners exist.

- Presence of mutually re-iforcing natural resources, the exploitation of which will maximize exchanges between partners, like Lakes Victoria and Tanganyika and the Kagera River.

- Individual partners seeking to be integrated have to have transparent democratic mandates of their citizens.

- We should ensure that co-operation is to the benefit of all participants, and if for any reason, benefits are unequal at times, mechanisms for prompt correction must be an integral part of the co-operation machinery.

- The machinery for co-operation should also be such as to facilitate quick and acceptable decisions, minimizing the piling up of decisions on minor matters on the top authority.

B: PHOTOS

Dr. Richard Sezibera sharing views with Prof. Dr. Horst Köhler

Dr. Richard Sezibera clarifying a point to Prof. Dr. Horst Köhler. Left is the Arusha Regional Commissioner.

Prof. Dr. Horst Köhler appreciating a Makonde curving given to him by Dr. Richard Sezibera

Prof. Dr. Horst Köhler watering after planting a tree at the new EAC Complex

.......With regard to the role of private sector in the integration process, was very categorical. Private sector is the basis of regional cooperation. In this regard, an ideological consensus about the relation of state and the private sector needs to be achieved. The Community will not work if members will not do their homework, national actors tend to use the Community as a scapegoat.

The EAC is the right approach for sustainable growth but depends very much on implementation.

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