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GRADUATE SCHOOL OF FOREIGN TRADE

DEPARTMENT OF INTERNATIONAL TRADE

REGIONAL INTEGRATION AND ECONOMIC GROWTH IN THE EAST AFRICAN COMMUNITY

Master Thesis

Hani Ahmed MOHAMED

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Istanbul, August 2021

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ABSTRACT

To assess regional integration and economic growth in the East African Community. In this case, the paper will determine the relationship between regional integration and economic growth in east African community. Liberalization of trade policies results in resource reallocation and the establishment of new trade connections. As long as trade links exist, RI projected to generate advantages in the form of welfare and stimulate economic growth. However, theoretical underpinnings are vague regarding their expected results. Whether welfare is improved, trade connections are maintained, and economic growth realized is an empirical question. The assessment takes an economic approach rather than the political method that was previously used to construct RI blocs. The study adopted an exploratory approach was utilized in this work, focusing on secondary data from different International Monetary fund and Federal Reserve of Kenya earnings figures collected throughout the years to answer the first three questions on free travel of labor of individuals, labor, capital, and intra East African community commerce. The research shows that certain key elements of regional economic integration assist to the continent's economic development. First, achieving a high rate of economic development contributes significantly to enhancing the region's strengths and economically positioning the various partner states. Moreover, realizing the region's trade prospects, particularly intra-regional commerce, has the ability to contribute to the region's progress and expansion. The EAC's success or failure is dependent on this basis. It will remain so in the future years, owing to the establishment of the single market.

Keyword: East African Community, Liberalization, Regional integration, economic growth.

ÖZET

Çalışmanın amacı, Doğu Afrika Topluluğu'nda bölgesel entegrasyon ve ekonomik büyümeyi değerlendirmektir. Bu durumda, çalışma Doğu Afrika toplumunda bölgesel entegrasyon ve ekonomik büyüme arasındaki ilişkiyi belirleyecektir. Ticaret politikalarının serbestleştirilmesi, kaynakların yeniden tahsisi ve yeni ticaret bağlantılarının kurulmasıyla sonuçlanır. Ticaret bağlantıları var olduğu sürece, UR refah şeklinde avantajlar yaratmayı ve ekonomik büyümeyi teşvik etmeyi öngördü. Bununla birlikte, teorik temeller, beklenen sonuçlarıyla ilgili olarak belirsizdir. Refahın iyileştirilip iyileştirilmediği, ticaret bağlantılarının sürdürülüp sürdürülmediği ve gerçekleşen ekonomik büyüme ampirik bir sorudur. Değerlendirme, daha önce UR blokları oluşturmak için kullanılan siyasi yöntemden ziyade ekonomik bir yaklaşım benimsiyor. Bu çalışmada, bireylerin emeğinin, emeğin, sermayenin serbest seyahati ile ilgili ilk üç soruyu cevaplamak için yıllar boyunca toplanan farklı Uluslararası Para fonu ve Kenya Federal Rezervi kazanç rakamlarından ikincil verilere odaklanan keşfedici bir yaklaşım benimsemiştir ve Doğu Afrika toplum içi ticareti ele almıştır. Araştırma, bölgesel ekonomik entegrasyonun belirli kilit unsurlarının kıtanın ekonomik kalkınmasına yardımcı olduğunu gösteriyor. Birincisi, yüksek bir ekonomik gelişme oranı elde etmek, bölgenin güçlü yanlarını geliştirmeye ve çeşitli ortak devletleri ekonomik olarak konumlandırmaya önemli ölçüde katkıda bulunur. Ayrıca, bölgenin ticaret beklentilerinin, özellikle bölge içi ticaretin gerçekleştirilmesi, bölgenin ilerlemesine ve genişlemesine katkıda bulunma yeteneğine sahiptir. EAC'ının başarısı veya başarısızlığı bu temele bağlıdır. Tek pazarın kurulması nedeniyle gelecek yıllarda da böyle kalacaktır.

Anahtar Kelime: Doğu Afrika Topluluğu, Liberalleşme, Bölgesel entegrasyon, ekonomik büyüme.

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DEDICATION

I am dedicating this book to my beloved parents, family, and friends who have been encouraging and supporting to my way of success until my childhood up to now.

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1. INTRODUCTION

This analysis aims to look into the influence and function of regional trade agreements (RTAs) on economic growth, trade, and trade duration of the East African Community (EAC) that includes 6 African states which are, Burundi, Uganda, Kenya, South Sudan, Tanzania, and Rwanda.

Since 1995 when the World Trade Organization (WTO) formalized the multilateral trade agreement (MTA) system, both developed and developing states across the world have sought strategies to promote trade between South-South and North-South regions of the world. Effects of MTAs on economic growth, despite the attempts, are complicated and poorly understood. Advocates for MTA state that gradual elimination of barriers and increasing international trade freedom and free trade boosts trade imports and exports at the global level. The traditional international trade theory supported by the argument favors free trade on the basis of welfare enhancement and economic efficiency (Krugman, 1987, 1991a).). The concept of MTAs improving trade can be traced to Smith (1869) who states that allowing local and foreign competition into markets will result to the markets experiencing more prosperity than imposing strict government rules. Bhagwati and Panagariya (2001), Bhagwati, Greenaway, and Panagariya (1998), and Bhagwati (1971, 1989, 1993, 1994) have all made this prediction (1996). Some nations need to make their trade available and resist manipulating the employment terms that they have made to consolidate the benefits of multilateral trade. This is a process that leads to self-defeat which results in trade welfare and volume being lost in the long run (Johnson, 1954). Mayer states that states need to work together in an agreement based on a country to avoid states from acting by themselves and lessen restrictions made on trade by the states in a continuous manner, thus getting rid of inefficiency. The general contract and world trade organization on Trade and Tariffs (WTO/GATT) system were created in order to enable agreement by the states on lowering barriers in trade (the concept of national treatment or reciprocity) without discriminating between them (the state that is mostly favored or principle). The two bases are operating guidelines that allow states in a system that is multilateral to avoid the terms used in trade that impacts unilateral tariff reductions due to the so-called dilemma of the "prisoner's" Subramanian & Wei, 2007; Bagwell & Staiger, 1997, 1999a, 1999b). The WTO/GATT theory states that member states might prevent another state's inefficiency in its unilateral activities on another state, a scenario known as the Nash equilibrium – by avoiding one country's unilateral actions on another (Johnson, 1954).

International commerce has increased by 27 between GATT which was the founding in 1947, and WTO which is the successor in 1995 that encompasses trade mostly (Liu, 2009; Irwin 2005). Furthermore, commerce as a percentage of GDP has grown to 19.4 percent in 2005 from 5.5 percent in 1950 (WTO, 2007, Subramnian & Wei, 2007).

Additional argument that favors WTO/GATT is that it has established regulations in trade that prohibit states from imposing restrictions on trade (Van den Bosche, 2006, 2005). Furthermore, the WTO/GATT has increased fairness in economic ties that are global (Van Der Bosche, 2006, 2005)

However, detractors of MTAs claim that efforts by GATT throughout its first six decades of existence failed to restrain protectionists pressure (Irwin, 1995, 2005, 2019). There has been a fall, despite of success by MTAs, affecting trade in recent years (Krugman, 1991a, 1993; Bhagwati, 1993, 2008). The Doha Development Agenda (DDA) nearly brought the multilateral trading system to a standstill in 2005 (Hartman, 2013). The DDA's failure has been linked to the United States (US) and European Union (EU) failing to take elements of development for nations that are developing and countries that are least developed (LDCs) into account into the World Trade Organization (WTO) (Sorgho, 2016). Rose (2004a, 2004b), a vehement critic of WTO/GATT, claims that the WTO does not conduct trade with a number is states that do not participate. Rose (2010) continuous to find no substantial positive impacts of the WTO/GATT, despite criticism of his previous findings. According to Irwin (1995), the WTO/GATT success is not uniform. Indeed, according to Subramanian and Wei (2007), the WTO/GATT encourages trade effectively in wealthy states but not on states that are considered as underdeveloped. Furthermore, WTO encourages work in fewer sectors that are protected, except textiles and agriculture – and members who are new to the WTO, but not for old members of GATT (Subramanian & Wei, 2007).

Membership of the WTO have failed to provide the pro-development benefits that were promised to states that are developing, since the political and economic objectives of global powers have ignored the interests of the developing states, according to the Director-General of WTO, Pascal Lamy in 2007 (WTO, 2007). According to the director-general, finding the word "development" is like looking for a needle in a haystack in the Doha Development Round. According to Baldwin (2006), MTAs have caused difficulties that are being experienced during operations in trade, resulting in negative repercussions on developing nation's trade agendas.

As a result of the WTOs/GATT failures in addressing the demands of developing states, RTAs have been established (Hartman, 2013; Hur & Park, 2012). RTAs designed to strengthen the bargaining leverage of developing states in sectors of their economy they consider critical, allowing them to succeed in the economic development and growth in the long-term (United Nations Conference on Trade and Development [UNCTAD], 2019; Head & Ries, 2004; African Union [AU], 20160. As a result, states that are still developing have adopted regional integration (RI) as a component that is critical to their economic development and growth agendas, and trade (Sorgho, 2016; Hartman 2013).

