

## REGIONAL INTEGRATION AND GLOBALIZATION

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Regional integration has been defined as an association of states based upon location in a given geographical area, for the safeguarding or promotion of the participants, an association whose terms are fixed by a treaty or other arrangements. Philippe De Lombaerde and Luk Van Lange have define regional integration as a worldwide phenomenon of territorial systems that increases the interactions between their components and creates new forms of organization, co-existing with traditional forms of state-led organization at the national level.

According to Hans van Ginkel, regional integration refers to the process by which states within a particular region increase their level of interaction with regard to economic, security, political, and also social and cultural issues.

In short, regional integration is the joining of individual states within a region into a larger whole. The degree of integration depends upon the willingness and commitment of independent sovereign states to share their sovereignty.

Regional integration initiatives, according to Van Langen hove, should fulfill at least eight important functions:

The strengthening of trade integration in the region

The creation of an appropriate enabling environment for private sector development

The development of infrastructure programmes in support of economic growth and regional integration

The development of strong public sector institutions and good governance.

The reduction of social exclusion and the development of an inclusive civil society.

contribution to peace and security in the region

The building of environment programmes at the regional level

The strengthening of the region's interaction with other regions of the world.

The crisis of the post-war order led to the emergence of a new global political structure. This new global political structure made obsolete the classical Westphalian concept of a system of sovereign states to conceptualize world politics. The concept of sovereignty became looser and the old legal definitions of the ultimate and fully autonomous power of nation-state are no longer meaningful.

Sovereignty, which gained meaning as an affirmation of cultural identity, has lost meaning as power over the economy.<sup>1</sup>

All regional integration projects during the Cold war were built on the Westphalia state system and were designed to serve economic growth as well as security motives in their assistance to state building goals. Regional integration and globalization are two phenomena that have challenged the pre-existing global order based upon sovereign states since the beginning of the twenty-first century. The two processes deeply affect the stability of the Westphalian state system, thus contributing to both disorder and a new global order.

Closer integration of neighbouring economies has often been seen by governments as a first step in creating a larger regional market for trade and investment. This is claimed to spur greater efficiency, productivity gain and competitiveness, not just by lowering border barriers, but by reducing other costs and risks of trade and investment. Bilateral and sub-regional trading arrangements have been advocated by governments as economic development tools, as they been designed to promote economic deregulation. Such agreements have also aimed to reduce the risk of reversion towards protectionism, locking in reforms already made and encouraging further structural adjustment.

Some claim the desire for closer integration is usually related to a larger desire for opening nation states to the outside world, or that regional economic cooperation is pursued as a means of promoting development through greater efficiency, rather than as a means of disadvantaging others.

It is also claimed that the members of these arrangements hope that they will succeed as building blocks for progress with a growing range of partners and towards a generally freer and open global environment for trade and investment.

And that integration is not an end in itself, but a process to support economic growth strategies, greater social equality and democratization. However, regional integration strategies as pursued by economic and national interests, particularly in the last 30 years, have also been highly contested across civil society. There is no conclusive evidence to suggest that the strategies of economic deregulation or increased investor protection implemented as forms of regional integration have succeeded in contributing to "progress" in sustainable economic growth, as the number of economic crises around the world has increased in frequency and intensity over the past decades. Also, there is increasing evidence that the forms of regional integration employed by nation states have actually worsened social inequality and diminished democratic accountability.<sup>1</sup> As a result of the persisting contradiction between the old promises of regional integration and real world experience, the demand from across global civil society for alternative forms of regional integration has grown.

Regional integration arrangements are a part and parcel of the present global economic order and this trend is now an acknowledged future of the international scene. It has achieved a new meaning and new significance. Regional integration arrangements are mainly the outcome of necessity felt by nation-states to integrate their economies in order to achieve rapid economic development, decrease conflict, and build mutual trusts between the integrated units. The nation-state system, which has been the predominant pattern of international relations since the Peace of Westphalia in 1648 is evolving towards a system in which regional groupings of states is becoming increasingly important vis-a-vis sovereign states. Some have argued that the idea of the state and its sovereignty has been made irrelevant by processes that are taking place at both the global and local level. Walter Lippmann believes that, "the true constituent members of the international order

of the future are communities of states." E.H. Carr shares Lippmann view about the rise of regionalism and regional arrangements and commented that, "the concept of sovereignty is likely to become in the future even more blurred and indistinct than it is at present.

### **Regional Integration Agreements**

Regional integration agreements (RIAs) have led to major developments in international relations between and among many countries, specifically increases in international trade and investment and in the formation of regional trading blocs. As fundamental to the multi-faceted process of globalization, regional integration has been a major development in the international relations of recent years. As such, Regional Integration Agreements has gained high importance. Not only are almost all the industrial nations part of such agreements, but also a huge number of developing nations too are a part of at least one, and in cases, more than one such agreement.

The amount of trade that takes place within the scope of such agreements is about 35%, which accounts to more than one-third of the trade in the world. The main objective these agreements is to reduce trade barriers among those nations concerned, but the structure may vary from one agreement to another. The removal of the trade barriers or liberalization of many economies has had multiple impacts, in some cases increasing Gross domestic product (GDP), but also resulting in greater global inequality, concentration of wealth and an increasing frequency and intensity of economic crises.

### **Globalization: a Definition**

Globalization is the steady decline in importance of national boundaries and geographical distance as constraints on mobility. A new phase of this process began following the end of World War II. People, goods and services, factors of production and their owners, financial capital, enterprises, technology, brand names, knowledge, ideas, culture and values all move more easily across national frontiers than at any time since the beginning of World War I. This process is known as globalization.

It affects virtually every nation or region in the world. The phenomenon is driven, first, by technological advances reducing the cost of transportation, mobility and communication, and second, by deliberate political decisions to reduce or even to eliminate man-made barriers to international mobility.

### **Primary Drivers of Globalization.**

Rapid technological change in core countries and their ability to dominate production of consumer goods to the rest of the world.

It involves the increasing interdependence of national economies, financial markets, trade, corporations, production, distribution, and consumer marketing.

By its very nature, globalization draws attention to the economic and technological aspects of life, and to change at the level of culture or identity.

Globalization draws attention to the role of transnational corporations in creating a global market and system of production; to capital markets in creating an integrated financial system; and to bodies such as the International Monetary Fund (IMF) in disseminating a particular view of the state's role within the international economy.

### **Advantages and Disadvantages of Globalization**

Globalization has a range of advantages.

Increasing opportunity, choice and freedom: Globalization brings enhanced scope for mutually beneficial trade, through specialization, division of labour, diversification of risk. It boosts learning opportunities, through emulation and imitation at first, and then through synergistic investment in new knowledge and skills. While it is not yet true that people from anywhere can move to opportunities everywhere, the obstacles to international movement of people, as tourists, consumers, investors and economic immigrants have been falling for these past 50 years.

Regions and nations can safely and productively specialize in the production of far fewer goods and services than they wish to consume, because a specialized and restricted national production basket can be traded internationally for a richer and more diverse consumption basket. Access to global financial markets and international portfolio diversification makes it possible, in principle, to insure the residents of a nation against the risks (e.g. terms of trade shocks) associated with specializing in the production of a relatively narrow bundle of goods and services in an uncertain global environment. Young workers can move from countries with a predominantly young population and limited physical capital to countries that have a greying population and a 'youth deficit', but ample physical capital.

The international community of scholars is more than the sum of its constituent national parts. Knowledge, once produced, is the ultimate global public good. The problem of striking the right balance between the costly production of new knowledge and the (virtually) costless dissemination of existing knowledge will have to be resolved through global co-operation, legislation, rule making and enforcement. Access to the aesthetic and artistic 'acquis' and the cultural achievements of the rest of the world can enrich every nation.

### **GDP Increase**

Unemployment is reduced.

Education has increased.

Competition on Even Platform: The Companies all around the world are competing on a single global platform which allows better options to consumers.

It increased fee trade between nations.

The Corporations have greater flexibility to operate across borders.  
 Global mass media ties the world together.  
 Increased flow of communications allows vital information to be shared between individuals and corporations around the world.  
 It increases in environmental protection in developed nations.  
 Spread of democratic ideas to developed nations.  
 Reduced cultural barriers increases in the global village effect.

**The Disadvantages include.**

**Uneven Distribution of Wealth**

Income Gap between Developed and Developing Countries, where the wealth of developed countries continues to grow twice as much as the developing world.

Different Wage Standards for Developing Countries, which is explained by the following fact that the technology worker may get more value for his work in a developed country than a worker in a developing country

In the media sphere, the control of world media by a handful of corporations limits cultural expressions.

Violent reactions for globalization in an attempt to preserve cultural heritage.

The international spread of contagious diseases affecting humans has accompanied the increased mobility of humans and animals. Historically, smallpox and measles have destroyed societies. Today, TB, HIV-AIDS, Ebola virus, Nile virus and flu virus, foot and mouth disease can spread with alarming speed.

The threat of international contagion in financial markets, manias and panics, irrational euphoria and despondency is but a phone call, news flash or e-mail message away.

Crime (the drugs trade, money laundering, tax evasion) has become a global industry.

Terrorism has become a global threat perpetrated by loose global networks of terrorists and those who support them.

Threats to national or regional cultures and identities are (perceived to be) posed by a global culture of consumerism that spreads rapidly through the media

**Effects of Globalization**

The following are considered the Effects of Globalization;

- Enhancement in the information flow between geographically remote locations
- the global common market has a freedom of exchange of goods and capital
- there is a broad access to a range of goods for consumers and companies
- Worldwide production markets emerge
- Free circulation of people of different nations leads to social benefits
- Global environmental problems like cross-boundary pollution, over fishing on oceans, climate changes are solved by discussions
- More trans border data flow using communication satellites, the Internet, wireless telephones, etc.
- International criminal courts and international justice movements are launched
- The standards applied globally like patents, copyright laws and world trade agreements increase
- corporate, national and sub-national borrowers have a better access to external finance
- worldwide financial markets emerge
- multiculturalism spreads as there is individual access to cultural diversity. This diversity decreases due to hybridization or assimilation
- international travel and tourism increases
- worldwide sporting events like the Olympic Games and the FIFA World Cup are held
- enhancement in worldwide fads and pop culture
- local consumer products are exported to other countries
- immigration between countries increases
- cross-cultural contacts grow and cultural diffusion takes place
- there is an increase in the desire to use foreign ideas and products, adopt new practices and technologies and be a part of world culture
- free trade zones are formed having less or no tariffs
- due to development of containerization for ocean shipping, the transportation costs are reduced
- subsidies for local businesses decrease
- capital controls reduce or vanish
- there is supranational recognition of intellectual property restrictions, i.e., patents authorized by one country are recognized in another

**REGIONAL INTEGRATION AGREEMENTS**

- Regional economic integration is a complex and much debated issue among analysts and policymakers in almost every corner of the world.
- Recently, it has gained particular interest and momentum with the European Union's envisaged deepening - the introduction of a single currency - and widening – the inclusion of East European countries - of its integration process.
- Excitement, or fear, about the prospects of regional integration has been spurred further by the surge of the "new regionalism" in Latin America and the emergence of spectacular mega-initiatives such as the Asia Pacific Economic

Cooperation (APEC) agreement between the United States, Japan, China, Canada, Mexico, Australia and a dozen other countries bordering the Pacific Ocean.

