

Dynamics and realities of the East African Community

The dynamism in the East African Community (EAC) is remarkable and encouraging, but also comes at a cost as regional economic integration creates both winners and losers. Our recent book [Trade and Investment in East Africa](#), written with 16 African researchers from six universities and three policy institutions, discusses prospects, challenges, and pathways to sustainability

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The accession of Democratic Republic of Congo (DRC) in March 2022 creates a market of 300 million consumers and gives further impetus to regional development. The seven EAC member states recognize the importance of foreign trade and investment for their economic development and are also reaping the macroeconomic benefits Kenya and Tanzania have, for example, already made the step to Middle Income Country category in the World Bank classification. Member states have strengths and weaknesses in very different sectors, providing a basis for further specialization and greater intra-regional trade.

Currently, the main bottlenecks for further development of trade from and with the EAC are delays arising at the border, both for exports and imports. The trade impact of the time and costs that firms and traders incur when they comply with documentary requirements and border procedures significantly hampers trade between African countries. Borders should matter less, but due to internal red tape exporting and importing are unnecessarily cumbersome. The challenges are the poor (air)port management and the bureaucratic burden that arises from the lack of a one-stop-shop approach in government. The time and cost of compliance to border procedures should be reduced, and that seems quite possible as best practices in Kenya and Rwanda suggest. In principle, red tape is a factor that can be solved without a major financial investment, but which does of course require a change in mentality and training.

Not a free lunch

This is good news because the export premium (the higher productivity of internationally operating companies) is substantial in the EAC countries and exceeds the level found on average in sub-Saharan countries. Higher productivity can be translated into a higher income per capita in order to contribute to the development process. Increasing trade and investment is, however, not a free lunch because economic integration has both winners in high productive sectors and losers in low productive sectors. Opening up to trade, moreover, is a process of structural change that can create unemployment and income loss in parts of the economy that are not competitive. Additional policies such as training and income support will thus be necessary for losers in low productive sectors.

Case studies show realities on the ground

There are also important policy challenges in other areas, as shown by five case studies in the book. Many sectors, such as horticulture production, seaweed farming and leather processing, lack the cooperatives and institutions that are important for positioning activity higher in the international value chains. Institutions are important both for guaranteeing the quality of export products and for research and development into product-specific improvements. Cooperatives are important actors in organizing and facilitating cross border trade. There are also noteworthy gaps in the private sector. In Tanzania, for example, there are no professional slaughterhouses, and the leather processing is mainly traditional and small-scale. In the absence of these links in the leather value chain, Tanzania is one of the largest regional exporters of cattle, but at the same time imports shoes and other simple leather products.

A silver lining

We had not anticipated to edit a volume in Springer's prestigious *Frontiers in African Business Research* book series when we were on mission in Zanzibar and mainland Tanzania early 2020. We talked with key stakeholders to set the grounds for a project aimed at capacity building for export, trade policy and trade negotiations funded by the African, Caribbean and Pacific Group of States (ACP Group) and the European Union. We were lucky, because shortly after that first round , fieldwork was finished, COVID-19 broke out. In lockdown we had no other option but to go on-line. Together with our partner REPOA in Dar es Salaam we redesigned our tasks creating a project aimed at producing original research and evidence-based policy advise on some 15 topics. With the help of REPOA the project involved MA and PhD students as well as policy advisors. The Institute of Social Studies provided dedicated supervision and support. By mid-2021 we realized that the project was running so well that a book would become possible. *Trade and Investment in East Africa* showcases that capacity building during a pandemic is still possible and, incidentally, that the CO2 imprint of development research can be significantly reduced. The project was the silver lining of the pandemic that kept us going.