2. LİTERATURE REVİEW

This chapter aims to lay forth the theoretical and empirical foundations for trade duration, RI, and trade-growth nexus in RTA's construction. Liberations of policies in trade result in resource reallocation and the establishment of new trade connection. As long as trade links exist, RI projected to generate advantages in the form of welfare and stimulate economic growth. However, theoretical underpinnings are vague regarding their expected results. Whether welfare is improved, trade connections are maintained, and economic growth realized is an empirical question. The assessment takes an economic approach rather than the political method that was previously used to construct RI blocs. Unlike the financial process, which relies on economic empiricism, a political economy approach relies on flowery administrative pronouncements and casual empiricism (Ejones, 2015). As a result, the political economy falls short of answering important questions about the emergence of RI. As a result, the research focuses on the idea of trade duration/survivability, RI, and trade-growth nexus.

2.1 Definition of regional integration

Defining of the term regional integration (regional economic integration), it helpful in identifying whether territories or states are integrated in the same region economically (Viner, 1950). Neither empiricists nor theoreticians have successfully made progress towards an agreement on a definition that is concrete for a financial area (Mansfield & Milner, 1999).

Policy coordination, proximity and market access that has improved or market entry in other times, are the traits that are desirable in providing a definition of RI in a traditional sense (Shams, 2002; Mansfield & Milner, 1999, 2010; Väyrynen, 2003; Mansfield & Solingen, 2010). The process of states that are independent or a group of states or territories that are custom and independent form economic units that are integrated with the third countries or ROW is the RI process (Ejone, 2015). It results in national states sharing part of or all their authority in making decisions with international organizations that are emerging in an economic entity or are, thus RI (Schmitter, 1970).

According to the Virtual Institute of the UNCTAD's material developed for teaching, formation of RI can be done through general or sectoral integration as follows:

General integration focuses on combining entire policies such as monetary policies, investment, and trade, of the states that are integrating.

Sectoral integration focuses on combining industries and sectors/subsectors such as service, industry, and agriculture of the states that are integrating.

Whether general or sectoral integration, the extent to which the merging of political and economic policies of the states that are integrating will differ in size and design (Mansfield & Milner, 2010), and maybe in the guise of a:

Free trade area (FTA) – which include members of a bloc getting rid of barriers in trade (mostly tariffs) for other members of the bloc, however, each member of the block could maintain its tariff externally with the ROW. Bloc members, in FTA, have a document of rules-of-origin to certify the genesis of the service or merchandise. It defeats the challenge of deflection in trade. Deflection in trade refers to a scenario in which merchandize origination from the ROW goes into the trading block through a state that has the lowest tariff externally and is shipped to other members of the bloc. The North American Free Trade Area (NAFTA) made up of the US, Mexico, and Canada is an example of FTA.

Preferential trading area (PTA) – includes integrating states providing preferential access to products and services to another instead of the ROW or third countries. This may not be uniformed for all members in the bloc and may not include all services or products. The economic partnership agreement involving the African, Pacific (ACP), Caribbean and EU states is an example of a PTA, that is being negotiated currently.

Customs union (CU) – which involves all the FTA's characteristics and maintaining a standard by the members involving the external tariff for each category of a merchandise traded with the ROW. The Southern African Customers union which is made up of South Africa, Lesotho, Swaziland, Namibia, and Botswana is an example of a CU.

Characteristics in the Common Market (CM) are enhanced by production inputs that are flowing freely, mainly capital and labor, across the bloc. The EAC, which includes Kenya, Uganda, Rwanda, Burundi, and Tanzania is an example of a CM.

Monetary Union (MU) is a type of CU in which members coordinate monetary policy and, as a result, use a common currency or even fixed exchange rates. Economic policy, particularly fiscal policy, must be coordinated in an effective MU. The Organization of Eastern Caribbean States is an example of a MU.

Political union – is a MU whose members coordinate shared security and diplomatic policy and strong administration: for example, the United Republic of Tanzania make up of mainland Tanzania and Zanzibar.

The word " regional integration " is a catch – all term that encompasses all the above.

FTAs and CUs explore traditional theoretical endeavors. On the other hand, has recent empirical research has failed to discern between the various types of RI outlined above (Mansfield & Milner, 2010). The current study continues this pattern by focusing on the influence of a regional trade policy developed rather than the type of RI. Furthermore, the study follows a Rl process that is multilaterally managed and regulated by the WTO. In Article 24 and Enabling Clause 22, the WTO'S GATT gives South – South members more flexible rights to enter RI to facilitate trade, not creating hurdles. The notification, configuration, and scope of RI are all clarified under the WTO framework.

Notification is a tool used in transparency that explains membership in RI and reports trade actions which may impact members in the RI. WTO mandates that members in RI maintain conditions that are internal and enable trade among external conditions and constituent members that do not impede trade with members in the RI. Conditions that are internal necessitate the elimination of duties and different onerous rules on nearly with bloc members in all trade, or at the very least on most merchandise coming from the territory of the RI. Conditions that are external demand that organization in the region does not put obstacles to trade against members of the WTO who are not RI signatories.

2.2 Definition of trade in a regional context

This thesis's regressor is ROW's value (importers) imports from the EAC member nations (exporters). This amount refers to be EAC's commerce or exports from now on.

All expositions that are theoretical of stipulations that are gravity-like support the use of export data that is unidirectional as the regress, instead of the exports and sum of trade.

According to Subramanian and Wei (2007), the effects of policy in trade are related closely to imports instead of exports and would increase imports rather than exports. Even if the Abba Learner Symmetry holds, a contention by Subramanian and Wei (2007) is made that there is no theoretical rationale that is good for the growth of exports of a state or region at the same rate. The Abba Learner Symmetry refers to the export and imports' equivalent in terms of limitations while noting removing of barriers in import increases both the imports and exports (Lerner, 1936; Devereux, 1997).

Theoretically, liberalization policies of export trade's impact is uncertain because the gradual reduction of exports tends to diminish exports.

2.3 Neo-functionalist theory of integration

Many insights from functionalist theory (Caporaso & Keeler, 1993; Mattli, 1999) are carried forward in the neo-functionalism view of R1 in defining policies that governed Europe after World War II (Rosamond, 2000, Hooghe & Marks, 2019). The principles of functionalism of spillover-explaining change in a functional manner, group dynamics, shared interest, mixed economies, and muted ideological conflicts are all retained in Neo-functionalism (Wiener & Diez, 2009; Mattli, 1999; Caporaso & Keeler, 1993). This theory, in addition, adds to our understanding of RI by extending or introducing new notions. It emphasizes the importance of making decisions (institutions) and habits that are integrative (attitudes) in theory, for example and specifies what are the variables that are dependent in a RI process (Caporaso & Keeler, 1993; Haas, 1970).

Mattli (1999) proposed a thorough explanation for R1 based on vocabulary derived from various theories including systems theory, interest group theory, economics (Caporaso & Keeler, 1993). Neofunctionalism, explains why and how the national units combine and blend with neighbors, according to Haas (1970) in a more significant center with disputes being resolved by the jurisdictions (institutions) and standardize the activities of the economy. An assumption of handing to a supernational body over national sovereignty will allow governments be able to maximize their wellbeing (Mattli, 1999). An assumption is also made that the units belong to the states are rational and aggregate society need to function in a preference that bureaucrats may use as a bargain in the level of the supranational (Caporaso, 1998). Rosamond identified the following prepositions (2000):

To gradually integrate less politically sensitive but strategically critical economic sectors.

To establish a supernatural body independent of national interests to steer the deepening of integration, resulting in increased regulatory complexity and the desire for more integration

The mutual reinforcing of political and economic integration. The entity of the region is vitality developed by an economic integration that is progressive and the institutionalization of the supranational entity.

An explanation on how logic in neo-functionalism results in the formation of a regional area and a RI is done by Rosamond (2000). Consider a case where more than two units that are national agree to join a union, beginning with merging less politically sensitive economic sectors as Xa suggests. Nation-states will transfer their sovereignty to a supranational institution with more extraordinary powers to guide economic transactions, social order, and more political devolution to complete this mission. According to Xi, economic progress in the integrated sector will necessitate integrating other sectors that are less sensitive to politics. This continuation of the momentum will be done until all sectors in the economy are integrated fully, and the integration bloc will continue to lure other countries to join. Though the theory does not analyze economic transaction and welfare, it hypothesized that this dynamic process of economic integration would maximize wellbeing through increasing transactions. Although neo-functionalism is intuitive it has criticized:

For starters, the model's core assumptions fail to explain the relationship between welfare maximization and RI. The model does not evaluate transactions, even though the transactions maximize welfare (Rosamond, 2000).

The forecasts' model, fails to account for the integration of the economic process, when it reaches a point of stagnation or disintegration. The paradigm built on the belief that the needs of the society are reflective to self (Caporaso, 1998).

Finally, Caporaso (1998) criticizes the assumptions lacking from the model that explains the flow of goods in a secular manner, economic variable dependence, and capital mobility.

Finally, because explanation of the integration of the European community through the model, it cannot correctly describe the integration process of developing nations (Caporaso, 1998; Haas, 1970). In addition, Hass (1970) observes that the integration of underdeveloped states is emblematic of actors' expectations politicized without negotiation. Furthermore, the economics and security of these countries remain insecure on the inside, resulting in them being weak participants in the process of integrating.

Integration of the economy is concerned with calculating the well-being and linking product markets and factor, while the theory on neo-functionalist ignores these concerns, As described in the previous section, the CU theory (Mattli, 1999) examines welfare.

2.4 The customs union theory of integration

The CU theory was finally analysis to become the primary theoretical economic framework for analyzing RI in its forms (Joi & Joi, 2013; Park, Park, & Estrada, 20). 09). The theory is a subset of the broad idea of tariffs that looks at the trade impacts of discriminating against commodities flowing into one country from other countries (Abrego et al., 2005; Corden, 1984; Lipsey, 1960; Viner, 19).