- The costs and benefits of RIAs in facilitating development; the reasons for the successes and failures of first-generation RIAs in different parts of the World; arguments about whether second-generation RIAs are likely to facilitate or impede global multilateral cooperation; and finally, the main lessons for developing countries that can be drawn from past and present-day experience.

### A Retrospective on Regional Integration Arrangements

- ❖ At present, almost every member of the Organisation for Economic Cooperation and Development, and virtually every developing country as well, is either engaged in, or flirting with, some form of regional integration.
- ❖ Regional integration arrangements (RIAs) are not new. Many of their features, e.g. free trade areas and monetary unions, emerged and were continually refined under colonial rule between 1850 and 1950 in much of what is now the developing world.
- ❖ The genesis of RIAs in Europe is ascribed to the Anglo-French accord of 1860. That agreement impelled other European countries to sign similar accords with France in a fashion reminiscent of the recent rush on the part of countries to emulate Mexico and Israel in signing free trade agreements with the United States.
- ❖ RIAs existed under the British and French empires in South and East Asia, the Middle East, in sub-regions of Africa and in the Caribbean.!
- ❖ These were predated by arrangements which bound together the former colonies of Spain in Central and South America.
- ❖ In Asia, such arrangements also existed between colonial Japan, and colonized Korea and Formosa (now Taiwan) between 1890 and 1945.

### A Tour of Regional Integrations around the World

- In the aftermath of the Second World War, the world has been characterized by several different types of RIAs in developed and developing regions. These are discussed briefly below according to the geographical (and economic) parts of the world in which they occurred.

#### First World

1. In the first world, the most ambitious and successful RIA, of course, is the still evolving European Union (EU). Beginning humbly as a coal and steel community between six countries, it is now virtually a full economic union involving fifteen developed Western European countries. Four of these (Greece, Ireland, Portugal and Spain) acceded when they were still classified as middle-income developing countries. Their economies and standards of living have progressed rapidly since they joined the European Union although their absorption, as is often supposed, has not been a matter of easy digestibility. Together these four accounted for 20% of the European Union's population when they joined, but for only 8% of its total GDP. They now account for about 11% of regional GDP. With its recent enlargement (in 1995) through the entry of Austria, Finland and Sweden, the European Union now embraces 375 million people and a total GDP (1994) of around US\$8 trillion.
2. The North American Free Trade Agreement (NAFTA) embracing the US, Canada and Mexico has aroused even more interest in the developing world than the European Union with regard to the potential of RIAs. NAFTA has excited imagination because it is perceived as an unprecedented bonding arrangement between highly developed and developing states in the same region, presaging a different future with new possibilities for such arrangements.

NAFTA embraces about 370 million people with a collective 1994 GDP of about US\$7.5 trillion. In this arrangement, Mexico accounts for about 23% of NAFTA's total population but only 4% of regional GDP. The development disparity between Mexico and its partners in NAFTA is thus much greater than that between the Southern and Northern European countries when the former became members of the European Union.

The key characteristic of both the European Union and NAFTA, and the reason why these two blocs may eventually succeed in evolving towards some form of economic union, is the relatively high proportion of intra-regional trade, investment and capital flows already occurring in both blocs relative to their total trade. In NAFTA, however, the question of unimpeded labour mobility across internal borders may prevent full labor market integration for some time, even as other factor markets integrate.

The same could be true of the European Union if it were to widen, by embracing new Eastern European members, before it deepened. Recent events suggest that the prospects for further deepening under the timetable of the Maastricht Treaty, especially in achieving monetary union, may be set back and be achieved much later than was earlier anticipated.

#### Second World

In what was formerly the second world, members of the former East Bloc were bound together under the **Council for Mutual Economic Assistance (CMEA)**.



Though CMEA was primarily an arrangement among geographically contiguous countries in the Soviet Union and Eastern Europe, it embraced three (non-regional) third world members, i.e. Cuba, Mongolia and Vietnam.

CMEA's role as an RIA in the post-war world has perhaps been understated because it was a statist rather than a market arrangement. Even so, for nearly thirty years CMEA engendered reasonably rapid growth in its member economies. Its usefulness came to an end when the limitations of rigid command economies - in responding to technological developments, meeting evolving domestic consumer demands, and holding their own under rapidly changing global product-market conditions - became painfully manifest.

CMEA was clearly not an RIA voluntarily entered into by free, democratic states exercising free choice. Its role in the former Soviet empire was not so different from the trade, exchange and monetary regimes which prevailed in the former British, French and Spanish colonial empires. The only difference was that laissez faire market economics played no role at all in determining CMEA's design.

Four former CMEA members (The Czech Republic, Slovakia, Hungary and Poland) - commonly known as the Visegrad countries - are presently attempting a new form of RIA among themselves before joining the European Union, which is their ultimate aim. So are the three Baltic Republics which are simultaneously developing associated RIAs with the European Union and the Nordic community.

**Third World**

The developing, third world has experimented with a number of RIAs of varying looseness. Some existed prior to the independence of many young countries which were colonies for a longer period than they have been sovereign.

Pre-independence RIAs in former colonies of Southeast Asia (Malaysia-Singapore and Indo-China), Africa, the South Pacific (with antipodean linkages) and the Caribbean were quite successful in terms of their limited objectives.

Certainly these RIAs supported a reasonable domestic macroeconomic policy framework for growth and prosperity in the individual colonies. But the gains derived from these arrangements did not necessarily lead to equitable growth in these economies, or to effective or appropriate industrialization. Even less did they benefit indigenous populations, though they yielded substantial benefits for owners of plantations and mines who were mainly metropolitan investors in imperial capitals?

A few pre-independence RIAs continued in a different form although they were viewed by post-colonial governments as part of the unwanted baggage of an exploitative, market colonialism which had no place in new societies.

The new governments - mostly inexperienced and prone to populist policies - closed their economies, while continually relaxing their fiscal and monetary regimes in the face of successive external shocks. Consequently, economic resilience and adjustment response capacity were systematically destroyed over a prolonged period, resulting in inefficiency and uncompetitiveness of productive structures throughout the developing world.

The RIAs - especially the monetary arrangements - previously in force, if properly administered, might have exerted a brake on such excesses. In retrospect, and with the benefit of hindsight, such a brake might have been quite useful, given what has happened in too many developing countries, especially in Africa, South Asia and the Eastern Caribbean. Some newly independent governments, believing that aspects of these colonial RIAs were beneficial, tried to replicate particular features under new voluntarily agreed RIAs. But because of a lack of political will few of the post-independence RIAs were long-lived.

### **Africa and the Middle East**

Of the seventeen RIAs which existed in 1990 around the world, eight were in Africa where experiments with first-generation RIAs yielded desultory results; with the exception of the franc zone (the *Comminute Financier Africana*, (CFA)) and the Southern African Customs Union (SACU).

The monetary unions of the franc zone were stable and enforced sound monetary policies. But they became overly rigid in resisting parity adjustment for too long, thus impairing the adjustment and growth prospects of their members through the 1980s.

A long-delayed devaluation of the CFA franc finally occurred in early 1994 after much damage had been done. SACU was based on keeping smaller satellites in orbit around the South African apartheid regime.

It was more successful than the franc zone RIAs, perhaps because South Africa under apartheid was willing to pay a visible budgetary price- to acquire a modicum of political respectability in its immediate neighborhood.

The Indian Ocean Commission (IOC), a loose RIA among islands off the East African coast, has also had modest success. But other African arrangements in East and Central Africa and in Southern Africa outside of SACU, heavily backed by donors, have proven ineffectual. Some have subsequently come apart. Their net economic benefits, in terms of incremental economic and developmental gains derived by the member states, probably did not offset even the cost of the large and elaborate bureaucracies set up to administer them.

After their demise, new arrangements were put in place in the form of a Preferential Trade Area for Eastern and Southern Africa (PTA) and the Southern Africa Development Coordination Conference (SADCC). Neither of these arrangements has achieved very much despite substantial donor support.

Yet both have recently transformed themselves into more ambitious economic communities. PTA has now become the Common Market for Eastern and Southern Africa (COMESA) while SADCC has evolved into a Southern African Development Community (SADC) with South Africa joining in early 1995. Both hope to achieve more in the future although their widely overlapping membership has generated concerns about whether two organizations are needed to achieve much the same purpose.

Despite the obvious failures and limited successes of first-generation RIAs in Africa there is, in the 1990s, a renewal of interest - fostered to some degree by the example of the European Union - in strengthening these arrangements through efforts at widening and deepening them.

Further north, optimistic aims for the Maghreb Customs Union set up in 1960 and for the even wider Arab Common Market have not materialized.

Still, even more ambitious plans for achieving closer economic integration among the Arab countries of North Africa, the Arabian Peninsula in West Asia and the Middle East remain alive.

The financial and labor markets of the Gulf countries are closely intertwined. But given the nature of their oil economies there is little intra-regional trade among them, although they cooperate actively on regional issues within the framework of the Gulf Cooperation Council.

The Middle Eastern peace accord opens new vistas for economically beneficial regional cooperation in an area where that was inconceivable just a short while ago. With the emergence of a Palestinian state, RIAs involving Israel with its former neighboring enemies are now being seriously discussed.

Despite the unexpected longevity of present regimes in Iran and Iraq, such developments could transform the economic scene in West Asia and Arabia, as could the inevitable pressures for democratization and political liberalization in the Gulf kingdoms. But the translation of economic potential into political reality in this volatile, combustible cauldron may take some time yet.

