



UNREALIZED POTENTIAL OF THE EAC

GEORGE OWUOR JR

CHAIR, EAST AFRICAN AFFAIRS BOARD, KEPSA





PRESENTATION FLOW

1. OVERVIEW OF THE EAC
 2. STATUS OF REGIONAL INTEGRATION IN 2018
 3. TRADE IN SERVICES
 4. EMERGING ISSUES: AGOA AND AFRICAN FREE CONTINENTAL TRADE AREA
- 

OVERVIEW OF THE EAC



STAGES OF REGIONAL INTEGRATION

- CUSTOMS UNION- 2005
- COMMON MARKET-2010
- MONETARY UNION -2024
- POLITICAL FEDERATION -?????

STATUS OF REGIONAL INTEGRATION

KEY WINS:

- THE IMPLEMENTATION OF THE CUSTOMS UNION IN THE EAC FACILITATED TRADE EXPANSION WITH OVERALL INTRA-EAC TRADE EXPANDING FROM \$4.45 BILLION IN 2011 TO \$5.1 BILLION IN 2015.
- EAC ACCOUNTS FOR 51% OF INTRA AFRICAN TRADE
- FREE MOVEMENT OF PEOPLE

STATUS OF REGIONAL INTEGRATION

REALITIES:

- THE SHARE OF INTRA-EAC IMPORTS IN TOTAL IMPORTS HAS NOT INCREASED SINCE THE IMPLEMENTATION OF THE CU AND REMAINS LOW (SINGLE DIGIT).
- INTENSITY OF BILATERAL TRADE WITHIN THE EAC LAGS BEHIND THAT WITHIN ASIA, AMERICA, AND EUROPE.
- INTRA-EAC REMITTANCES HAVE DECREASED IN RECENT YEARS AND REPRESENT ONLY A SMALL FRACTION OF THE TOTAL (ABOUT 20 PERCENT). REMITTANCES FROM MIGRANTS RESIDING IN ADVANCED COUNTRIES ARE MUCH HIGHER.

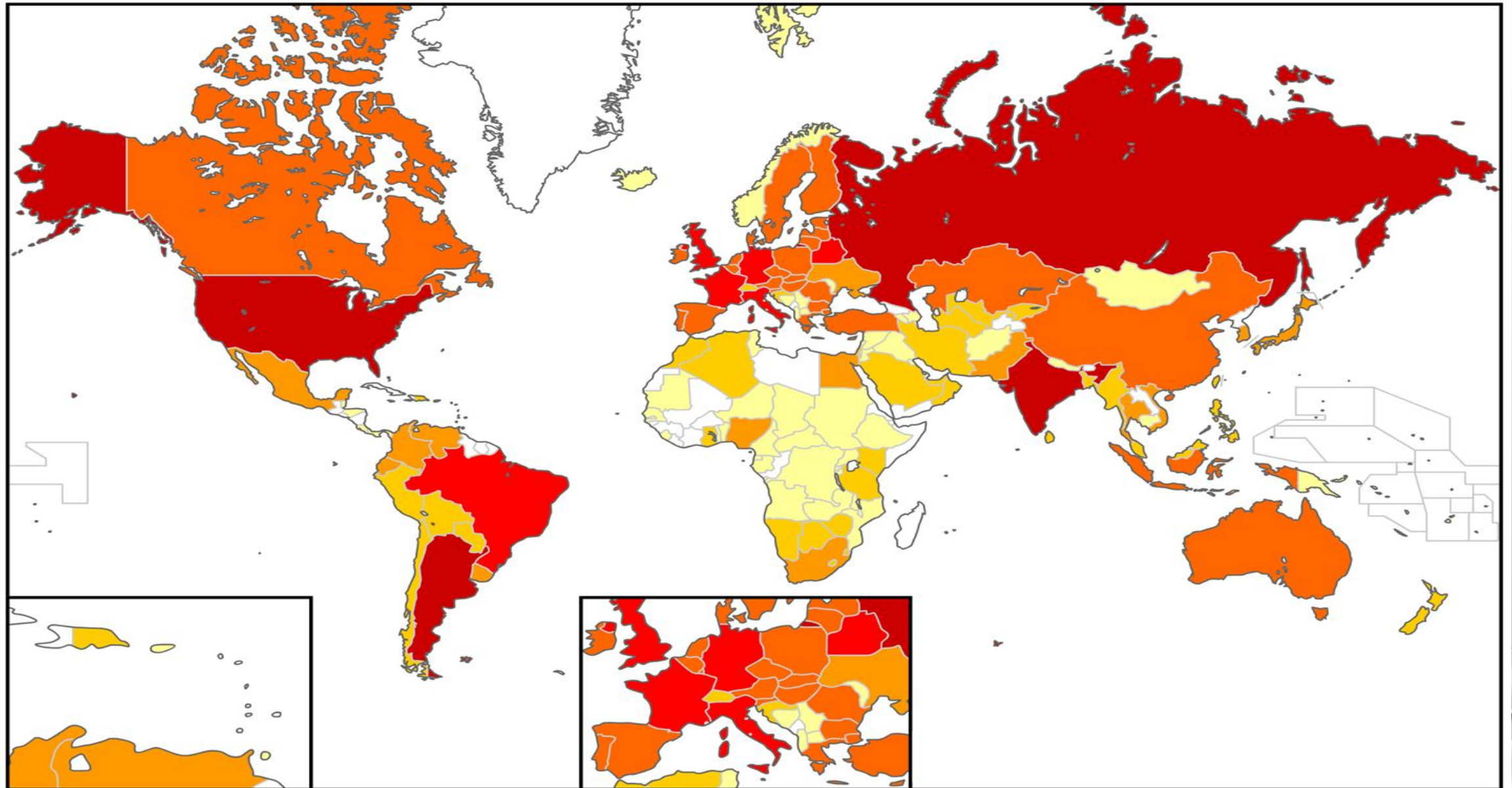
FUN FACT!