Viner (1950) was a pioneer in creating the CU theory by studying the effects of CUs on trade flows.

Analysis of the CU theory was finally done in order to be the primary framework for the theoretic economy in order to analyze R1 in its forms (Part, Park, & Estrada 2009; Joi & Joi, 2013). Thie tariffs that look at the impacts on trade concerning commodities being discriminated against flowing from other countries into one country is the subset of the theory (Viner, 19; Lipsey, 1960; Corden, 1984; Abrego et al, 2005). Viner (1950) was a pioneer in creating the theory concerning CU by studying effects on trade flows by the CUs. Viner's analysis of CUs extended by Meade (1955) and Lipsey (1957) to include both production and utilization. Investigation of the hypothesis is done to show the R1's influence with an emphasis on consequences of welfare (Joi & Joi, 2013). It looked at a shift that was one-time (static effects) in resources and efficiency of allocation while using R1. When two states (say state 1 and state 20) integrate, the two states get rid of the discrimination that exists between them, however, keep it in place for their neighbors according to Viner's theory. With barriers affecting trade between state 1 and 2, disappear, the tradable value between them equalizes, resulting in two states. Viner (1950) refers to these as "effects". TC vs TD: TC is when a comparatively partner who is efficient in production crowds out domestic production that is relatively inefficient, whereas TD relates to when relatively ineffective bloc output replaces fairly efficient domestic output. M the ROW. TC considered favorable since it improves resource allocation (thereby improving welfare), whereas TD puts costs on resource allocation (thus reducing interest). elfare). The CU's net static effects are determined by whether the TC is more significant or more minor. If TD is more or less than TC, states will participate in more ore less in this model in R1. Diversion of trade is done more by the CUs, according to Viner's model, than they produce, resulting in negative repercussions on the welfare (Williams). The following assumptions are the basis of Viner model, full employment of scare resources, competitive marketplaces, tariff proceeds redistribution among co-ops, and not externalities in production and utilization. Static effects, which these effects are known as, can be expressed in general or partial equilibrium form (Corde). The Harberger Triangle (Harberger, 1995) for example, is a tool that is valuable in analyzing the welfare consequences of R1, which viewed as a particular tariff theory case as an example (Abrego et al, 1984). Consider Figure 2.1 that uses an equilibrium analysis that is partial to calculate TD and TC's magnitude and their effect on the net national welfare for R1's imports. The graphics depicts a limited nation instance that exemplify the groups belonging to South-South that are being studied in this paper.

2.5 New Regionalism

The wide use of the term "new regionalism" is used in the debate. One has to differentiate between meanings and distinctions that are partly competing and partly overlapping in order to better understand what "new" is in this regionalism that is new. To begin, numerous policy-makers and scholars refer to the new regionalism as the era of regionalism or wave that is current. However, community/cross national interaction and interdependences have occurred throughout history (Mattli, 1999).

Bøås, Marchand and Shaw (Chapter 11) put forward their argument that a world that is regionalized is a part of integrated human history and not a novelty. Thus, it is evident that new regionalism and old regionalism are defined by referring to generations of regionalism or waves of regionalism. The protectionist trend, according to some theorists, of the 1930s as the regionalism's first main wave. However, more than not, an argument is made that (comprehensive and voluntary) regionalism is mainly a phenomenon of the post-Second World War. Therefore, we may speak of a number of varieties and generations of regionalism that occurred after the Second World War (Hveem, 2000a; Mistry, Chapter 7). There have been two regionalism waves that are considered as main, according to Hettne and many others, that are often referred to as the new and old regionalism (Hettne, Chapter 2). The first regionalism wave was rooted in the devastating experience of the Second World War and inter-war nationalism. It occurred in the late 1940;s in Western Europe, and the wave spread to other areas in the South, the late 1960's and early 1970's saw it die out. In the mid-1980's, the second regionalism wave began to start, still starting out in Western Europe (with the Single European Act and the White Paper Act) and turning gradually into a phenomenon that was widespread.

There are both similarities and continuities between the new and old regionalism, thus one can easily get a feeling of *déjà vu* while studying regionalism that is contemporary. For example, a number of regional organizations and regional projects were started during the old regionalism's era and were simply re-inaugurated or renewed (sometimes with a smaller number of different members and a new name) in the 1980s and 1990s. It is regularly cumbersome for separation of historical from contemporary to be done under such circumstances. Hettne (1999:8), in response to this, puts forward an argument that instead of identifying the new wave or new era of regionalism, 'I find the identification of new patterns of regionalization (co-existing with older forms) more relevant', which means instead of new regionalism being a temporal sense, it is empirical.

This is related closely to the fact that may also mention of the regionalism that is considered new or current in a spatial sense, referring to a real region that is emerging that did not experience regionalization genuinely before, or which the outside imposed on the region, with a more or less a copy that is simple of the model in the European integration. '[T]he most important features of the new regionalism are its worldwide reach, extending to more regions, with greater external linkages', as stated by Mittelman (2000: 113). In addition, the current regionalism when compared to old regionalism is regularly taking shapes which are different in different areas of the world and staring more or less all around the world. Whereas the regionalism considers as old was specifically regarding the content and objectives in a general sense, which more than not had focus that was narrow on security alliances and trade arrangements that were preferential in nature, scope, the number and new regionalism's diversity has significantly grown during the previous years (Schulz et al, 2001). The new regionalism, in short, is both pluralistic and global when compared to the regionalism that is now being considered as old, which was narrow and Eurocentric. In addition, many theories in regionalism may be considered to be new since they shed more light to the close relationship between extra-regional environment and regionalism, specifically globalization

The assumptions that are flawed due to the static analysis' inadequacy in explaining the R1's underlying goals which has ignited interest in current regionalism as R1's understanding framework in the 1960's (Reardon et al, 2002). Dynamic analysis is what new regionalism is based on, that explains concepts of TD and TC better, and their welfare impact, as change of the conditions of the global economy (Hosny, 2013; Balassa, 1961).

Any factor that impacts the growth of an economy in the medium to long term range is stated to be influences that are dynamic (Schiff & Winters, 1998). Any impulse that is related to external and internal economies of competition and sale when expansion of the market occurs; X-efficiency improvement in the process of production; technological changes in economic growth and investment; changes in development and industrial organization (Väyrynen, 2003; Joi & Joi, 2013; Yoo-Duk, 2; Balassa, 1961). Two analytical frameworks have been developed under the new region. The first region involves expanding the static estimates in order to account for further losses and gains in welfare in both the global and regional economies. For example, Meade (1955) accounts for changes in global trade terms while estimating the Vinerian model with general equilibrium that is computable. Gehrels (1956), howeverz has the belief that consumption's variation needs to be included in the m Vinerian, while Cordon (1972) believed the scale in economies should be included in m Vinerian. Lipsey (1957) and Meade (1955) extend the modelling for Vinerian to include assumptions that enable grouping based on regions to deteriorate or improve welfare. The second analytical frameworks involve the creations of new trade theories that are comprehensive and utilizes numerous types of goods and considers the competition to he monopolistic. This school of thought was pioneered by Balassa (1961), who created a method that was new to capture the impacts of R1 that are emotional in welfare calculation. Development of inter-industry trade (IIT) analysis was done to enable members to trade numerous variants of the same merchandise (Yeats, 1). Helpman and Krugman, (1985), and Krugman (1980) established monopolistic competitions notions and trade in goods that were heterogeneous to enable R1 entities to invite either losses or benefits in welfare. Consideration of economies of scale is done in the R1 dynamics analysis' theoretical literature (Corden, 1972).

The estimates' magnitude is generally obtained from analysis that is dynamic in nature that is more important than that obtained from static analysis, especially for estimates that are weld. There is no agreement, however, on the R1's influence on TD, TC, or welfare while using these models, just as there is in static analysis (Williams, 1). This is more than not due to the lack of approach that is solid for effects that are dynamic being quantified (Schiff & Winters, 1 [Number 998].

In many ways this constitutes a break with the old regionalism theories, especially with the leading variant of neofunctionalism, which often tended to ignore the global environment, almost as if regions were insulated from the external world. In this regard, most observers in the field emphasize the fundamental difference between the old bipolar Cold War context of the old regionalism and the current context after the Cold War, in which the new regionalism is being played out. Having said so, however, there are many different interpretations regarding what constitutes the new context and particularly the implications for regionalism.

This constitutes, in many ways, a break with theories based on old regionalism, especially the theories with neofunctionalism variants are leading, which often ignored this regard, with most observers in the field strongly supporting the difference that are fundamental between the current context after the Cold War and the old context of the Cold War that was bipolar, whereby the current/new regionalism is currently experiencing. However, having said so, there are numerous interpretations involving what makes the context that is new, specifically the regionalism's implications. There is a strong agreement in the field that new regionalism is not introverted but rather extroverted, whether we are supposed to live in a multi polar, Tri-, or a uni- world, regardless of the interpretation of the global order is done. This is a contrast to numerous policies and theories during the regionalism that is old. In fact, the relationships that are multifold between regionalization and globalization are central in understanding the complexities of the world order that is emerging. This volume will show, undoubtedly, that there are a variety of opinions and perceptions on how regionalization and globalization relate to each other. A number of the debate in the early and mid-1990s were often proposing to bring issues of old regionalism to the discussion, namely whether an organization a stepping stone or stumbling-block towards proved multilateralism and globalization.

All theorists, more or less however, in this capacity, have moved beyond such one-dimensional dilemmas and linearity, and often draw our attention to the relationships that are multifaceted between regionalization and globalization.