Latin America and the Caribbean

Prior to the Second World War, there were no RIAs among the independent countries of Latin America and the Caribbean (LAC). Now nearly all of them are involved in one type of RIA or other; indeed some are involved in several. The development of RIAs in LAC was based on philosophical underpinnings which provided the foundation for most of the first-generation RIAs in developing countries. In 1960, Raoul Prebisch envisaged RIAs in LAC as being aimed at building inward-looking, protected trade blocs with barriers to the outside world. Regional integration was to be a means of undertaking more complex import-substitution on a regional scale in establishing industries that were too large and complex for smaller domestic markets to develop or absorb."

Such thinking led to a spate of RIAs in the 1960s with the formation of the **Latin American Free Trade Association (LAFfA) and the Central American Common Market (CACM) in 1960, the Caribbean Free Trade Association (CARIFTA) in 1968, and the Andean Group in 1969.**

In 1971 Bela Belassa took a different view. Arguing that market enlargement through integration could bring benefits to LAC over and above those obtainable through trade liberalisation alone, he suggested combining RIAs with unilateral trade liberalisation and recommending policies that would ensure full exploitation of the benefits of both.

Belassa's thesis was that trade liberalisation would enhance the benefits of RIAs by reducing the prospects for inefficient industrialisation in LAC countries. That view was not immediately popular; partly because as has been suggested, the early protectionist RIAs in LAC achieved substantial growth in intra-regional trade."

Between 1960 and 1980, such trade grew by a multiple of:

- (a) 20 in LAFfA where members' trade with the rest of the world (RoW) grew by a factor of 10; (b) 40 in CACM compared with growth in trade with RoW by a factor of 9;
- (c) 17 in CARIFTA compared with an increase in total trade by a multiple of 10; and
- (d) 50 within the Andean Group compared with only an 8-fold growth in exports to ROW.

All these arrangements were supported by payments and settlements facilities to economies on the use of scarce foreign exchange in settling intra-regional trade accounts. But even with high growth in intra-regional LAC trade in the first two decades, these arrangements did not endure.

All the RIAs in Latin America set up between 1960 and 1970 unraveled in the mid-1970s and virtually disintegrated during the 1980s in the face of adverse external circumstances, a regional debt crisis of cataclysmic proportions, fading political will, violent intra-regional conflict (especially in Central America), and a changing ethic of open competition.

As Carlos Massad (1989) noted, in the 1980s it became'... a matter of each individual country's seeking integration with the outside world rather than with its neighbours, and financing the process with external indebtedness.'

All the LAC arrangements were resuscitated and reinforced in the late 1980s and early 1990s under different names with different rules and aims.

These RIAs:

- a) have become more ambitious and comprehensive in aiming at closer integration rather than being limited only to cooperation;
- b) are outward-looking, and aimed at promoting efficiency and competitiveness;
- c) carry greater political commitment and conviction; and
- d) are more robustly designed and constructed. Chile and Mexico have entered into an economic cooperation agreement, while Argentina, Brazil, Paraguay, and Uruguay (i.e. the Southern Cone countries) have formed a common market (MERCOSUR) which by 1995 had integrated at a rate much faster than first envisaged.

Asia

Two examples of formal RIAs were attempted in opposite corners of Asia.

The first was the Regional Cooperation for Development arrangement among Iran, Pakistan and Turkey. This quickly became defunct and was succeeded by the Economic Cooperation Organisation (ECO), which also proved to be of little

value. The second was a more successful and durable arrangement involving the Association of South-East Asian Nations (ASEAN) in 1969.

From being a security-focused arrangement ASEAN is now evolving towards an economic Asian Free Trade Area which is being widened with the inclusion of Vietnam. Also in East Asia a Greater China region has emerged through free flows of trade and investment between the People's Republic of China, Hong Kong and Taiwan under non-formal RIAs among these territories.

Of course the smaller two are not recognized as sovereign states by the People's Republic of China despite their independent profiles as trading entities of global significance.

ASEAN is deemed to have been successful, at least partially, because it was not geared to achieving free trade or economic union objectives at the outset.

It focused instead on being a regional political platform for:

- (a) increasing the bargaining power of its member states in international negotiations; and
- (b) intra-regional conflict resolution on a peaceful basis.

ASEAN took nearly a decade after its formation to act on achieving any serious form of regional economic cooperation. Interestingly, as RIAs in other parts of the world were beginning to unravel, ASEAN in its slow and cautious way gained gradually in strength year by year mainly by setting low expectations and invariably exceeding them.

Intra-ASEAN trade has grown dramatically, faster than in any other developing region. This has happened largely as a result of close inter-linkages between businesses owned in its member states by the overseas Chinese community, without ASEAN as a regional body doing all that much to accelerate or encourage it.

Intra-ASEAN trade growth is, of course, somewhat distorted by the unusually large amount of trans-shipment, entrepot trade that occurs through Singapore for various reasons. Other members have now agreed to Thailand's proposal to create the ASEAN Free Trade Area (AFTA) which may have very high potential for generating intra-regional efficiencies and growth because its members meet all the requisite preconditions for successful economic integration.

South Asia has been slower than East Asia to develop effective RIAs mainly because of the unresolved conflict between India and Pakistan over Kashmir.

Yet the South Asian Preferential Trade Arrangement (SAPTA) among members of the South Asian Association for Regional Cooperation (SAARC) is lurching hesitantly towards becoming a South Asian Free Trade Area (SAFTA).

The opportunities for SAARC and SAFTA to realize their full economic potential will remain constrained until the Indo-Pakistani dispute is definitively resolved.

"When that happens regional economic arrangements will probably revert to the state which existed prior to 1947, when virtually the entire sub-continent was a single economic (and politically united) area.

Pacific, Indian Ocean and North Atlantic

Though negligible compared to other developed country groupings, a free trade area also exists in the Antipodes between Australia and New Zealand under the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA), which has been the most successful example of an RIA in the Southern Pacific.

Perhaps as a defensive response to emerging trade blocs in the two largest markets of the world (NAFTA and the European Union), there was early concern that the formation of another giant trade bloc might be triggered in Asia; a market which promises to become even larger than the European Union and NAFTA in the not-too-distant future.

Indeed, precisely such a trade bloc was suggested by the Prime Minister of Malaysia in 1992.

Partly to forestall such a possibility, a new type of inter-bloc RIA has emerged to link the Asian and NAFrA regions with the formation of the Asia Pacific Economic Cooperation Forum (APEC).

Its main purpose is to advance GAIT-consistent trade liberalisation between NAFrA members and their cohorts including Japan as well as the other East Asian, Antipodean and Latin American countries bordering the Pacific Rim.

Following the creation of APEC, the Gulf Cooperation Council has proposed a similar arrangement with the European Union. In a related vein, an interesting new initiative involving the Indian Ocean Rim has also emerged in early 1995 which may provide an umbrella RIA among the countries of South Asia, Eastern and Southern Africa, East Asia and Australia.

More recently, the concept of a North Atlantic Free Trade Area (a kind of super-NAFrA) between NAFrA and the European Union is gaining momentum among European and American politicians.

The Role of Regionalism in the Emerging World Order

As a result of a number of dynamic forces, countries around the world are at a cross-roads as the next millennium approaches. The 1990s evoke disconcerting shadows of the 1890s. A century ago instability and flux prevailed over the crumbling of an established order of national and global governance, defined by competitive tensions among waning (imperial European) and emerging global powers (the US and Japan).

As is happening now, that order was eroded by innovations in technology, transport, munitions and communications.

In the 1990s it is becoming clear that innovations in the same fields have enabled the continued globalization of markets for ideas, money, commodities, other goods and services (but not yet for labour) on a scale and at a pace which has far outrun the capacity of established political and social systems to cope.

A global production and marketing structure is now taking shape with increasing rapidity and pervasiveness. Global products and brands produced by transnational corporations are becoming entrenched in a global consumption culture. That culture is, in turn, being supported by emerging, but still imperfect, global markets in information, technology, commodities,

Fibrillations, tremors and aftershocks of different intensities keep being generated after the end of the Cold War in various parts of the world, not least in the erstwhile second world. How that formerly integrated politico economic system will eventually settle is as yet unclear with the shape of its future steady-state remaining difficult to define.

Some parts of it (the Visegrad four, the Baltic three and some of the independent republics of former Yugoslavia) will probably integrate with the European Union in the distant future. Other parts may come together under reconfigured RIAs among members of the former Soviet Union. Yet others may become members of RIAs in West, Central and East Asia.

Elsewhere, new geopolitical realities - e.g. the emergence of post-apartheid South Africa as an acceptable member of the African sovereign community, and similarly of Vietnam, Laos and Cambodia in Southeast Asia – have combined to create major external challenges and new regional opportunities in the developing world.

All of these developments point to a new and enhanced role for regionalism to play in the future evolution of international economic and political relations. Yet that role is often seen as a threat rather than the opportunity which it actually may be.

### **The Role of RIAs in Fostering Economic Development**

Available evidence suggests that free trade areas, customs unions, and partial preferential trade areas that have been established at different times in different regions of the developing world have in their previous incarnations generated only limited immediate, tangible benefits, inevitably eroding political support for their continuation. Poor sequencing and ill-chosen instruments and structures have in some cases contributed to failure.

Where RIAs have succeeded in generating gains, the distribution of such benefits has often been perceived to be inequitable by the less-developed members of the group.

For these and other reasons, most RIAs among developing countries have lacked credibility in the eyes of their own governments, bilateral aid donors, international agencies and private investors (domestic and foreign).

Of course, exogenous factors, such as the oil, debt and commodity crises, and their international repercussions, have contributed to the failure of RIAs in the developing world.

The specific policy responses to the financial crises produced by such shocks, have aggravated extant economic maladjustments and distortions and rendered earlier RIAs in continents such as Africa and Latin America even less effective and indeed, inappropriate.

#### **Lessons from the Past**

The new regionalism which is emerging appears to be built on the recognition that past failures must be avoided. Second...generation RIAs are therefore different from those devised in the 1960s and 1970s in some important ways.