KENYA'S TRADE WITH THE EAC

- EXPORTS TO TANZANIA IN 2017 DECLINED FROM A HIGH OF SH46 BILLION IN 2012 TO SH28.5 BILLION.
- KENYA'S EXPORTS TO UGANDA AT KSH 63 BILLION DOWN FROM HIGH OF 76 BILLION IN 2011.
- PAKISTAN OVERTOOK UGANDA AS THE LARGEST BUYER OF KENYAN GOODS, IMPORTING GOODS WORTH \$394 MILLION
- AGOA- DRIVEN BY A RISE IN CLOTHING AND APPARELS EXPORTS, EARNINGS BY KENYA FROM THE US GREW TO \$313 MILLION FROM \$268.7 MILLION.
- 50% OF KENYAN EXPORTS ARE TO THE EAC

Protectionist measures taken since 2008

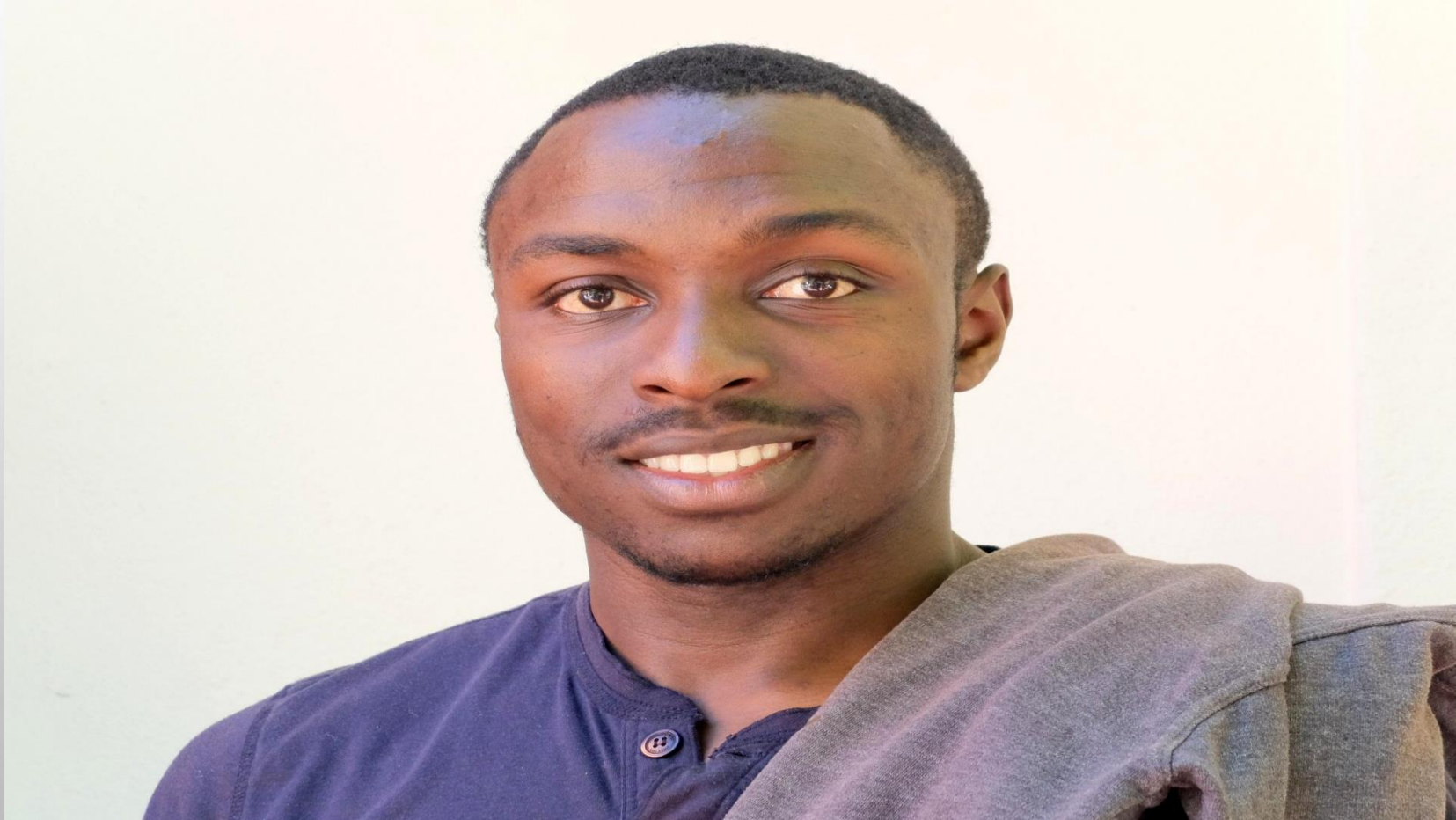
Source: Global Trade Alert , CEPR initiative