Perhaps most important and finally, the ‘new regionalism’ term is relevant for reasons theoretically. It is often used in building theory strategies to add the ‘new’ prefix as a way of distinguishing the novelties in theoretical manners from previous frameworks such as new political economy, new security, new conservatism, new political science etc. Employing of ‘new regionalism’ is increasingly being done by a wide range of scholars that are sticking to the numerous theoretical perspectives and traditions that are different. It is best understood as a way of indicating the wealth of theory based on new regionalism although it has created some confusion, with the seeking of capturing being done by the volume. Recognition needs to be done that some theorists draw attentions to a similar or same effects and motives, driving forces, and effects of regionalism some three or before decades ago during the old regionalism. Therefore, numerous scholars do not employ the term, or are limited to an extent of using ‘new regionalism’. Newness may first and foremost stand for the different world being adjusted to a context of the different world order, dominated by the globalization and post Cold War processes when the term is used. This results in the term being somewhat useless (from a theoretical perspective at the very least).

Other scholars may put emphasis to the global context that is new, such as Diana Tussie, but also make adjustments to the theory, within their paradigm. It can be argued that Tussie develops her ‘previous’ association with liberal institutionalism although she does not make a break that is clean. Percy Mistry challenges the regional economic integration theory that is conventional, especially the framework that is used to compare static, on the other hand, he does not do away with economics that are neoclassic but instead mainly improves them. These cautious revisions can be contrasted, when informed by the economics’ discipline, with the more heterodox and critical theorists who have a limited number, if any, links to theories in old regionalism. This provides an explanation why the ‘new regionalism’ term is consistently used by scholars who are associated with a loose body of thinking, referred to broadly as critical or new international political economy (IPE). One of the 'founding fathers' of this school of thought is Robert Cox (1996), although Craig Murphy and Roger Tooze (1992) that first called for the advance of an IPE that was new, which has also been referred to as counterhegemonic or heterodox.

2.6 Theories of Trade Duration

Besedeš and Prusa (2006a) and Besedeš and Prusa's (2003) conclude that engagements in international trade are short lived and have developed interest in two questions that are broad. Firstly, why are relationships involving trade are short lived? Secondly, what policy can elaborate the durations of the short-lived trade? (Fugazza & Molina, 2009). Trade theories that have been established are not able of providing answers to the two questions (Nitsch, 2009; Hess & Persson, 2011). There is no explanation based to the duration of the phenomenon of the trade relationships, theoretically speaking, that have been observed in analysis that are empirical (Hess & Persson, 2011). Illuminating the contributions of the theories and descriptions, however, have sought the model of trade that is matching, the product cycle model, the search model, film heterogeneity, quality ladder theory, elementary theory, and fragmentation theory of global supply chains. A focus on the theoretical contributions that are prominent is done in this subsection, of the product differentiation, search theory, product cycle models, and sunk market-entry cost to the trade survival issue. The other ideas are not linked readily to trade theories that are established and trade literature does not often explore them.

2.7 Rauch And Watson's Search Model, Product Differentiation, And Duration.

Based on microeconomics search theory, Rauch and Watson (2003) establish a paradigm for the longevity of trade partnerships. Because of the uncertainty in their trading potentials, buyers (importers) and sellers (exporters) matched after a search process conducted before interacting with each other in classic search theory.

Rauch and Watson (2003) provide a framework for fusing a commercial partnership between suppliers and buyers using a search, investment, and rematch process. The buyer (importer in a developed country) searches from a list of international suppliers (exporters in developing nations) with varying production capacity in the first stage. The search allows an importer to connected with an exporter after paying the search fee. Even with a matched trading agreement, the importer is unsure about the exporter's ability to fill substantial orders that ensure a surplus. Because of the uncertainty about the exporter's capability, the importer moves to strengthen or establish a permanent investment connection with the exporters in the second stage. The importer has the option of making a one-time investment with the supplier or placing small orders that the exporter expected to fill overtime to the importer's satisfaction. The idea is to allow for larger supplies so that the importer may produce a more significant surplus. In the last stage, the importer can decide whether to continue the partnership, end the current relationship with the exporter, or look for another supplier based on the importer's observations of the exporter and a more solid match.

The search, investment, and rematch procedures are expensive in the Rauch and Watson architecture. According to Rauch (1999), the dichotomy of transactions involving homogenous or differentiated commodities explains search costs. The search cost is lower for homogenous items sold in organized markets than for differentiated things sold in less organized markets. It is easier (less expensive) to match transacting partners in organized marketplaces where homogenous items have been sold than in less organized markets where heterogeneous objects have been supplied. Buyers frequently make supplier-specific investments to increase their capacity to provide goods when mapping transacting partners. Because of the reduced supplier-specific investment and ease of matching partners inhomogeneous product transactions, the Rauch and Watson paradigm predicts that search costs are lower for homogeneous commodities than heterogeneous commodities.

When all other factors remain constant, the Rauch and Watson paradigm predicts that the length of a trading partnership is proportional to the size of the initial order. It also forecasts that lower investment and search expenses will improve the likelihood of beginning with a large purchase or switching providers.

These predictions have been made to the test empirically, and they were proven to be correct. For example, Beside and Prusa (2003, 2006a, 2006b) discover that when exchanging diversified goods, partnerships endure longer than when exchanging homogenous items. Export partnerships grow gradually from slight transactions, according to Besede (2008), even if the small initial transactions are of limited duration.

Iacovone and Javorcik (2010) propose that new exporters begin by exporting tiny quantities of items previously sold in home markets to overseas markets and that these exports are transient.

2.8 Sunk Market-entry Costs Theory

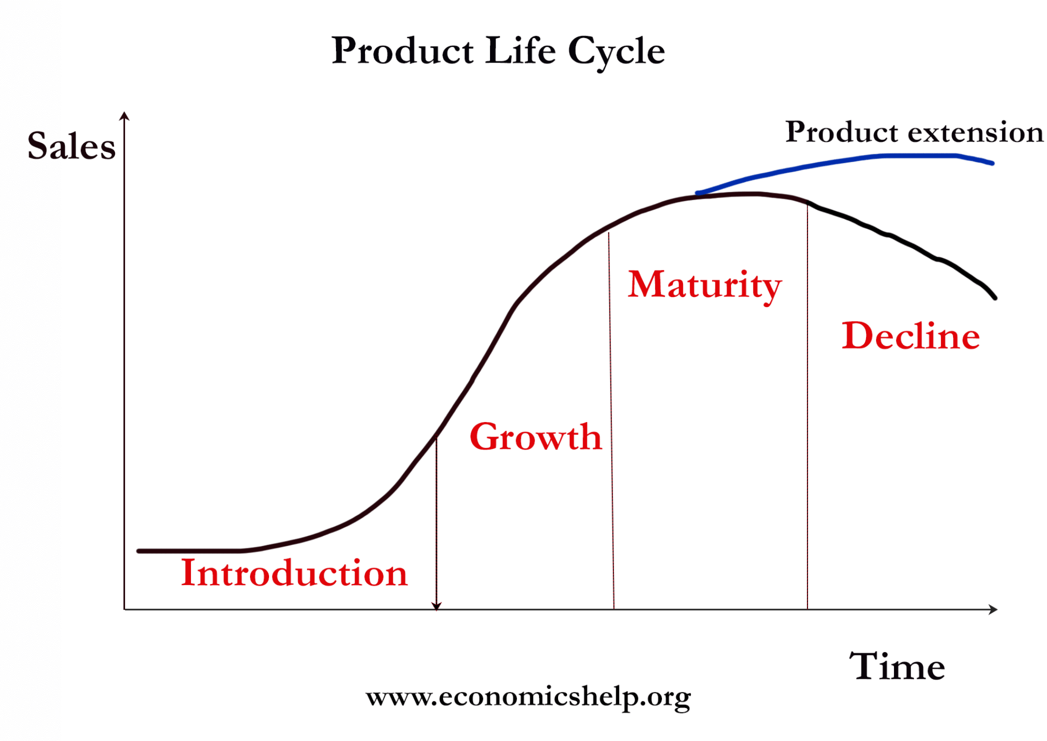
From the literature on sunk market-entry costs, theoretical reasons for persistence or export status hysteresis have attempted (Gullstrand & Persson, 2015; Impullitti, Irarrazabal & Opromolla, 2013). This model assumes that entering a foreign market is an expensive endeavor that entails exporting units that fulfill costly market-specific standards, regulatory constraints, foreign demand circumstances; building distribution networks; and introducing new products in foreign markets (Bernard & Jensen, 2004; Fugazza & Molina, 2009). Exporting units with these buried market-entry costs are less likely to leave the foreign market, resulting in stable commerce (Fugazza & Molina, 2009; Nitsch, 2009). Moreover, because the exporting unit is not subject to additional market-entry costs, this export hysteresis remains even when enterprises lose money (Hess & Persson, 2011).

In the 1980s, when the US currency overvalued, foreign importing businesses faced greater entrance costs into the US market, Baldwin (1990) first identified trade hysteresis. The loss of US competitiveness due to the dollar's appreciation allowed foreign enterprises to gain a foothold in the market. Even after currency rates restored to their typical purchasing power parity, foreign firms did not abandon their operations since they had already incurred an unrecoverable cost. According to Bernard and Jensen (2004) and Roberts and Tybout (1997), Sunk entry costs have a crucial role in exporting decisions. However, Hess and Persson (2011) criticize the sunk cost theory for failing to provide specific predictions about the likelihood of terminating a business partnership.it was because, contrary to the sunk cost literature and the duration literature concludes that trade relationships are cyclic (i.e., trade takes place for a while, is terminated, and then re-established).