These arrangements:

- a) involve greater diversity among regional members;
- b) have different objectives with an outward-orientation;
- c) go beyond simple trade liberalisation in goods subject to GATT regulations to include liberalization of trade in services, investment, technical and regulatory standards, customs formalities and government procurement practices;
- d) are more outward-looking in aiming to achieve or maintain the global competitiveness of the region as a whole and that of its members;
- e) are based on partnership among members which have' already carried out significant unilateral trade liberalization; and
- f) have developed a more North-South character instead of the North-North and South-South arrangements which characterized earlier integration efforts.

Moreover, the policy conditions for making the new regionalism work to accelerate progress in the developing world are more favorable today than they have been for four decades.

Yet there is no wide consensus either on the kinds of RIAs that should emerge among developing countries or on what types of accompanying institutional structures would be appropriate.

Nor is there agreement on the geographical scope and sequencing of regional cooperation either on a world scale, or in particular developing regions. More importantly, little thought has been given as to how RIAs in the developing world might be endowed with long-term credibility, even though such credibility is a crucial determinant of any RIA's ability to bring about a restructuring of production on which significant gains might ultimately depend.

What is much clearer now than it was before is that the success of RIAs needs to be envisioned in a context that involves economic as well as noneconomic considerations. It is also clear that if

RIAs are to yield significant developmental benefits to their members they must be based on the right choices of partners. Such choices cannot be rooted in lofty political aspirations or in popular and evocative notions of solidarity - as they often have in the developing world - but in opportunities based on realistic and attainable economic objectives. The main lesson that the experience of first generation RIAs in developing countries teaches is that adopting a framework for cooperation inappropriate to economic realities is a certain recipe for subsequent failure.

There have been many false starts with RIAs in the developing world.

There is no need to add to them. Market integration may be too ambitious to attempt immediately in most of the developing world. Yet even opportunities for simple investment coordination in specific sectors within any region can only be fully capitalized on if institutional structures emerge which enable progressive movement towards wider and deeper RIAs.

For the same reason, these opportunities can only be properly evaluated in the context of an overall rationale which envisages less ambitious forms of economic cooperation in the short run leading eventually to full regional integration in the long run.



An appropriate strategy for the design of RIAs in any developing region must have as its starting point not just the significant political and economic changes taking place in that region, but also the rethinking that is taking place on the appropriate role of regionalism itself. In assessing that role it is becoming clear that the prisms through which RIAs have traditionally been viewed in terms of their success or failure are too uni-dimensional, probably faulty and imperfectly constructed. They need to be changed.

**The Inadequacy of Classical Theoretical Constructs**

Second-generation RIAs have become multi-dimensional in character. But regional integration theory and analysis continue to be underpinned by the two basic Vinerean concepts of trade creation and trade diversion (i')

These concepts emphasize the welfare effects of trade flows among nation states and the manner in which such flows might be affected by RIAs. But these concepts lose their relevance as useful analytical constructs with the increasing globalization of production and investment.

Gains from trade creation can accrue to non-member countries whose firms have a physical presence in the region concerned or may benefit from other inter-firm arrangements (technology licensing, cross shareholdings, strategic alliances etc.) with firms inside the region.

Conversely, regional firms with a large presence outside the region might be affected by the effects of trade diversion on non-member countries in which they are located.

More importantly, the mere presence of RIAs can generate direct and portfolio investment impulses with their own primary and secondary effects.

The consequences of investment flows and accompanying flows of hard and soft technology are not taken into account by classical Vinerean analysis, even though such flows may in many instances be more important than trade flows per se

The relentless market-driven globalization of production structures, even in the absence of RIAs or multilateral arrangements, makes it less possible to draw clear-cut analyses or conclusions about exactly which countries benefit, and which ones lose, from trade-creating or diverting and investment creating or diverting effects of RIAs in a particular region. For example, it could be strongly argued that American and Japanese transnational companies located in Europe, but servicing the interests of their domestic or global shareholders, may be among the main beneficiaries from closer integration in the European Union.

The Vinerean framework for analysis focuses only on static efficiency gains. It is too partial and inadequate for evaluating the unorthodox or dynamic gains derived from: efficiency effects, externalities, sectoral investment coordination, incremental foreign investment, regional adjustment or macro policy coordination.

It therefore does not permit a proper assessment of the full costs and benefits of RIAs. Present theory does not just fail to incorporate the dynamic economic consequences of RIAs.

It is incapable of providing the right kind of framework within which to assess their not inconsiderable noneconomic costs and benefits.

A more holistic theory of regional integration therefore needs to be developed to take these effects into account. But that is easier said than done. The blending of the economics of regionalism, with their international relations dimensions, employing an amalgam of economic theory with political science theory into a cohesive framework has often been conceived but remains elusive. Yet it is just such a framework which needs to be developed in order to assess properly the real value of second-generation RIAs.

**Orthodox (Static) Gains from RIAs in Developing Countries**

The basic justification for encouraging RIAs among developing countries is rooted in the belief that developmental benefits can be captured by using certain policy instruments and investment opportunities beyond those that can be obtained by their unilateral use.

But, it does not follow that such benefits will automatically be enhanced by a progression from cooperation to integration (for a definition of the terms 'cooperation' and 'integration', see Annex I) or, in other words, from looser to tighter RIAs.

It cannot even be assumed that, a priori, RIAs will always lead to welfare gains through enhanced efficiency, for the region as a whole, for its individual members, or even in terms of global welfare. In general terms, the expected developmental benefits from RIAs and particularly from full integration can be derived from:

- a) gains from reducing a locative, administrative, efficiency and transaction costs associated with market distortions and barriers resulting from national policies;
- b) gains from coordination when economies of scale can be realised in public sector operations, or significant beneficial external repercussions can result from coordinated policy or coordinated investment in infrastructure.
- c)

**These two sources embrace the usual arguments for RIAs:**

- Achieving economies of scale;
- taking advantage of externalities associated with market expansion;
- achieving allocation efficiencies through trade creation;
- turning short-term trade diversion disadvantages into long-term trade creation potential by capturing dynamic efficiency; and so on.

One self-evident constraint on the pursuit of such developmental gains through RIAs is that account must be taken of regional equity considerations. The costs and benefits of RIAs must be - and be seen to be - equitably distributed. All partners must gain if RIAs are to endure and deepen - a principle which every successful regional arrangement recognises and which unsuccessful ones did not do enough to respect.

The potential for achieving substantial trade gains from market integration in most developing regions clearly exists. Theoretical modelling shows for example that a welfare-enhancing free trade agreement can always be designed (Kemp and Wan: 1976).

In a practical sense, that does not depend as is often theoretically asserted - on whether members of an RIA are at the same level of development and have the same economic weight. Clearly, significant inequalities among the economic capacities of members create complications which need to be accommodated through regional policy, but they do not necessarily preclude efficient or effective RIAs from being designed. The traditional motivation for RIAs has been the pursuit of allocational efficiency gains from market integration. The primary instrument for achieving this outcome has been trade liberalisation through market forces, sometimes modified by parallel inter-governmental agreements on industrial specialization or fiscal mechanisms to promote the spreading of industrial development.

Such market-focused approaches are expected to have a favourable effect on the allocational efficiency of participating economies through rationalization of their extant and emergent economic structures. This effect is usually reflected through trade creation, expansion, investment rationalisation and production integration. RIAs are also expected to give rise to expanded domestic and foreign investment inflows into the integrated area as a result of investment creation. The removal of tariff barriers under RIAs should - theoretically at least result in the growth of intra-regional trade. Whether it actually results in efficient trade creation - i.e. movement of trade from high-cost to low-cost producers within the region - or inefficient trade diversion - movement from low-cost extra-regional producers to high cost intra-regional producers depends on: the pre-integration level of tariff rates among regional members; the level of post-integration external tariffs compared with prior tariffs in each member country; the elasticities of demand for the imports on which duties are reduced; and the elasticities of supply of exports from regional members and foreign sources.

**Trade creation is more likely to result from integration when:**

- a. each member's pre-integration tariffs on the products of other members are high;
- b. production structures of members' economies are roughly similar in their output mix but different in the pattern of relative prices at which similar products are produced;
- c. external tariffs applied by the region's members are common and low in comparison with pre-integration tariffs; and the production structures of members are sufficiently responsive to permit intraregional import-substitution at the same or lower cost than the cost of the same products from extra-regional sources. When any of these conditions is not met trade diversion may occur. The risk of trade diversion increases with each additional condition that is not met. When all these conditions are not met trade diversion will certainly result. RIAs can have both static and dynamic efficiency effects. Static effects occur from the relative size of trade creation gains versus trade diversion losses. These gains occur on the supply side because production efficiencies result from the more effective reallocation of resources toward high-yield, low-cost production. On the demand side they occur because consumer welfare is enhanced by lower prices and greater choice. Static gains can also arise when RIAs achieve a lowering of product costs as a consequence of lowering transport costs, especially when trade is intra-regionally oriented. Other sources of static gains involve reductions in rents from preferential market access that regional exporters enjoy. When RIAs accord priority to industrialization, static gains can sometimes be derived from a reduction in the costs of highly protected, domestic-market-oriented industries while at the same time achieving the desired level of industrial activity, albeit at the expense of some continued inefficiency.

**Regional Integration Theory**

**Introduction**

The current chapter examines regional integration theories in order to ascertain if they are useful in explaining ECOWAS and its shortcomings. It focuses primarily on the realist and liberal traditions in their original and transformed versions and is limited to the most influential ideas and concepts from the economic and political fields, and determining the utility of their basic assumptions in explaining ECOWAS and the problems confronting it, in its effort to attain self-reliance and sustainable development through regional integration. Further, the chapter attempts to answer the question: Is regional integration for the developed countries only?