EAC IN HDU

- COMMON EXTERNAL TARIFF IS PUNCTURED BY INTERESTS.
- ECONOMIC PARTNERSHIP AGREEMENT WITH THE EUROPEAN UNION
- NTBS ON THE RISE
- DIPLOMATIC TENSIONS AFFECTING BUSINESS
- MINI REGIONAL ECONOMIC GROUPINGS WITHIN THE EAC
- LACK OF IMPLEMENTATION OF KEY LEGISLATION AND POLICIES

TRADE IN SERVICES- FRANCIS (ZAMBIA)

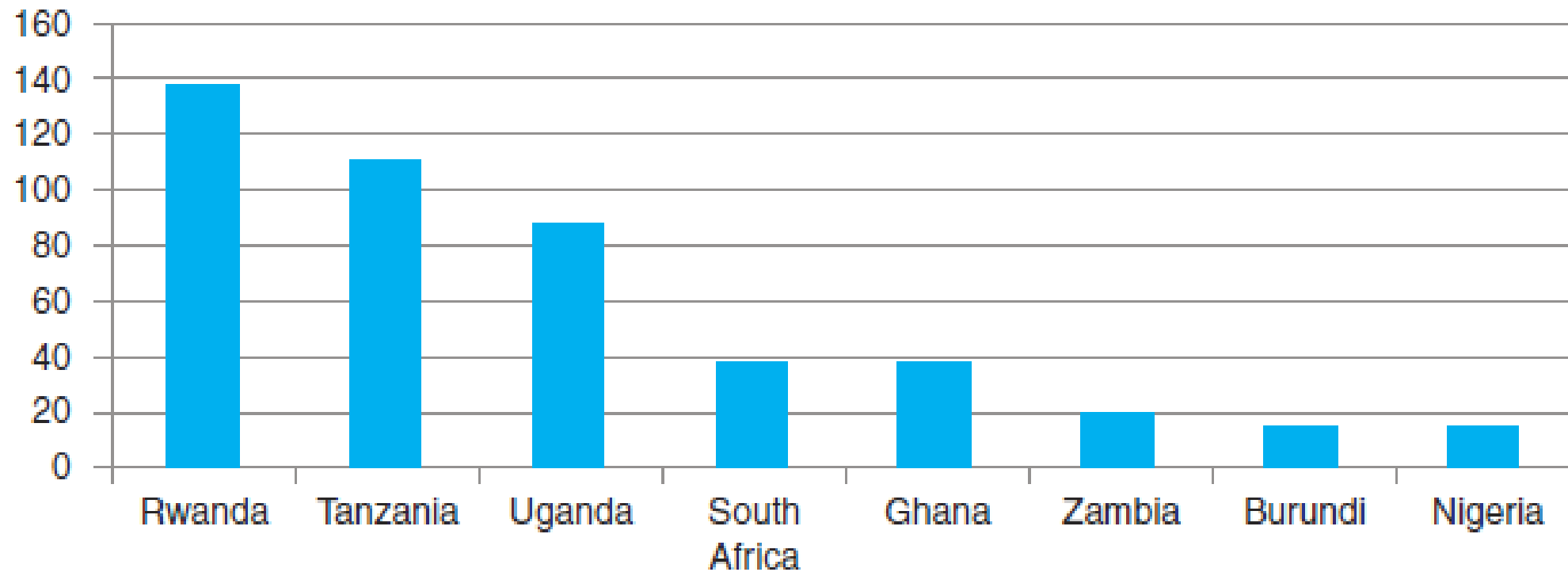


TRADE IN SERVICES ECONOMIC BENEFITS

- TRADE IN SERVICES AND RELATED REGULATORY REFORMS ARE CRITICAL FOR GROWTH AND ECONOMIC DEVELOPMENT.
- SERVICES ARE KEY FOR EXPORT DIVERSIFICATION AND INPUTS IN THE PRODUCTION OF MOST EXPORTABLE GOODS AND SERVICES.
- SERVICES IMPORTS ARE IMPORTANT BECAUSE THEY CAN IMPROVE THE AVAILABILITY AND QUALITY OF SERVICES INPUTS THROUGH INCREASED COMPETITION, BETTER TECHNOLOGIES, AND ACCESS TO FOREIGN CAPITAL.
- THIS, IN TURN, CAN HAVE A STRONG IMPACT ON THE DOMESTIC BUSINESS ENVIRONMENT AND BROADEN ACCESS TO ESSENTIAL SERVICES, SUCH AS HEALTH, EDUCATION, AND FINANCIAL SERVICES