In contrast, the sunk cost literature concludites that trade is persistent once started after sunk costs are paid (Gullstrand & Persson, 2015). Sunk cost theory is helpful for understanding why a commercial connection begins with only the initial exporting unit and not with other partners (Hess & Persson, 2011). The notion of sunk cost is show to be barren of an explanation for the high termination rates in export markets by Carrere and Strauss-Kahn (2012).

2.9 Product Cycle Theory

Vernon (1966) offers the product cycle hypothesis to explain how the introduction of innovation, economies of scale, and the roles of ignorance and uncertainty have influenced the evolution of trade patterns. The model implies that (1) new product innovation occurs in a dichotomy between emerging and developed countries, and (2) firms in developed nations are homogeneous in terms of access to technical capacity and ability to interpret embedded technological capacity. Based on these assumptions, the model anticipates which countries are exporters and imports (Finger, 1975). It also forecasts the development of a specific pattern of trade relationships (Besede & Prusa, 2006a). (Besede & Prusa, 2006a) The evolved pattern of trade could grow either slowly or rationally. However, the product theory fails to explain or is inconsistent with the literature's reports of relatively short-lived trade connections (Besede & Prusa, 2003, 2006a; Hess & Persson, 2001). 1) Logic dictates that developed countries with greater technology manufacture and export goods to LD. Cs. As technology becomes more standardized, it spreads to LDCs, allowing them to produce and export similar goods. The most competitive exporter will be the one that invests the most (i.e., in labor expenses); in this instance, the LDCs will push developed countries out of producing and exporting the product (Besede & Prusa, 2006a; Vernon, 19). 66). Feenstra and Rose (2000) and Besede and Prusa (2006a) investigate the product cycle theory's foundations and find that they hold in slowly evolving trade dynasties. The quality ladder model, developed by Grossman and Helpman (1991a), is a version of the product cycle model. The quality ladder model predicts that wealthy countries will develop a high-quality product that will grab market share. This market share will be eroded over time by new products produced by LDCs through product imitation.



Source: Vernon (1966)

Stage 1: Introduction

This is the stage at which a new product is presented to the market; consumers are ignorant of the product. Producers advertise the new product to boost sales in order to generate demand. Profits are modest at this point, but they begin to rise, and there are few rivals. As more units of the product are sold, it automatically advances to the next level.

A new model developed in the American States for local customers, for example, is initially manufactured in the United States since that is where the demand is, and manufacturers want to remain near to the marketplace to detect consumer reaction. Throughout this stage, as companies get acquainted with the product and the market, the features of the system and the manufacturing process alter. There is no foreign commerce.

Stage 2: Growth

During this stage, the product's demand drives up sales. As a consequence, manufacturing costs are reduced and earnings are increased. The product becomes well-known, and rivals join the market with their own version. The business that created the original product boosts promotional expenditures in order to attract as many customers as possible. When a large number of prospective new consumers have purchased the product, it advances to the next level.

Stage 3: Maturity

The product is well recognized and owned by many consumers during the maturity stage of the Product life cycle. Demand levels off and sales volume grows at a slower pace throughout the maturity period of the product life cycle. By this point, there are many rivals, and the original provider may cut prices to retain market share and sales. Profit margins fall, but the company remains appealing since volume is high and expenses, such as research and marketing, are reduced. Furthermore, international demand for the product is increasing, although it is linked mostly with other advanced countries, since the product caters to high-income needs. In the instance of the newly developed product, for example, this increases in international demand (aided by economy of scale) results in a trade pattern in which the United States add value to its final to other high-income nations. Other changes occur throughout the mature production phase. When the American company has begun to sell to other high-income nations, it may begin to consider the feasibility of manufacturing overseas in addition to in the Western World. With a factory in France, for instance, not just France but also other European nations may be serviced rather than the American factory. As a result, the United States' initial export boom is followed by a drop in US exports and, most likely, a drop in US manufacturing of the products.

Stage 4: Saturation

It is a period in which the amount of sales does neither grow nor drop. To attract new customers, changes to the device's attributes are required. At this point, the competitor's item would have begun to acquire market penetration.

Stage 5: Decline

By this point in the project's lifecycle, the features of both the product and the manufacturing process are well understood; the product is recognizable to customers, and the manufacturing method is familiar to producers. This happens when a product reaches its peak in the mature period and then starts to decline in sales. Government revenue eventually fall to the point because it is no more profitable to manufacture the product. The expenditure is kept to a minimum. The product may easily be phased out or sold to another business. Production may move to emerging nations. Production costs are once again a major factor, and industrialized nations are hard at work developing new goods. For example, the trade pattern indicates that the United States and other rich nations have just begun importing the commodity from developing nations.

In terms of expenses and revenues: A combination of low manufacturing costs and strong demand guarantees a long operating life. When manufacturing costs are too high and prices are low, it is not sold on the marketplace for an extended period of time before being removed from the marketplace in the "decline" phase.

It is important to note that a certain company or industry (within a nation) remains in a marketplace by changing what they manufacture and distribute, i.e., by surfing the waves.

2.9.1 Theories of the trade–growth nexus

The link between economic growth and trade policy is a contentious issue in the literature on growth and development that has yet to resolve. The theoretical literature implies that the relationship between trade restrictions and growth is at best convoluted and confusing (Yanikkaya, 2003). On the other hand, theoretical growth and development literature implies that trade can help boost long-term economic growth (Kim & Lin, 2009; Yang & Borland, 1991). Even though policymakers have long claimed that trade liberalization boosts GDP, economists have only lately developed techniques to assess these assertions (Baldwin & Forslid, 2000). Krugman (1980, 1987), Frankel and Romer (1999), Mankiw, Romer, and Weil (1992), Rivera-Batiz and Romer (1991a, 1991b), Romer (1986), and Grossman and Helpman (1990, 1991a, 1991b) are the only canonical theoretical works that support comprehension of the trade–growth nexus (Baldwin & Forslid, 2000).

According to Ruttan (1998), there have been three phases of interest in growth theory. Harrod's (1939, 1948) and Domar's (1939, 1948) works point to the first (1947). The neoclassical model of economic growth proposed by Solow (1956) and Swan (1956) represents the second strand of literature. Finally, the works of Ma, Shi, Luo, and Che (2019), Romer (1986, 1990), and Lucas (1988) in the 1980s reflect the third strand of economic growth literature. However, there are two main approaches to explaining how trade policy affects growth when it comes to the trade-growth nexus. The first, known as neoclassical growth theory, focus on exogenous technical change as the source of growth (NGT). The second focuses on allowing economic growth to be determined endogenously, as demonstrated in the third wave of growth theory development (Yang & Borland, 1991). As a result, the neoclassical and endogenous growth theories give avenues for trade openness to influence productivity, income, and development (Camarero et al., 2016; Setterfield, 2014).

Solow (1956) and Swan (1956), pioneering neoclassical growth models, suggest that trade patterns are driven by comparative advantage, resulting in better total factor productivity (Aghion & Howitt, 2008; Camarero et al., 2016). Trade encourages more horizontal specialization, which boosts total factor productivity development; economies of scale due to larger markets; enhanced capacity utilization; higher capital formation rates; and technological advancements (Yaghmaian, 1994). As a result, countries liberalize trade to benefit from exogenous disparities in their resource endowments, technology, tastes, and climate (Singh, 2011). NGT, on the other hand, ignores the monopolistic and oligopolistic characteristics of foreign marketplaces (Singh, 2011). Furthermore, neoclassical growth theory considers technical development exogenous, meaning it is unaffected by a country's openness to global trade (Harrison, 1996; Hossain & Joarder, 2014; Izushi, 2008). However, trade encompasses more than just goods; it also encompasses technology, the flow of ideas, and the spread of information (Bajwa & Siddiqi, 2011). NGT ignores dynamic processes involving economic, social, cultural, and institutional alterations that alter the mix of output and resource allocation across sectors (Yaghmaian, 1994). Though trade openness does not lead to an increase in the long-run growth rate, neoclassical growth models support the export-led growth hypothesis (Singh, 2010; Yaghmaian, 1994). (Camarero et al., 2016).

Since the reality of world product markets differs from what NGT predicts, endogenous growth theories, pioneered by Lucas (1988) and Romer (1986, 1990), arose in the late 1980s and 1990s to better explain the trade–growth nexus (Palley, 1996; Sasaki, 2011). Endogenous growth models assume imperfect competition and growing returns to scale (Lucas, 1988; Romer, 1986, 1990), inverting the neoclassical model's assumption of perfect competition and constant returns (Singh, 2011). In addition, endogenous growth models examine the impacts of trade on productivity and look at other aspects of the export-led development hypothesis (Singh, 2010). Models based on monopolistic and oligopolistic assumptions, for example, can better manage trade and other policy outcomes connected to growth. Models based on monopolistic and oligopolistic assumptions, for example, can better manage trade and other policy outcomes connected to growth. 2005 (Santos-Paulino) 2005 (Santos-Paulino) 2005 (Santos-Paulin (Santos-Paulino) In the year 2005, (Santos-Paulino) In the year 2005, (Santos-Paulino) These modifications to endogenous growth theory (EGT) allow them to account for both static and dynamic gains, possibly affecting both income and long-term growth (Camarero et al., 2016; Santos-Paulino, 2005; Singh, 2011). Improvements in allocation efficiency provide the static gains, whereas imported technology or learning-by-doing effects provide the dynamic advantages (Camarero et al., 2016; Izushi, 2008). Through economies of scale, allocation, spillover, and redundancy effects, technical advancement closely related to foreign commerce (Edwards, 1993; Grossman & Helpman, 1991b; Santos-Paulino, 2005), allowing a rise in incomes and long-run growth rates in the economy (Camarero et al., 2016). A higher level of trade liberalization thought promoted the diffusion of technical advancement, resulting in long-term economic growth (Targetti & Foti, 1997).