Regional economic integration is essentially characterized by the formation of regional cooperation groups of countries with a liberalized intra-community trade and increased mobility of factors of production. Earlier political science theories developed out of the functionalist and neo-functionalist frameworks, and basically focus on the characteristics and processes of regional economic organization itself. Often, they concentrated attention on such variables and processes as 'membership size, symmetry of member's power capabilities, quality of regional leadership, decision-making style and the distributive outcomes of regional policy'. Others explained supra-national organization as a process in which national actors "are persuaded to shift their loyalties, expectations and political activities toward a new centre [...] [Haas 1968:16]". The neo-functionalists emerged out of the basic assertions of the functionalist blueprint and insisted that international organizations offer states full benefits as integration progresses applying such concepts as "functional spill over", "updating of common interest" and "sub-national and supra-national group dynamics". The intergovernmentalists among them view integration as an orderly arrangement of inter-state bargains resulting from the convergence of policy preferences among states, which

## Political Science Theories

### Realism

The grand theories of the realist school that emerged out of American political thought [i.e. Hans Morganthau etc.], view the state as the single most important actor in the international system with predetermined national interests, which often quantifies costs and benefits involved in different policy alternatives to achieve desired goals. It assumes that these tasks are undertaken often without enough resources, information and time and conceptualized state behaviour as a “consequence of bounded rationality [Keohane, 1989:62, Simon, 1955, 1957 and 1958]”. The realists view the international system as lacking in any centralized authority to make and enforce laws governing inter-state relationships, and that in international politics states compete with one another without established rules and norms except those which “the changing necessities of the game and the shallow conveniences of the players impose [Hoffmann, 1965: p. vii]”. Under this condition, states rely on the “means they can generate and the arrangements they can make for themselves [Waltz, 1979:p.11]”.

In addition, the realists argue that the basic anarchical structure of the international system determines inter-state relations where states seek self-preservation and application of force in the pursuit of their national interests, which largely accounts for the “general discord arising from fundamental conflict of interests [Waltz, 1959: Tucker, 1977]”.

The basic assumptions of the realist school suffered a ‘backlash’ in the 1960’s as it faced serious criticisms even from its avowed apostles for not offering useful insight into states’ decision to cooperate within regional economic organizations, particularly in areas originally viewed as “low Politics”, such as “monetary management, health, humanitarian efforts and the environment.

A seeming crack in the realist ranks and the growing need to construct a supra-national governance structure with seasoned bureaucrats led to the emergence of liberals among them, who view state actions as determined by rational costs and benefits analysis, and insisted that general welfare increases as states interact, by contending that international cooperative schemes grow as competing states’ interests converge.

In general terms, the realist blue print seem to have significantly predicted the failure of ECOWAS in their basic assumptions in that states are more likely to pursue policies with maximum national benefits at minimum cost. What is rational remained the way utilities are framed within the thought processes of a particular political elite/actor seeking to maximize individual state gains based on the quantification of the costs and benefits associated with the particular policy and the time frame for accomplishing them.

The realist suppositions underwent several reformations between the 1940’s and the 1960’s, thus, functionalism, neo-functionalism, interdependence theory and the regime theory, all attempted to garner for itself distinct analytical features in their examination of the international system.

### Functionalism

The functionalist blue print based its assumptions on the believe that in a world of economic interdependence, apolitical problems such as social, technical and humanitarian could be prioritized and solved. It insists that in a “world of economic interdependence, common economic interests create the need for international institutions and rules [Mitrany 1975]”<sup>73</sup>. Its assumptions emphasized a practical approach to problem solving insisting that this could be achieved by prioritizing areas of common interests while concluding that cooperation in economic and social fields may eventually spill over into the

political fields.<sup>74</sup> Functionalism pessimists strongly illuminate the set backs involved in a regional integration programme due to the reluctance of member states in a regional organization to transfer sovereignty to a higher level particularly in areas of strong national interests [Hoffmann 1964]. For them, this condition would only reproduce supra-national body with state-like functions and solely dominated by the most powerful states.

They point also to the inadequacy of the logic of spill over, since there is no guarantee of stopping neither war through functional cooperation nor the seeming difficulty in entirely separating social, technical or economic problems from the political. The theory also laid too much emphasis on technocratic logic to the detriment of the importance of politics, while some dismissed it for its “poor record of prediction [Haas 1975, Thompson, 1980: 201]”, and “lack of scientific rigor [Thompson, 1980]”.

Whole sale application of the thesis of functionalism in the examination of ECOWAS and its short comings may not be entirely useful as so far, cooperation in the social, technical and economic fields have not automatically yielded increased dividends in other areas within the community. Further, one major set back bogging ECOWAS remains the reluctance of member states to transfer decision-making powers to the regional body which still lay squarely with the national governments of member states.

Due to the inability of the community to enact and enforce laws, its legislations and protocols are often left at the mercy of the national governments of member states to decide whether to enforce or not. Therefore, the success of functionalism within the frame work of ECOWAS is severely limited to the extent that the basic ingredients for the success of its basic assumptions are quite non existent in the case of ECOWAS – there is no guarantee that people and governments would always move in rational directions.

In reality, functionalist thesis provides an insight into the operations of international organizations, by successfully tracing the origins of international cooperation to functional interdependence. Its sectoral approach to cooperation and recognition of non-governmental and trans-national actors in the international system however remain quite useful only if actors

consistently harmonize their interests by compromising their differences and reaping mutual benefits, without downgrading nation-states as important actors.<sup>75</sup>

### Neo-Functionalism

Neo-Functionalists seek to refine the functionalist assumptions as clearly demonstrated in Ernst Haas work “the Uniting of Europe”, and hinged on three main processes – the actors, the motives and the process and context. In order to avoid the pit falls of functionalism, the theory upgraded the importance of nation-states by insisting that states are the primary actors in an integration process, within which are interest groups and political parties.

In addition, above the nation-states are the supra-national regional institutions which spin the webs binding integration, foster the growth of interest groups and promote closer cooperation between them and fellow technocrats in member states, thus, promoting alliances across national boundaries and adding to the integrative momentum.

The second process is based on the belief that goodwill, pursuit of common interests or common good would ultimately lead to greater integration. “... The process of community formation is dominated by nationally constituted groups with specific interests and aims willing and able to adjust their aspirations by turning to supra-national means when this course appears profitable [Haas 1958].”

The theoretical assumptions of the neo-functionalists insist the idea of spill over assumes that “member states’ economies are reasonably interdependent before the emergence of the integration programme [Mustier 1989]”. They viewed integration as an outcome of joint action by all parties as problems in one area could only be solve through recourse to action in other sectors. This is to be achieved by upgrading of common interests under the guidance of a regional supra-national body.

Finally, the Neo-functionalist contend that the context in which integration takes place is economic, social and technical and to a lesser extend political but assumes that joint activities in the non political areas would gradually permeate the

political. Linberg [1963] illuminates on conditions necessary for the success of the Neo-functionalist hypothesis<sup>77</sup> :

“Central institutions and policies would have to be present and assigned the capacity to initiate social and economic processes thereby taking their remit beyond the normal mandate of an international organization. Tasks assigned to the institutions should be expansive ... member states need to perceive some congruence between their interests and the project associated with the new institutions, and common policies

The Neo-Functionalist assumption was part of an ongoing debate on integration in Europe at the time but seem to have overshoot its projections of possibility of spill over from one area to other areas in an integration process. The theory had “exaggerated both the expansive effect of increments within the economic sphere and the gradual politicization of spill over [Nye 1971]”.

Further, its usefulness in understanding ECOWAS and its short comings is limited because in the first place, the core preconditions for the successful adaptation of the Neo-functionalist blue print are quite nonexistent. The fact of economic interdependence and strong and focused political parties and technocrats are yet to materialize in West Africa. Without contradictions to say the least, this work agrees that effective institutions can enhance the integrative momentum in West Africa, but to the extent that the structural imbalances inherent in the economies of member states are rigorously addressed, to achieve meaningful interdependence within the integrating group.

The limited applicability of the Neo-functionalist hypothesis and the problems associated with its adaptation are fully recognized and succinctly articulated by Haas:

“Other regions with strongly varying environmental factors are unlikely to imitate successfully the European example; because of thinner spread of core preconditions [1961: 389].”

It seems quite obvious that the tasks assigned ECOWAS institutions are not expansive enough and that the organization’s institutions lack the capacity and enabling political power to initiate social and economic processes beyond its normal mandate to warrant effective application and/or adaptation of the neo-functionalist framework to the ECOWAS integration programme.

### Intergovernmentalism

This theory conceptualized integration as “a series of bargains between the heads of government of the leading states in a region [Moravcsik 1991: 19-56].” Its basic assumption lies underneath the belief that integration takes place within domestic politics and entirely a logical consequence of intergovernmental negotiations while down grading the importance of supra-national institutions in the process of integration.

It assumed that converging interests within an integration process are essentially the interests of large states characterized by “multiple channels of access” where harmony is maintained within the union by the big states buying off the small ones. However, the theory contends that weak states would need international institutions as they are confronted with more expansive and complex issues.

The intergovernmentalist basic assumptions placed too much emphasis on heads of states as major players in the integration process without due regard to the importance of several behind the scene events that take place before inter-state bargains. Its backlash lies squarely in its lack of explanatory power and core preconditions from which hypothesis could be generated. Further, the theory’s “two-level game analogy seems too simplistic [Smith and Ray 1993]” while at the same time it could not be “tested empirically and should be seen as an approach rather than a theory [Wincott 1995].”

The theories successful application and/or adaptation in the examination of ECOWAS and its short comings are doubtful. First, the leadership elite in many of the member states of ECOWAS lack necessary bargaining skills while the region is



frost with frequent changes of government to allow for sustainable bargaining between governments and ensure vital stability in policies and commitment required to achieve meaningful integration. Finally its transformation and sharpening into “liberal intergovernmentalism [Moravcsik 1991]” based a on two-pronged approach to integration does not go a long way in accounting for ECOWAS. Its assumptions that the constraints and opportunities imposed by economic interdependence shape national preferences or that outcomes of inter-state bargains are results of relative bargaining power of governments etc. does not hold much water in the arguments on ECOWAS. First, the structure of the economies of the member states of the community are more or less not interdependent but highly competitive since they produce basically similar narrow range of products and therefore, trade more with countries outside the region. Second, the relative poor bargaining power of ECOWAS member states in both the domestic and international arena fully debunks the efficacy of that assumption – neither was ECOWAS a result of efforts to avoid high transaction costs nor the desire to control domestic agendas.

### Transactionalism

Theoretical permutations of transactionalism are based on the assumption that integration is a function of the level of communication between states. It offers a much broader definition of integration than functionalism in economic sense to include “social perceptions, values, sentiments and articulation of these values and sense of community in formal and structured forms [Duffy and Werner 1980: p.506]. It holds the view that cooperation could indeed be enhanced and empirically quantified in term of the frequency of transactions between states.

Transactionalism is best explained in the works of [Deutsch 1966] on nationalism – which effectively depicted transactionalism as an effective mechanism for social mobilization of communities that initiate historical processes of national development. It contends that solid network of transactions between states would lead to more interaction and greater importance to one another, and enhanced feelings of mutual benefits and trust from increased transactions would motivate “further interactions [Deutsch 1964:54].”