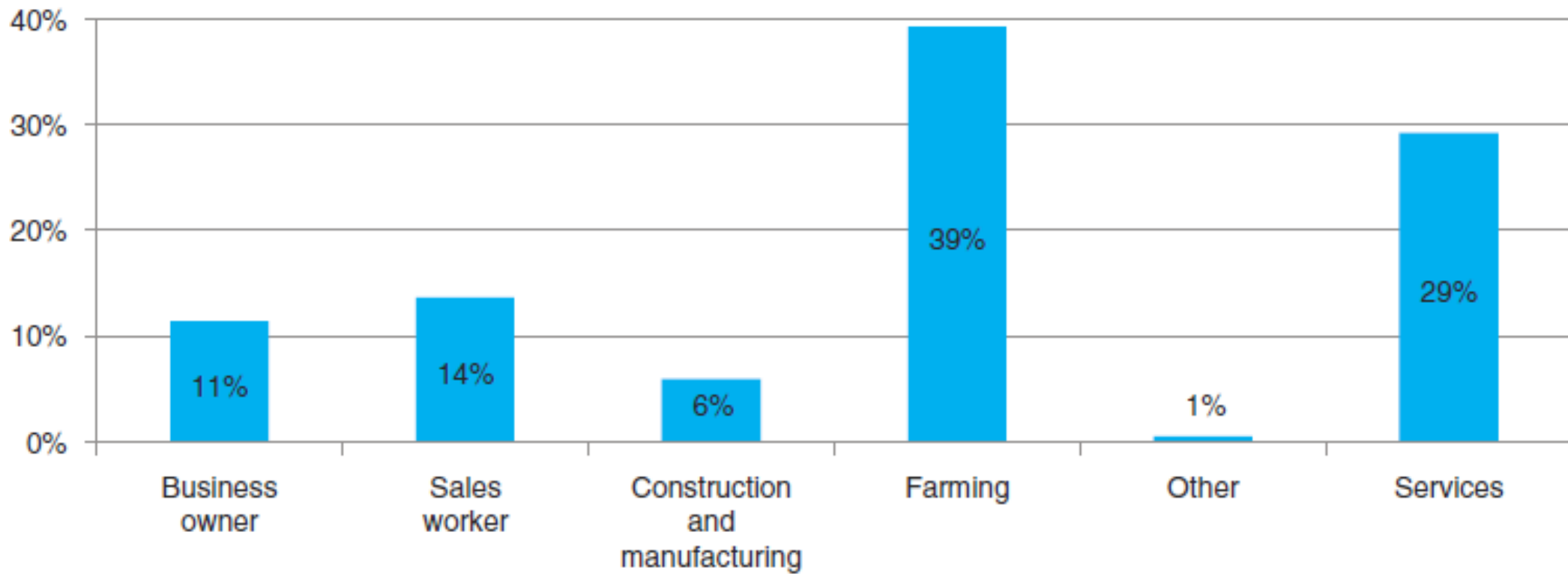
EXPORT DIVERSIFICATION

FIGURE I.12: Exports of Commercial Services versus Exports of Non-Mineral Goods, 2013



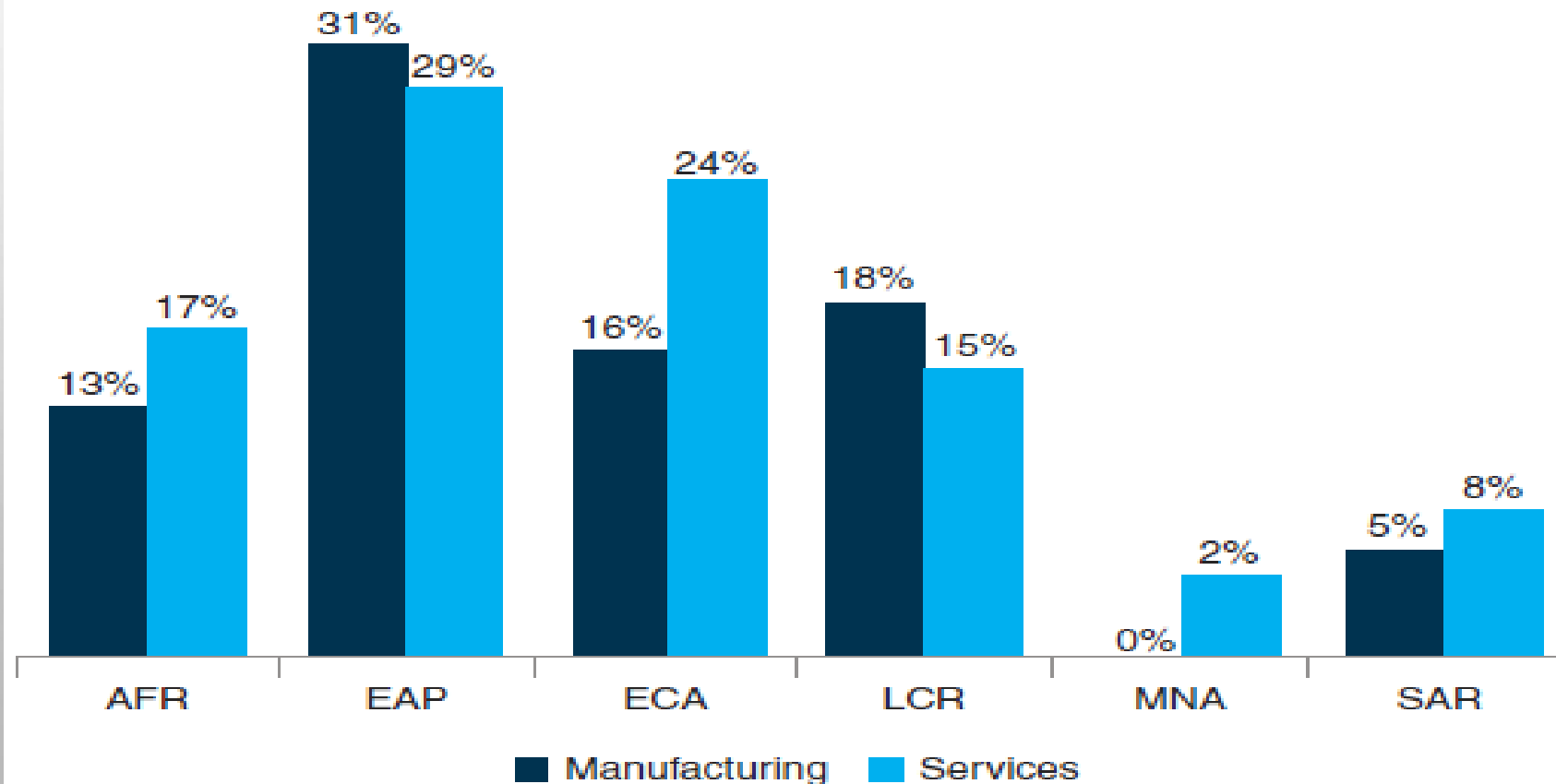
YOUTH EMPLOYMENT

FIGURE I.8: Youth Employment by Occupation, 2010



WOMEN ECONOMIC ADVANCEMENT

FIGURE I.10: Proportion of Firms with Female Top Managers, Manufacturing versus Services



BARRIERS TO TRADE IN SERVICES IN THE EAC

?