On the other hand, theoretical paradigms are marked by a lack of agreement on the impact of trade openness and RI on growth (Hossain & Joarder, 2014; Singh, 2010).

2.9.2 Regional integration

The impact of RI on the length of time that trade ties last is ambiguous. NAFTA, for example, has no positive effects on the duration of intra-trade links. Still, it does increase the intra-trade hazard rate between Mexico and the United States for industries with increasing returns to scale, according to Besede (2013). Other sectors covered in the study, on the other hand, have mixed results. Moreover, the report claims that NAFTA has a little short-term impact on the risk of Canadian trade. Fert and Soós (2009) support this ambiguous effect scenario for regional entities by claiming that commerce lasts longer for most EU10 members than EU15 countries. Fugazza and McLaren (2014), on the other hand, argue that integration or membership to a global production network, when combined with diversification, enhances export performance by a fifth due to improved adequate preference margins. Ns. Daz-Mora et al. (2015) agree with Fugazza and McLaren (2014), claiming that EU membership is the most important underlying driver of exit probabilities. Shao et al. (2012) support this result, claiming that RI membership (WTO) is necessary for a longer export duration. Kamuganga (2012), on the other hand, claims that regional entities have little effect on trade survival Valise.

2.9.3 Review of previous empirical studies on regionalism and economic growth

Regardless of these theoretical conflicts, since the WTOestablished in 1995, a growing number of developing country governments have started on trade liberalization to boost economic growth (EsteveEPerez et al., 2013). Nonetheless, particularly in Africa, economic progress has lagged behind trade liberalization (Constantinescu et al., 2016; Winters, 2004). Moreover, the International

Monetary Fund (IMF, 2016) notes that trade liberalization policies in the developing world are counter-cyclical during periods of sustained economic growth. Still, it argues that creating an effective environment to promote exports is critical to the rise and stability of economic prospects.

There are differing perspectives on trade openness (trade outcomes) on growth (Hossain & Joarder, 2014; Singh, 2010, 2011, 2015). Some empirical research implies that trade openness significantly impacts productivity and growth (Alcala & Ciccone, 2004; Edwards, 1998; Frankel & Romer, 1999; Vamvakidis, 1998). Trade facilitates market access, technology diffusion, and the enjoyment of economies of size and scope as countries adopt liberal trade policies (Targetti & Foti, 1997). Scale, allocative, and technological spillovers boost productivity and efficiency, boosting long-term earnings and growth rates (Yaghmaian, 1994). Other studies claim that trade openness has a negative or small influence on growth (Harrison, 1996; Rodriguez & Rodrik, 2000; Wacziarg & Welch, 2008). (Chang, Kaltani & Loayza, 2009; Freund & Bolaky, 2008) Other researchers claim that openness has mixed effects on growth (Greenaway, Morgan & Wright, 1997, 2002). The employment of various methods to capture trade liberalization has resulted in these complex and frequently contradicting empirical conclusions (Harrison, 1996; Yanikkaya, 2003; Zahonogo, 2016). Moreover, a country's ability to absorb new technology and expertise (Zahonogo, 2016) determined the influence of trade liberalization on economic growth. Despite the theoretical foundations of the trade–growth nexus argued to be of li, the growth effects of trade liberalization relating to trade policy (RI) have received little attention (Baldwin & Venables, 1995; Liu, 2016) and has commonly reported as adverse growth effects of RTAs (Henrekson et al., 1997; Vanhoudt, 1999) that improve when the definition of RI is improved or expanded (Liu, 2016).by the other side, these studies focus on developing countries in South Asia and South America, ignoring developing countries in Africa. These studies refute trade liberalization's impact on South American trade. This research has debunked the effect of trade liberalization on South American trade. At the same time, the urge for an East Asia Sea Link, because East Asian nations had already developed good domestic policies by the time RTAs, was signed (Liu, 2016). Countries join in RI to boost their economic growth (Hur & Park, 2012; Jalles, 2012; Shahbaz, 2012).

However, the development goal of RTAs is questioned because some countries have yet to witness the expected development while others, particularly in the East Asia Sea, have already seen it (Liu, 2016) The precise nature of the link between openness and growth has yet to be determined (Shahbaz, 2012) The EAC is a unique case study because it has had the most ambitious trade liberalization program in the Global South, as well as stable macroeconomic policies. . As a result, this study fills a knowledge vacuum about the impact of EAC trade liberalisation in economic growth, as well as resolving the lack of consensus on the growth consequences of RTAs and openness (Hur & Park, 2012) Moreover, unlike prior research that just looked at trade quantities and ignored trade policy, this study looks at both trade policy and trade outcomes or volumes at the same time (Camarero et al., 2016; Harrison, 1996) This yields reliable findings on the impact of trade liberalization and growth (Doyle & Martinez-Zarzoso, 2011) .

2.9.4 Limitations of previous studies on regional integration

The CU theory found to be the primary theoretical framework for examining the impacts of integration across a wide range in the literature on the impacts of RI (Joi & Joi, 2013; Park et al., 20). To estimate net welfare benefits, the effect of regionalism relies on measuring the tension between TC and TD (Baldwin & Venables, 19). 95). Empirical studies have followed this pattern (Clausing, 2001; Hayakawa et al., 2016; Magee, 20). 16). However, there are inconsistent and confusing conclusions on the influence of RI on welfare, depending on whether static or dynamic analysis used. e.g., Abrego et al., 2005; Clausing, 2001; Lipsey, 19) argue that RI entities are welfare-enhancing because they are pure trade creators (Abrego et al., 2005; Clausing, 2001; Lipsey, 19). 60). Another school of thought opposes this conclusion, claiming that welfare effects can't be determined a priori or are unclear because regional entities create and divert trade (Abrego et al., 2005; Pant & Sadhukhan, 2009; Plummer, 2004; Viner, 1950; Williams, 1939). 72). Because of the imbalance in theoretical findings from the CU theory, generalizations on their anticipated trade effects. Empirically, there are mixed results on whether RIs improve or degrade wellbeing, whether their effects are unclear; and if they improve or degrade welfare for both included and excluded members. For example, one school of thought contends that regional entities improve welfare because they eliminate internal tariffs, resulting in lower external tariffs and an overall increase in resources and welfare (Baldwin & Venables, 1995; Bond et al., 2004; Carrere, 2014; Clausing, 2001; Ornelas, 2005, 2008; Williams, 19). 72). The second school of thought contends that regional entities reduce welfare by adding a transaction cost that causes resource misallocation (Bhagwati, 1993; Bhagwati et al., 1998; Frankel et al., 19). 95).

The third school of thought claims that depending on the scenario, regional entities have either welfare-enhancing or welfare-reducing effects (Krugman, 1991a, 1991b), while the fourth claims that regional entities' effects are ambiguous due to ambiguous resource allocation and the presence of political economy effects (Krugman, 1991a, 1991b) (Kennan & Riezman, 19).90). When it comes to trade diversion, several researchers have found that regional entities are pure trade diversions, which impacts welfare (Bhagwati et al., 1998; Bhagwati & Panagariya, 1996; Panagariya, 1999, 20). Other studies claim that TD is present but has a minor impact on wellbeing (Romalis, 2007), while others (Clausing, 2001; Magee, 2016) claim that TD is present but has a minor impact on wellbeing. According to Robinson and Thierfelder (2002), TD is an exception. Surprisingly, Haas (1976) and Lipsey (1957) refute Vinerian claims that TD is negative and welfare-reducing and instead model TD as welfare-enhancing for global trading systems.

There are also mixed results on whether TC dominates TD or TD dominates TC and whether the overall effect of TC and TD is ambiguous. One school of thought contends that TC dominates TD (Krueger, 1997; Magee, 2016), while another contends that TD dominates TC (Krishna, 19). Carrere (2014), on the other hand, claims that the dual-effect is equivocal unless transportation costs incorporated in the model. Baldwin and Venables (1995), Clausing (2001), and Abrego et al. (2005) all believe that the link between TC and TD is vague and cannot determine with certainty. Most research on the influence of RI (Frankel et al., 1995; Freund, 2010; Krugman, 1991a, 1991b) end with substantial limitations in the interpretation of their findings, particularly in the presence of political effect According to Abrego et al. (2005), there are no universally agreed hypotheses about the impacts of RI (Corden, 1972; Pant & Sadhukhan, 20). The equivocal effect of RI on trade is an empirical question that has yet to answered (Corden, 1972; Pant & Sadhukhan, 20). Furthermore, just one of the studies cited above (Urata & Okabe, 2014) deals with African South-South trade agreements. However, it only considers the COMESA and includes merchandise analysis, which does not reflect the comparative advantages of such nations. Furthermore, the study's time frame of 1980–2006 coincides with the era when most COMESA goods were still in the phase-in phase. In terms of methodology, most studies use gravity estimates to test for the impacts of regionalism on commerce (Baier & Bergstrand, 20). 07). However, almost all use the log-linearization version of the gravity model; the exceptions are Urata and Okabe (2014) and Mujahid and Kalkuhl (2016), who use the PPML version of the gravity model. Log-linearization eliminates zero trade, which reflects African South-South trade due to structural rigidity. Moreover, some studies misestimate Vinerian TC and TD by using a two-way dummy of both-in or one-in, rather than the three-way dummy of:

• Intra-bloc trade, importer and exporter dummies, as used by Carrere (2006)

• Importer only, exporter only, or both belonging to the integration at each time, as used by Westerlund and Wilhelmsson (2011).