The theory insists that the potential for integration is guaranteed in regions with mutual high international transaction, which would be actualized if states are responsive to one another, where responsiveness is defined as “the probability of getting an adequate response within an acceptable limit of time [Deutsch 1964: 69].”<sup>80</sup>

Others argue that member countries of an integrating area would be better integrated if they are sufficiently heterogeneous,<sup>81</sup> thus promoting and coordinating friendship across national boundaries

Though the theory broadened the ‘narrow domain’ of inter-state interactions to include people-state relations, its process is frost with the difficulty of ‘measurement and operationalization – resulting from inadequate data required for measuring those ‘phenomena and test hypotheses’.

Further the assumptions of the theory are further deflated for not being explicit on the mechanism for the operation of its key processes nor how informal interactions can lead to formal development of institutions. Even, the problems associated with its application are further compounded by the difficulty in measuring cognitive change in terms of interaction, attitudes and behaviour by social scientists.

Its effective adaptation to the circumstances of ECOWAS may pose serious problem as greater percentage of transactions within the community are basically informal and unrecorded, but how these high informal transactions within the region have promoted greater reciprocal relevance or the feeling of trust between member states is difficult to quantify.

### Institutionalism

The foundations for the Institutional theoretical framework was laid by March and Olsen [1984, 1989], which hinged on the basic assumption that institutions are important because of their impact on political outcomes – they provide the contexts where actors conduct useful bargains and serve as information pool with relative transparency. Generally,<sup>82</sup> institutions intervene between preferences of actors and policy outcomes.

However, Institutional theoretical agenda is diverse with three major variants and so are their accounts of the importance of institutions, actor’s preferences and indeed how and when they are formed. They differ in terms of the extent institutional structure influences the actor – Historical and rational choice variants [Armstrong and Bulmer 1998; Bulmer 1994], while some others further distinguish between historical and sociological institutionalism [Hall and Taylor 1996]. All the variants generally agree that ‘institutions matter’ and are not passive tools but significantly shape political out comes.

Rational choice institutionalism assumes that actors will only engage in rational pursuit of their self-interest, and views preference formation as undertaken quite outside the institutional venue. In this context, institutions shape or moderate the “strategies that political actors adopt in the pursuit of their interests [Thelen and Steinmo 1992: 7].” They insist that states create institutions in order to benefit from the important services offered by them particularly in the reduction of ‘transaction costs’.<sup>83</sup>

Rationalist institutionalism tends to focus on formal rules and sums up institutions as offering Indispensable venue for states to gain wider knowledge of each other and therefore serve as “decisive constraint upon self-interest [Thelen and Steinmo 1992:7].” However, some apostles of the institutional framework point to the utter neglect of the informal rules and the need to include them in the agendas [Hug 2001, Schmidt 2001].

Rational choice institutionalism derived its basic assumption more from political economy and views institutions either as ‘games on rules or ‘games within rules’. Historical institutionalism conceptualizes institutions as ‘intervening variables’ which dictate the context in which political action takes place. They assume that institutions greatly mould the goals and

preferences of actors and thereby “structure political situations and leave their own imprints on political outcomes [Thelen and Steinmo 1992:9].” Pierson [1996] insists that social processes can only be understood by acknowledging the utility of historical processes, that are characterized by asymmetrical distribution of information – this shapes policies quite beyond the original intentions of institution builders.<sup>84</sup>

The variant insists that uncertainty surrounding policy formation widens with the limited time available to policy makers and changes in domestic politics [i.e. replacement by a new government]. Historical institutionalism essentially gravitates around the motives behind an actor’s decision and the general impact of institutions.

Sociological institutionalism epitomized by Hall and Taylor [1996] hinges on the cognitive aspects of institutions providing the cognitive parameters, categories and models without which the behaviour of others can not be interpreted. It conceptualizes variations in cultural norms and identities as shaping actors perceptions in and out of The sociological variant uses constructivist arguments in form of policy networks and actor based strategies to capture the intricacies of decision-making on sector by sector basis, with greater emphasis on informal rules such as conventions and customs embedded in institutions.

### **Regime Theory**

Regime theoretical framework owes its foundation to the early ground works of [Axerold, 1984; Keohane, 1984; Krasner [ed.], 1983], which insisted that states’ interests and capabilities as well as the increasing global interdependence can promote cooperation. It sees realism as being consumed on the way out of the war trap without due attention to the capacity of international organizations to foster cooperation.<sup>85</sup>

The theory assumes international institutions moderate and ‘socialize states and promote understanding between them, thus providing arena for monitoring states’ behaviour and reducing uncertainties and transaction costs. International institutions succeed if they are able to “establish principles and facilitate the convergence of expectations and interests [Stein, 1992: 207-208].” The framework emphasizes the “importance of cognitive factors in international politics [Ruggie, 1975].”

Regime theoretical concept was defined as “a set of implicit or explicit principles, norms, rules and decision-making procedures around which actors expectations converge in a given area of international relations [Krasner, 1983:2].”<sup>86</sup>

Regime theory is viewed as an amalgam of the realist and liberal traditions. Those closer to the realist concepts assume that the conflicting nature of the international system diminish free flow of cooperation and that a hegemon is needed to restore sanity within the system emphasizing the importance of sanctions. They insist that sanctions and monitoring are important to sustain cooperation among self-interested states.

However, Regime theorists with more liberal orientation de-emphasize the application of sanctions and monitoring in international cooperation, assuming that “increasing interdependence and common interests, enhancement of available information and norms are sufficient to foster cooperation [Grieco, 1988:497].”

This work embraces the liberal Regime concept of effective institutions as an practical attack on the roots of the discrepancy between the framework of pay-offs provided by regional economic integration initiatives and framework of utilities within which member states of ECOWAS choose to cooperate or not with regional integration programmes.

However, there is still little hope as to the readiness of member states to transfer some measure of sovereignty to the regional body. In addition, it remains quite doubtful if there is any member state of ECOWAS with sufficient resources to play the role of a ‘Benevolent Hegemon’ without necessarily jeopardizing their immediate national interests and needs, thus, the concept in all its dimensions do not go a far in explaining the state of regional integration in West Africa. The experience of Nigeria in Liberia within the framework of ECOMOG is a case in point.

Also, Regime theoretical framework is seen as a failed effort to “reconfigure the international system lacking in the more important analysis of the forms of power that lie in the background [Strange, 1983]. The concept is also flawed for assuming that international organizations are ‘embedded within regimes’, where as their work is to “monitor, manage and modify regimes.

### **Economic Theories of Integration**

Liberal economic theoretical framework is hinged on the assumption that ‘productive efficiency’ is enhanced if states undertake economic production in areas where they have relative advantage to others, thus rationalizing costs and prices. The two main strands of economic integration theories are the Customs Union and the Optimal Currency Area. In general economic theories view existence of tariffs and quotas as inimical to free flow of goods within a region.

#### **a) Customs Union Theory**

The Customs Union examines markets and goods within a region and the effect of discrimination within the integrating area. Customs Union is defined as the process of “elimination of intra-trade barriers and the equalization of tariffs on imports from non-member countries [Viner, 1950].”<sup>87</sup> Viner conceptualizes the condition under which trade is created within an integrating area; that this occurs when the output of inefficient producers are replaced after the elimination of tariffs by cheaper imports of more efficient producers within the region to the benefit of both producers and consumers.

On the other hand, trade diversion effect occurs when imposition of common external tariff puts suppliers from countries outside the integrating area in a competitive disadvantage by encouraging imports from less efficient suppliers with the

union. Thus, this condition leads to trade diversion which reduces the economic welfare and benefits accruable to members of the union.

In general terms, conventional economic theories are hinged on the gains derivable from changes in the existing trade patterns within a region based on the condition that;

Employment is full under a given input of resources.

Domestic prices of products must be a practical reflection of opportunity cost under a free market allocation of resources.

These two basic conditions will ensure the attainment of integration through the gradual elimination of quantitative restrictions between member states of an integrating area. Thus, Balassa [1961] categorized the assumed process of removing discrimination into five stages;

The wholesale application of the customs union basic framework in understanding the case of ECOWAS and its shortcomings is difficult, as there is no assured success in moving from one stage of the integration process to the other. Moreover, its success is essentially hinged on the conditions that the proportion of intra-community trade is high; that member states economies are complementary and that member states GNP comprise low percentage of foreign trade.

So far ECOWAS intra-community trade remains largely insignificant due to the non-complementarity of the economies of member states. The economies are largely competitive rather than complementary as they produce similar products with high percentage of their trade outside the union. Therefore, the envisaged economic gains from the adaptation of the customs union would not fully materialize in the case of ECOWAS as the basic conditions for the success of the framework are largely non-existent within the region.

Even expectations of economic gains from integration will only come if full liberalization and harmonization of the diverse economic policies of member states is attained. The full economic gains of its trade creation effect would be minimal in ECOWAS, as there are virtually no efficient industries to supply cheaper goods within the region. On the contrary, trade diversion effect is most prevalent as member states' economies are largely dependent on the export of one or two agricultural commodities to other regions in exchange for the much needed industrial goods that are non-existent within the region.

In addition, the customs union concentrated so much on markets, goods and factors of production without due regard to the importance of underlying political intricacies and supra-national institutions in the process of integration. Also, deepening of integration and joint coordination of fiscal and monetary policies could enhance economic gains from integration and balance trade, but membership alone does not guarantee better economic performance.

#### **b) Optimal Currency Area Theory**

Optimal currency area is defined as "an area in which exchange rates are immutably fixed or in which a common currency exists [Mattli, 1999]". The theory basically examines the conditions under which the formation of a currency is economically viable and hinged on "money, markets for goods and markets for factors of production". It seeks to achieve both internal and external balance in the least costly way without compromising monetary and fiscal policies.

However, the proponents of the optimal currency area are divided as to the best avenue to achieve both internal and external balance [i.e. Flexible or fixed exchange rates]. The first group favours the adoption of "flexible exchange rates to maintain both internal and external balance.

This strand of the optimal currency area theory argues that adopting fixed exchange rates would inevitably exacerbate unemployment and inflation, insisting that imbalances would be eliminated by "induced changes in trade and real wages [Kawai, 1992:78]".