BARRIERS TO TRADE IN SERVICES IN THE EAC

- SKILLS SHORTAGES
 - REGULATORY ENVIRONMENT LEADS TO INFORMALITY
 - REGULATORY HETEROGENEITY IMPEDES TRADE IN SERVICES
 - INADEQUATE STANDARDS
- 



WHAT CAN THE EAC DO REALIZE THE POTENTIAL

- **KEEP COMMITMENTS-** PRIVATE SECTOR CAN BE THE POLICE
 - **SUPPORT KNOWLEDGE SHARING-** CHARTER FOR CROSS BORDER TRADERS
 - **PUT INFORMAL TRADE IN SERVICES ON THE AGENDA**
 - **BRINGING IT ALL TOGETHER-** TRADE AND DOMESTIC REGULATION
 - **REFORM OF IMMIGRATION RULES**
 - **TRANSPARENCY**
 - **PRIORITIZE REGIONAL REGULATORY COOPERATION**
- 

PRIORITIZE REGIONAL REGULATORY COOPERATION IN THE EAC – MUTUAL RECOGNITION AGREEMENTS

- **MUTUAL RECOGNITION AGREEMENTS ARE COOPERATION AGREEMENTS THAT ALLOW COUNTRIES TO RECOGNIZE THE QUALIFICATIONS OF OTHER COUNTRIES WHEN DEALING WITH PROFESSIONALS.**



MUTUAL RECOGNITION AGREEMENTS IN THE EAC

- ACCOUNTING
 - ARCHITECTURE
 - ENGINEERING
- 

SHORTCOMINGS OF THE MRAS IN THE EAC

- ALTHOUGH THE THREE CONCLUDED MRAS IN THE EAC WERE NEGOTIATED AND AGREED BY STAKEHOLDERS IN THE SECTORS, IN CERTAIN INSTANCES THEY HAVE BEEN SIGNED WITHOUT ANY SIGNIFICANT PREPARATORY WORK ON EQUIVALENCE OR NATIONAL REGULATORY BODIES HAVE NOT BEEN IN THE DRIVER'S SEAT FOR SUBSEQUENT IMPLEMENTATION.

SHORTCOMINGS OF THE MRAS IN THE EAC

- THE AGREEMENTS WERE NOT INITIATED FORMALLY AT THE REGIONAL LEVEL. THIS HAS LEFT THE INSTRUMENTS RESULTING FROM THESE AGREEMENTS IN A LEGAL LIMBO.
- ALTHOUGH THE PARTIES INVOLVED HAVE COMPETENCE IN RELATION TO PROFESSIONAL QUALIFICATIONS AND LICENSING AT THE DOMESTIC LEVEL, THEY WERE NOT GRANTED THE POWER TO CONCLUDE THESE INTERNATIONAL AGREEMENTS.
- COMPETENT AUTHORITIES ARE UNABLE TO DEAL WITH INSTANCES WHERE NATIONAL LEGISLATION OBSTRUCTS THE COMMITMENTS MADE IN THE MRAS (SUCH AS ABOLISHING A REQUIREMENT TO ENTER A JOINT VENTURE WHEN ESTABLISHING A COMMERCIAL PRESENCE)

SHORTCOMINGS OF THE MRAS IN THE EAC

- THERE IS ONGOING SENSITIVITY AMONG THE PARTNER STATES OVER FREE MOVEMENT OF PEOPLE.
- SEVERAL SECTORS USING MRAS HAVE REPORTED SIGNIFICANT DELAYS IN PROCESSING WORK PERMITS. MOREOVER, THE SIGNIFICANT DIFFERENTIAL IN CHARGES IMPOSED BY PARTNER STATES FOR WORK PERMITS IS A SOURCE OF COMPLAINT AMONG BUSINESSES TRYING TO USE THE MRAS FOR CROSS-BORDER EMPLOYMENT.



EMERGING ISSUES

- AGOA
 - CONTINENTAL FREE TRADE AREA
- 



END