3. PROBLEM OF STATEMENT

This study fills in the gaps by correctly estimating the gravity model in levels (Silva & Tenreyro, 2006; Westerlund & Wilhelmsson, 2011), incorporating the correct specification of the Vinerian RI effect, and testing the CU theory on African South-South RI to resolve both the theoretical and empirical ambiguities of EAC trade impact. The most important question to answer is if the EAC promotes or adolescents?

3.1 Purpose of the Study

To assess regional integration and economic growth in the East African Community (EAC). In this case, the paper will determine the relationship between regional integration and economic growth in east African community. To evaluate how can economic growth influence East African Community and how regional integration promote East African economy.

3.2 Research Questions

1) What is the relationship between regional integration and economic growth in east African community?
2) How can economic growth influence East African Community?
3) Does regional integration promote East African economy?

3.3 Research Sample

The cosmos or whole components bearing particular qualities for inclusion in research are referred to as the population (Dahabreh & Hernán, 2019). This population of this research included 187 top leadership executives from the State Dept of East Africa Community, the Department of Trade, and personnel from Equity Bank Private limited, Naivas Supermarket Private limited, and Kenya Airways Private limited the three firms are listed on the Nairobi securities exchange and have business across Africa. The East African Community State Department organizes, organizes, and executes East African community activities initiatives and initiatives. The Directorate of Commerce oversees Kenya's foreign commerce, foreign trade, and market growth. The trying to manage board members, corporate executives, heads of corporate development, client service, capital expenditure, federal reserve, and operational activities from Equity Bank Ltd, Naivas Supermarket Company limited, and Kenya Airways Ltd was invited to share their perspectives on how the creation of the single market has affected their territorial trade and commerce. Since their roles in their organizations and government agencies, top leadership was selected as participants regardless of knowledge of a committee comments, such as that necessary for this research, can only be obtained from them. Furthermore, the three named corporations, which comprise the banking, transportation, and retail chain sectors in Kenya, have invested in other East African community allied countries. They are the significant Kenyan employment and wealthy capitalists in these nations, rendering them eligible replies.

Because the population was diverse, simple random sampling was adopted in this research. To improve representative of the subcategories and eliminate bias, the general population was segmented into a homogenous subgroup of the 59 officials in the State Dept of East African Community, 93 officials in the Department of Trade, and 35 executives of the three firms before sampling. The random sampling method has been used to find individual participants per stratum who were given surveys to complete to reply to survey questions. The planned sample size of 123 represented 66 percent of the target group. Increased sample size, per the principles of impressive numbers, results in significant conclusions about the overall features of a research population. Utilizing the research sample ratio depiction, the intended sample size is spread among the three strata. This guarantees that the distribution of the samples is impartial and fair. A sample distribution is shown in Table 3.1.

Table 3.1: Sample Size

Category	Targeted Employees	Sample Size - Employees	Percentage
State Department of East Africa Community	59	39	66%
Directorate of Commerce	93	61	66%
NSE Listed Companies	35	23	66%
Total	187	123	66%

(Source: HR Database of Relevant Offices)

3.4 **Methodology**

An exploratory approach was utilized in this work, focusing on secondary data from different International Monetary fund and Federal Reserve of Kenya earnings figures collected throughout the years to answer the first three questions on free travel of labor of individuals, labor, capital, and intra East African community commerce. In the final research topic, the study tried to identify the obstacles that have prevented Kenya's economic development from reaching the desired form of the European Union single market. The participants' perspectives gleaned from primary data were used to confirm the conclusions of secondary data gleaned from different economic reports. The fundamental empirical inquiry will be carried out using a correlational research design, as utilized in earlier research like Adrian, Laxton, and Obstfeld (2018), to evaluate a link between East African community CMP and Kenya's economic development.

3.5 Data Collection

To verify rational cohesion in this research between participants' preconceptions and publicized data from multiple government entities on the ability to contribute of CMP to productivity expansion, the study used both primary and secondary data collected through the use of survey questions comprised of a sequence of particular and short problems solved by the top and middle top managers who contained the participants in this research. The survey consists of open-ended Likert scale-based complex questions into many parts, including general information that gathers the participants' characteristics, sections that collect precise details on the dependent, and predictor factors based on the study questions. The surveys were administered and followed up on by graduate students through well-timed phone conversations. The data gathering sheet was utilized to gather secondary data on GNP (the variable) and the response variable proxies data, including international remittance, foreign investment, and trade deficit from the International Finance Corporation and Banking Sector sites between 2005 and 2020.

3.6 Pilot Test

A preliminary survey study was conducted to guarantee that there are no questions which participants may misunderstand or interpret in various ways, discrediting the research findings.

3.6.1 Instrument Reliability

In this case, 5% of the questions were used to assess the questionnaire's capacity to yield consistent findings on many occasions. To determine the dependability of the surveys, seven (7) randomly chosen participants answered them. The questionnaire answers were entered into (SPSS) to calculate the Cronbach's Alpha coefficient, which was then compared to the 0.7 criteria for a newly constructed research instrument.

3.6.2 Instrument Validity

The survey was structured as follows, each of which addressed a facet of the framework for this research. After two randomly chosen participants assessed the remarks in the survey for significance, with their feedback used to rethink the study correspondingly.

2. DATA PROCESSING AND ANALYSIS

Data for the period for the years 2000 to 2020 were acquired from World Bank and Central bank of Kenya records and other economic publications to obtain recorded information on foreign remittances, foreign direct investment, and trade deficit. Following that, inferential statistics were generated. The primary data, which captured impressions, was entered into the computer into SPSS. Descriptive and inferential statistics, such as descriptive and inferential statistics, were utilized to describe the data in charts and tables. To assess the report's aims, the research goals were evaluated, and scores were assigned based on the ratings, with a total score produced. Secondary data analysis findings correspond to primary data findings to assess pragmatic congruence between participants' views and recorded statistics on CMP's impact on economic development in Kenya. Individual objective scores were correlated to use multiple regression analysis to provide inferential data between CMP and sustainable growth in Kenya.

Diagnostics were used to evaluate the data's autocorrelation and Multicollinearity. The Durbin–Watson statistic would be set between 1, and upon identification, the stepwise autoregression approach will be utilized until all residual autoregressive factors have significant t-tests at the.05 levels. To test Multicollinearity, a VIF of less than ten was employed. Correlation findings were created to assess whether or not there were any correlations between the study variables, followed by R square findings that described the fluctuations in the dependent variable produced by the independent factors. The coefficients indicating Betas were calculated to identify the tendency (expressed by the sign) of the predictor variables concerning the response variable — for example, how much variation comes from (1) one unit increase in the independent variable in the model. P values were produced and matched to the 0.05 significant threshold to evaluate the model's relevance. A model with a p-value of less than 0.05 was deemed essential.

4.1 Analysis

The questionnaires return rate was very important in order to see the level of participation in this study according to the sample size of the participants. This has given the current study the basics of evaluating the revel of representation.

Table 4.2: Questionnaire Return Rate

Response	**Frequency**	**Percentage (%)**
Filled in questionnaires	120	97.5%
Unreturned questionnaires	3	2.5%
Total	**123**	**100%**

Source: Research Findings (2020)

The researcher distributed 123 questionnaires to the sampled respondents. Those respondents that gave their contribution gave a response rate of 97.5%, which was considered extremely high to adequately represent the population targeted by the researcher. The following is the tabulation of the respondent's demographic information.

4.2. Demographic Information

The study, through the questionnaire sought to find out background information of the respondents which was important to the study as it helped to understand the logic of the background factors of the various respondents. This laid the basic foundation on which the interpretations of the study were based.

4.3.1 Gender

The study sought to determine the gender of the respondents. According to Tannenbaum, Greaves & Graham (2016) sex and gender are important in decision-making and communications when it comes to institutions such as EAC. The findings are shown below;

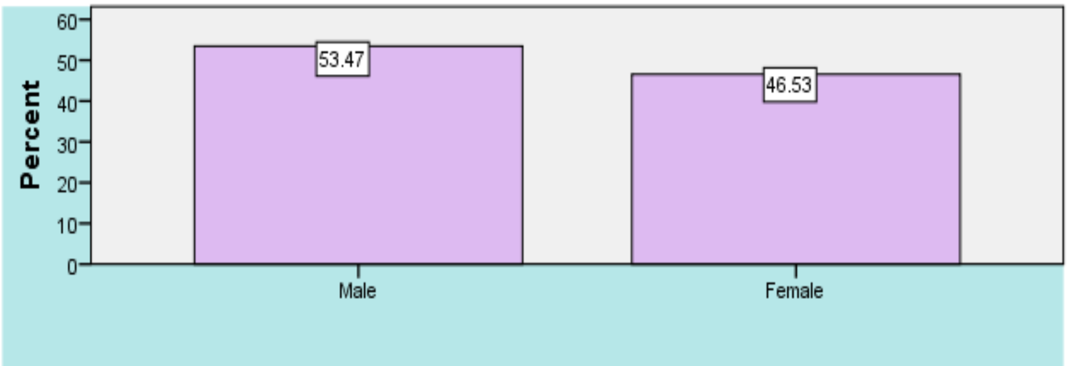


Figure 4.1: Gender

Source: Research Findings (2020)

From the findings presented in Figure 4.1, 53.47% of the respondents covered in this study were male while 46.53% were female. This shows that the researcher considered both gender in distributing the questionnaires.