The second group insists that payment equilibrium would be achieved if real exchange rates are fixed thus reducing its volatility. However, both strands converge at the point that the success of a currency area depends on the availability of "high mobility of factors of production within the region.

In general terms, optimal currency theory framework whether in the form of fixed exchange rates or in flexible exchange rates would not guarantee the much desired economic benefits of ensuring both internal and external balance in form of full employment and low inflation, as the member states' economies remained too weak, highly fragile and structurally truncated with little or no influence on the international economic system.

Added to this is the fact that at present ECOWAS exhibits very low mobility of factors of production to ensure needed flexibility in the process of real adjustments to economic disturbances within the region. Worse still, the community has neither attained partial nor full liberalization and harmonization of member states economic and fiscal policies, as significant disparities persist.

#### **Summary**

The analysis of some regional integration theories was undertaken based on their different orientations. One common observed phenomenon in all these theories is the near total absence of the basic conditions required for their successful application and/or adaptation to the socio-political environment and economic circumstances of ECOWAS.

First, the theories with political science orientations – realism, functionalism, neo-functionalism, transactionalism, intergovernmentalism and institutionalism, in their different analytical strands, require certain conditions which are necessary for their effective application and/or adaptation.

The functionalist logic for instance, tends to separate economic and social from the political where as in West Africa, political and social changes are often precipitated and determined by economic changes. Therefore, socio-political issues and economic issues are functionally related and none can function effectively in isolation to the other. Also, its attempt to subvert sovereignty through functional cooperation is unlikely to succeed in West Africa, where member states are

usually unwilling to surrender any form of sovereignty to the regional body; except perhaps, in areas such as the more advanced economies [i.e. the EU], where member states jointly agree “to do so within the integration process”.

The neo-functional logic of “indirect penetration of the political by way of the economic” remains largely difficult to attain within the framework of ECOWAS. Even attaining common grounds in political issues within ECOWAS is equally very difficult, due to wide differences in socio-political and economic orientations of member states, as well as wide differences in their levels of economic development.

For the transactionalist theory which sees integration as taking place under conditions of “high international transaction”, success in its application also remains elusive because in West Africa, transactions are higher with countries outside the region than between member states due to similarities in the structure of their economies and the low level of interdependence between them.

The intergovernmentalist basic assumption that integration outcomes are consequences of intergovernmental bargains, depends largely on the relative bargaining power of governments. But considering the fact that ECOWAS region is bedevilled by incessant changes of government that severely discourage bargaining among governments and ensure vital stability in policies required for meaningful integration, its value in understanding ECOWAS and its shortcomings becomes grossly limited.

Similarly, the adaptation of the institutionalist logic on importance of effective institutions to propel the integration process faces the same dilemma in accounting for ECOWAS, as ECOWAS is yet to acquire the capacity to enact and enforce binding laws. Apart from the framework’s self-inflicted difficulty of fragmentation, ECOWAS is neither effectively positioned to serve as “decisive constraint upon self interest” of member states nor has it the capacity to practically reduce “transaction costs” for member states.

Even its sociological strand of using institutions to influence and interpret the behaviour of member states, remains problematic in accounting for ECOWAS where the behaviour of member states are highly unpredictable depending on the issues at stake and the time-horizon for attaining them.

On their part, the two main theories with economic orientation – customs union and optimal currency area- appear to have made an appreciable impact on the ECOWAS integration process, but still pose the problem of effective implementation and/or adaptation.

In reality therefore, regional integration is a complex phenomenon. Its complexity arises from the diversities in the political and economic environment of different regions. And so, its operational dynamics can not subscribe to mere theoretical formulations. Besides, most theoretical frameworks which appear to have originated from regional integration processes in more developed economies, become complicated by the seeming intractable problems associated with their implementation in less developed economies.<sup>90</sup> At present, it appears quite obvious that cooperation rather than integration is best suitable to less developed economies of ECOWAS than total economic integration.

#### **COURSE WORK:**

The specific objectives of the EAC, as outlined in the Treaty include: The attainment of sustainable growth and development of the partner states by the promotion of a more balanced and harmonious development of the partner states; The strengthening and consolidation of cooperation in agreed fields that would lead to equitable economic development within the partner states and which in turn, raise the standard of living and improve the quality of life of their populations; The promotion of sustainable utilization of the natural resources of the partner states and the taking of measures that would effectively protect the natural environment of the partner states; The strengthening and consolidation of the long standing political, economic, social, cultural and traditional ties and associations between the peoples of the partner states so as to promote a people centered mutual development of these ties and associations; The mainstreaming of gender in all its endeavors and the enhancement of the role of women in cultural, social, political, economic and technological development; The promotion of peace, security, and stability within, and good neighborliness among the partner states; The enhancement and strengthening of partnerships with the private sector and civil society in order to achieve sustainable socio-economic and political development, and; and the undertaking of such other activities calculated to further the objectives of the community, as the partner states may from time to time decide to undertake in common.

The EAC's bid to create a single East African market entails easing travel restrictions, harmonizing tariffs, increasing co-operation among security forces, improving communications, sharing electrical power and addressing Lake Victoria issues. Concrete measures toward integration include freely exchangeable currencies (and ultimately a single currency), a common East African passport, a common flag and a double taxation accord. It also aims to abolish all tariffs with the aim of attaining economic and political integration. Each member would, however, be allowed to extract a maximum 10% surcharge on some products in order to protect indigenous industries, especially in the smaller economies of Tanzania and Uganda. This will be achieved through the establishment of a Customs Union as the entry point of the Community, a Common Market, subsequently a Monetary Union and ultimately a Political Federation of the East African States. The regional organization aims at achieving its goals and objectives through the promotion of a sustainable growth and equitable development of the region, including rational utilization of the region's natural resources and protection of the environment; strengthening and consolidation of the longstanding political, economic, social, cultural and traditional ties and associations between the peoples of the region in promoting a people-centered mutual development; enhancement and strengthening of participation of the private sector and civil society; mainstreaming of gender in all its programs and enhancement of the role of women in development; promotion of good governance, including adherence to the principles of democracy, rule of law, accountability, transparency, social justice, equal opportunities and gender equality; and promotion of peace, security and stability within the region. And the East



African Community operates on the basis of a five-year Development Strategy. The Strategy document spells out the policy guidelines, priority programs and implementation schedules.

The main organ's structure of the EAC are the Summit of Heads of State and Government; the Council of Ministers; the Co-ordination Committee; Sectoral Committees; the East African Court of Justice, the East African Legislative Assembly; and the Secretariat. The Summit consists of the Heads of State and Government of the Partner States. Its function is to give general direction and impetus to the achievement of the objectives of the Community. The Summit meets at least once a year to consider the annual progress reports and such other reports submitted to it by the Council of Ministers. It may also hold extraordinary meetings as necessary. The Council of Ministers is the policy organ of the Community. It consists of the Ministers responsible for regional co-operation of each Partner State and such other Ministers of the Partner States as each Partner State shall determine. Among its functions, the Council promotes, monitors and keeps under constant review the implementation of the programmes of the Community and ensures the proper functioning of the regional organization. The Council meets in regular session twice a year, one of which is held immediately preceding a meeting of the Summit, and may hold extraordinary meetings as necessary. The Council may establish Sectoral Councils to deal with such matters as arise under the Treaty, and the decisions of such councils will have the same effect as those of the Council of Ministers. The Co-ordination Committee consists of the Permanent Secretaries responsible for regional co-operation in each Partner State and such other Permanent Secretaries of the Partner States as each Partner State may determine.

**Benefits of EAC to Uganda,** the East Africa Community is the logical step forward for its member states and is probably the best thing that has happened to the region since the independence of the individual member states from colonialism. When the three original partner states; Kenya, Uganda and the Tanzania signed the treaty that brought forth the East African Community on 30th November 1999 and its subsequent coming to force on 7th July 2000, they brought into being an entity that was both; novel and a requisite of the times.

The EAC has tried to re-establish that free movement of people and goods. That unbridled exchange of goods and movement of goods was an anchor of pre-colonial society in the Eastern African region which had a developed market systems well before the colonialists came. Increased intra-regional trade has been beneficial in lowering the rate of inflation as the cost of key consumables especially food has come down substantially. This in effect means that we might have within ourselves the solutions to perennial and potentially debilitating problems like, famine for Kenya especially taking into consideration that Kenya's neighbour Uganda is not as food poor as herself.

I can say the EAC is a necessity of the times now more than ever because the global economic climate teeters on uncertainty and near almost collapse as was the case in 2008 global economic meltdown. The EAC provides an adequate regional market that somewhat makes the countries in the block insular to global economic shocks yet allows them to sensibly enjoy the fruits of globalization. Indeed the benign lesson from the global financial meltdown for the developing world and particularly Africa for that matter is that Africa cannot continue relying on Western economies and western consumers as sole target markets for Africa. As such the EAC is timely in that it provides a large regional market, giving producers in the region multiple choices.

The EAC also provides an opportunity for the countries to deal with common problems like security. The region deals with shared threats, Burundi and Uganda has contributed to Amisom Peace Keeping force in Somalia. This in their quest to exterminate the Al-shabab terrorism threat, which although poses a threat to regional stability poses more threat to Kenya and Uganda than any other country within the region. The EAC has been involved in strengthening the governments of neighboring fragile countries and institutions and of neighboring countries in an effort of to improve the security situations in these countries and generally prevent the insecurity from spilling over into the region.

The EAC also gives the country members a platform for collective bargaining; it allows the member countries to have the wherewithal to extract more from multi-lateral negotiations and trade agreements. As President Yoweri Museveni once said, "the balkanization of Africa into 53, mostly sub-optimal states, has meant that Africa cannot have a large market under one Political Authority; have no power to negotiate with the rest of the world, this balkanization must stop,"

The EAC has also ushered in a new age of seamless travel of goods and people within the region. This coupled with myriads of other measures taken to ensure that non-tariff barriers to trade are reduced to the bare minimum means that goods and services will become less expensive, not to mention the development of physical infrastructure that has accompanied the integration process. The East African Community provides a unique opportunity for the countries within the region to approach the future with a sure footing. The countries within the region can enjoy the benefits of globalization with the comfortable auspice of the East African Community that hedges them from unfavorable global market environments.

Political and military tensions between the three economic powers of East Africa had long been strained by personal animosities between their leaders. Former President Moi of Kenya and President Museveni of Uganda were particularly mistrustful of each other, and Tanzania's brush with African socialism was a world apart from Kenya's pro- Western economic policies. However, these animosities are now mostly in the past, especially after the change of government in Kenya in 2003. Although its priority is economic co-operation, the EAC believes it can play a role in enhancing regional stability. In 1998, as a demonstration of the new spirit of cooperation, 1 500 soldiers from Kenya, Uganda and Tanzania took part in a joint training exercise in the desert terrain of Northern Kenya. The one-month exercise, code-named Natural Fire, was undertaken with assistance from the US Army.

A Memorandum of Understanding on Co-operation in Defence was signed in April 1998 and revised in 2001. On 18 October 1998, an EAC Summit on the security situation in the DRC took place in Nairobi. The summit agreed to support SADC efforts already under way in consultation with the UN and OAU. The EAC has established a Sectoral Committee

on Co-operation in Defense, as well as an Inter-State Security Committee. During 2003, these committees held meetings inter alia to exchange information on implementation of National Action Plans in line with the Nairobi Declaration on Small Arms and Light Weapons; to draft modalities for a common refugee registration mechanism; and a Defence Experts' Working Group on Operations and Training to discuss joint exercises on peacekeeping operations, counterterrorism and military level participation in disaster response.

However there are some challenges facing EAC in my view as a president of Republic of Uganda, from the figures above, it is clear that there is significant trade activity within the EAC. However, regional integration comes at a cost, and challenges abound in the EAC integration process. The following are also some of hurdles that the partner states continue to go through. These challenges are including, the implementation of the Treaty and the Protocols, as well as decision-making between the partner states could present problems; the fear of loss of sovereignty among partner countries in the process of regional integration. Some of these challenges related to the availability of resources to make the Treaty fully operational, as well as challenges of resource mobilization; overlapping membership by partner states in other regional blocs such as COMESA and the Southern African Development Community (SADC), among others; and the harmonization of laws and policies across the partner states versus the different national laws.

Regional integration is to bring economies together in terms of co-operation and co-ordination of economic interests. An important element of the regional integration process involves the likely positive impact of increased trade opportunities on the welfare of Ugandan citizens (customers and traders). However, of concern is whether this will lead to poverty reduction and pro-poor growth. The common market is in the implementation stage and should eventually lead to the free movement of goods, services, people, labor and capital, leading to developmental benefits.

The different education systems employed in all the five EAC partner states of Kenya, Uganda, Tanzania, Rwanda and Burundi is also posing a challenge.

Most of the education systems used in the East African region are based on the three-cycle model inherited from the colonial masters. However, Kenya follows an 8-4-4 system, while Tanzania and Uganda follow a 7-4-2-3 system of education. So while a Bachelors degree in Kenya takes at least four years, the same degree takes at least three years in Uganda, Tanzania, Rwanda and Burundi.

As a result, public universities in Uganda require Kenyan candidates to undergo Advanced Secondary (A-level) studies for two years, while the private universities insist on a bridging course of between six-nine month before the candidates can join the institutions, additionally, in Tanzania, the Kenyan and Ugandan students are required to sit the Matriculation exam and this has in turn limited the number of foreign students going to study in Tanzania. And also the different languages used in EAC partner states, saying the language barrier are a stumbling block to the harmonization process. The existence of fragmented markets, disjointed industrial value chains, inadequate cross-border infrastructure, and rigid labor markets, uncoordinated investments in research and technology, unless addressed through integration, have the potential to hinder and may reverse Africa's growing socio-economic development and that is why EAC integration was crucial.

The challenges of a teething nature impacting on the integration process that include among others, making the EAC a truly people-centered and private sector driven organization; limited awareness about the EAC and its potential benefits; and galvanizing the sufficient amount of popular will for accelerating the pace of EAC integration. Regular, periodic reporting on progress of these projects and programs should be undertaken and communicated in the country in a manner that reflects on the momentum of regional integration. This process will definitely bring the integration agenda to the people of Uganda; called for the need to consolidate the Customs Union and the Common Market as a sound basis on which further development of the Community would be anchored. These two pillars were the foundation of the integration process and were stages in which the common citizens of East Africa will feel and see the benefits of regional integration. Likewise there are so many opportunities for the EAC Common Market, as well as the fully-fledged customs union now in place presents a number of opportunities for the EAC region, including, the EAC Common Market provides a single market size of approximately 133.5 million people; the five partner states realize a combined GDP of about 74.5 billion US dollars; the common market offers more employment opportunities for professionals, technicians and artisans, who benefit from greater accessibility to markets in the region; with the common market in place, it is easier for people to trade within the region. There exists the potential for increased trade volumes between the partner states; the common market increases trade in services in the region. Such services include professional services, communication, distribution services, education services, financial services, tourism and travel-related services as well as transport services; there is greater mobilization of capital, including equity and portfolio investments, bonds, money market instruments, collective investment schemes and bank loans; and there is increased competition among firms within the partner states, which may spur them to produce better quality goods and services.

In my conclusion, as authorized person – president of Uganda, the EAC Common Market provides an opportunity for partner states to take advantage of the opportunities presented by social, political and economic provisions in the treaty regional integration. For Kenyans to fully take advantage of these opportunities, awareness must be created by stakeholders; including the government, the private sector and partner states; so that citizens can participate in the process. Among issues to consider in the integration process include the need to enhance trade facilitation and harmonize national and regional laws, such as those governing taxes. The EAC Common Market is still in the implementation stage and more benefits are likely to be realized as this process continues.

In education system, Kenya may not have to change the 8-4-4 system to suit other systems, but grading, course content, and the specified period it takes to complete a particular course should be standardized across the region. This is what they have to work on. The realization of a large regional economic bloc encompassing Burundi, Kenya, Rwanda, Tanzania and Uganda with a combined population of more than 130 million people (2010\*), land area of 1.82 million sq kilo meters and a combined Gross Domestic Product of \$74.5 billion (2009\*), bears great strategic and geopolitical significance and

prospects of a renewed and reinvigorated East African Community. And also to make the core values of East African Community, the Professionalism, accountability, transparency, teamwork, unity in Diversity, and allegiance to EAC ideals.

### **SADAC REGIONAL INTEGRATION:**

In my essay, I will give the definition of regional integration, and definition of SADC, followed by the members of SADC and its deferent sectors, after that the essay will continue talking about the main objectives of SADC, then SADC's common agenda. In conclusion, will talk about what they have done so far to influence for international regional integration and regional relation.

Regional integration is a process in which states enter into a regional agreement in order to enhance regional cooperation through regional institutions and rules. The objectives of the agreement could range from economic to political to environmental, although it has typically taken the form of a political economy initiative where commercial interests have been the focus for achieving broader socio-political and security objectives, as defined by national governments. Regional integration has been organized either via supranational institutional structures or through intergovernmental decision-making, or a combination of both.

Past efforts at regional integration have often focused on removing barriers to free trade in the region, increasing the free movement of people, labour, goods, and capital across national borders, reducing the possibility of regional armed conflict (for example, through Confidence and Security-Building Measures), and adopting cohesive regional stances on policy issues, such as the environment, climate change and migration.

Intra-regional trade refers to trade which focuses on economic exchange primarily between countries of the same region or economic zone. In recent years countries within economic-trade regimes such as ASEAN in Southeast Asia for example have increased the level of trade and commodity exchange between themselves which reduces the inflation and tariff barriers associated with foreign markets resulting in growing prosperity.

Originally known as the Southern African Development Co-ordination Conference (SADCC), the organization was formed in Lusaka, Zambia on 1 April 1980, following the adoption of the Lusaka Declaration. The Declaration and Treaty establishing the Southern African Development Community (SADC) which has replaced the Co-ordination Conference was signed at the Summit of Heads of State or Government on 17 August 1992, in Windhoek, Namibia.

Member states of SADC are Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

In order to address national priorities through regional action most member states had been allocated the responsibility of coordinating one or more sectors. This involved proposing sector policies, strategies and priorities, and processing projects for inclusion in the sectoral program, monitoring progress and reporting to the Council of Ministers.

Until 2001 the sector responsibilities within SADC have been as follows: Angola responsible for Energy commission, Botswana responsible for agricultural research, livestock production and animal disease control, Lesotho is in charge of environment, land management and water, Malawi is responsible for inland fisheries, forestry and wildlife, Mauritius is responsible for tourism, Mozambique is responsible for culture, information, sport, transport and communications, Namibia is in charge of marine fisheries and resources legal affairs, South Africa is in charge of finance, investment and health, Swaziland is in charge of human resources development, Tanzania is responsible for industry and trade, Zambia is responsible for employment, labour, and mining, and Zimbabwe is responsible for crop production, food, agriculture and natural resources. The DRC and Seychelles had no sector responsibility.

The objectives of SADC are including to achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the people of Southern Africa and support the socially disadvantaged through regional integration; evolve common political values, systems and institutions; promote and defend peace and security; promote self-sustaining development on the basis of collective self-reliance, and the interdependence of Member States; achieve complementarity between national and regional strategies and programs; promote and maximize productive employment and utilization of resources of the Region; achieve sustainable utilization of natural resources and effective protection of the environment; strengthen and consolidate the long standing historical, social and cultural affinities and links among the people of the Region.

The SADC Common Agenda is underpinned by a series of principles and policies, including: promotion of sustainable and equitable economic growth and socio-economic development that ensures poverty alleviation with the ultimate objective of its eradication; promotion of common political values, systems, and other shared values, which are transmitted through institutions that are: democratic, legitimate and effective; and promotion, consolidation and maintenance of democracy, peace and security. In conclusion, someone has to ask an important question that: what have they done so far to influence for international relations?

A lot has been achieved in SADC since its inception in April 1980 in Lusaka, Zambia. Some of the foremost achievements of SADC have been: demonstrated that regional co-operation is not only desirable or hope, but possible; initiated a sense of regional belonging as well as a tradition of consultation among the people and governments of Southern Africa to put in place a regional program of action - the SADC Program of Action - which covers cooperation in various economic sectors; under the SADC Program of Action a number of infrastructural projects have been undertaken to rehabilitate roads, railway lines and harbors as well as the development through research of a number of seed various to cater for the different climatic conditions of the SADC Region, and SADC also achieved regional stability. These hard-earned achievements have provided a firm foundation without which any attempt at building a regional development community would have definitely failed.