4.3.2 Age

The researcher requested the respondents to indicate their age bracket.

The results are shown in Table below:

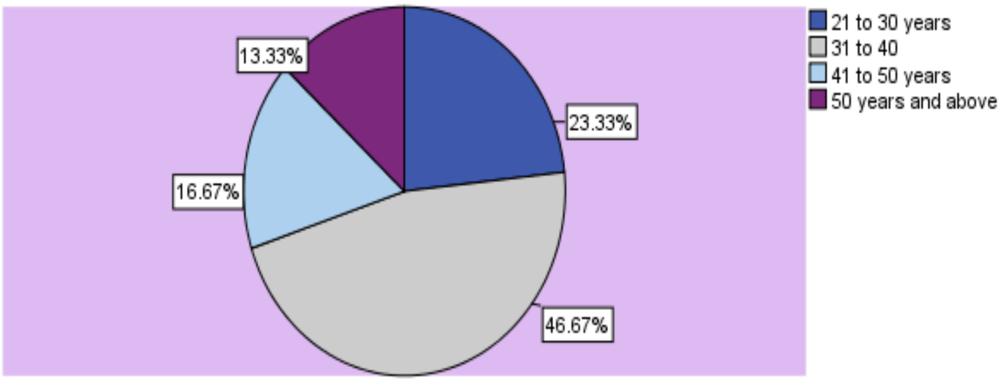


Figure 4.2: Age of Respondents

Source: Research Findings (2020)

Table above presents the respondents age, whereby majority (46.67%) of respondents were aged between 41 and 50 years. The findings also show that 23.33% were aged between 21 and 30 years, 13.33% were aged 50 years and above, while 16.67% were aged between 41 and 50 years. This shows that in these institutions the respondents were well distributed in terms of age

4.3.3 Education Level

The researcher also sought to determine the respondent's education level; the findings are presented below;

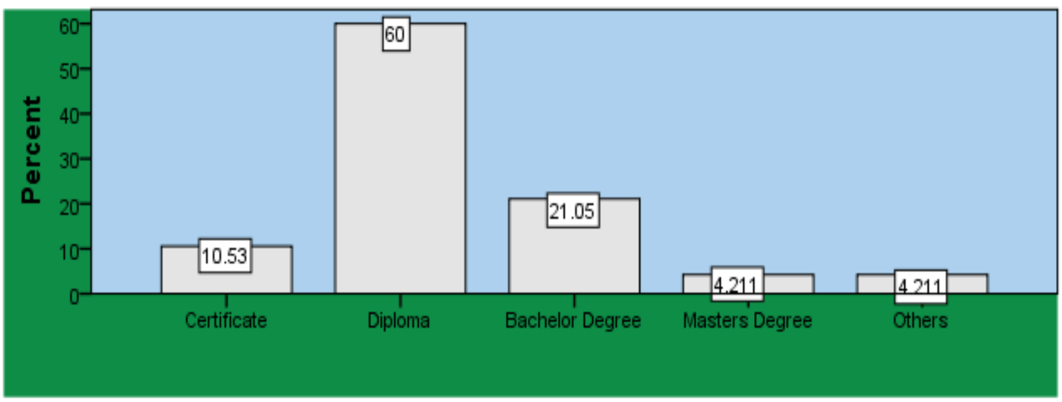


Figure 4.3: Education Level

Source: Research Findings (2020)

The Figure above shows the Education Level of participants, majority (60%) were diploma holders, 21.05% were undergraduate degree holders, 10.53% were certificate holders while 4.211% had master's degree. This indicates that the majority of respondents are educated this therefore means that information provided will be reliable. They found out that education level has a significant effect on the economic integration. In this case, employees have ability to apply the skills and abilities acquired in making sure that the institution has a positive impact on economic growth.

4.3.4 Marital Status

The study aimed at determining participants marital status, the finding is as presented below;

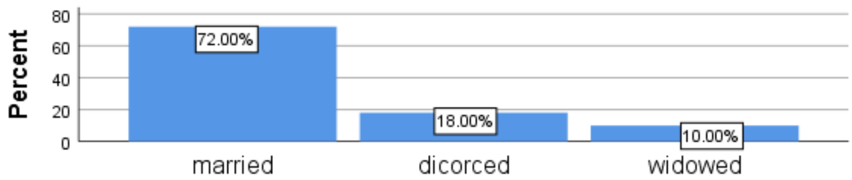


Figure 4.4*: Marital Status*

Source: Research Findings (2020)

The findings show that the respondent's distribution based on marital status. The study reveals that majority (72%) of respondents were married, 18% divorced while 10% are widowed. This implies that most are able to distribute information about economic integration in the region.

4.3.5 Nationality

The study sought to present the participants nationality; the findings were as shown below;

Table 4.3: Nationality

Nationality	Frequency	Percent
Kenya	42	35%
Ugandan	36	30%
Rwandan	3	2.5%
Burundian	3	2.5%
Tanzanian	36	30%
Total	120	100%

According to the results in Table 4.1, the proportion of participants (35 percent) were Kenyans. Uganda and Tanzania each had 30% of the population, while Rwanda and Burundi both have 2.5 percent. The large number of Kenyans may be ascribed to Kenya's status as a key commercial center in the East African area.

4.3.6 Current Position

Researcher sought to assess participant’s current position and the findings were as indicated below;

Table 4.4: Current Position

Current Position	Frequency	Percent
Government agencies	53	44%
Immigration	31	26%
Corporate	16	13%

Business Associations	20	17%
Total	120	100.0 %

Authorities from the Ministry of Trade and industry and the Ministry of the East African Community were among those present. Due to the extreme direct contact that officials had with individuals of the East African community at border crossings and the input they provided to the research, immigration, although being a government body, was regarded as a distinct agency.

According to Table 4.2, 44 percent of those surveyed were from government agencies, including officials from the Ministry of Southern African Development community, the Ministry of Trade and International Relations, the Ministry of Labour and Social Security, economic migration, and business organizations. A further 13% were business. Government departments are numerous, and as a result, they are driving the agenda for EAC cooperation.

4.3 Regional Integration and Economic Growth in East African Community

The study sought to assess the relationship between regional integration and economic growth in east African community. The findings were shown below;

4.3.1 Impact of East African Community Integration on Economic Development

In this case, participants were asked if the impact is negative or positive, the findings were as demonstrated below;

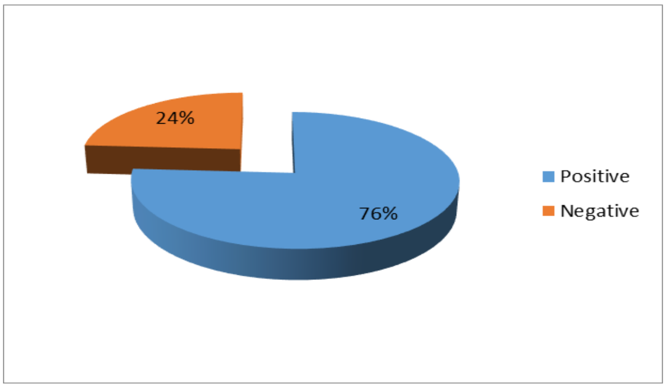


Figure 4.5: Impact of East African Community Integration on Economic Development

The majority of respondents (76%) believe that the implementation of EAC integration has a favorable effect on the nations concerned. An additional 24% of respondents disagreed, claiming it had a negative impact. The majority of respondents in favor of integration reported increasing trade volumes to their nations from other EAC member states, as well as significant ease in movement of people and commodities throughout the region. Opponents claimed that immigrants from other EAC member nations were taking employment in their countries, citing obstacles such as a complex tax system and other non-tariff barriers to trade with other EAC member states.

Communities in the EAC may communicate and do commerce across areas where employment have been generated. On the other side, attempts have been made to achieve economic integration, and the East African Community is focusing on attaining economic integration via the East African Community Market Protocol. The agreement promises that partner nations will eliminate all obstacles to service trade and would not impose any new limitations, as well as treat service providers from partner countries in the same manner they would treat service providers from their own countries. In essence, this has enhanced financial systems, communication networks, and market networks.

The restoration of the EA community, according to respondents, provides a forum for cooperation among the five EA nations. As a result, a powerful regional integration board is established, as well as improved infrastructure, such as the EA parliament. Trade in services has also boosted political will from all member nations, since mutual gain is unavoidable. This fosters favorable legal and policy frameworks among member nations, thus enhancing regional integration. A large population of the region's many nations has the potential to grow their domestic investments, allowing for a rise in tax income. On the other hand, a tiny percentage of respondents said that the region's financial market integration is uneven, making it difficult to function smoothly.

4.4 Economic Growth Influence East African Community

This chapter examines the major elements of integration, including economic growth and development, trade, investment, and demographic factors that influence how the growth achieved by partner countries is allocated among people. The respondents agreed that economic integration was critical to the East African Community's answers to the partner countries' shared challenges of economic growth and development. The respondents all felt that substantial advances had been made to improve the region's economy, social life, and politics. The deductions derived from this chapter lead to the study's findings, which have an effect on both academic and policy circles. The essential problems mentioned above are crucial rudiments to the economic bloc's success or failure. A careful examination of them results in a better understanding of regional integration. The degree to which the EAC has achieved considerable success in the past decade is best understood by critically examining the events of the last ten years with in-depth questioning of major trade logistics companies in the member countries, particularly Kenya.

The East African Community's performance affects the member countries' economic growth and development goals to a large degree. These are planned to be implemented in all four phases of the EAC integration process. Regional integration is seen as having the potential to open up new economic activity, markets, access to financing, and technology. This potential stems from the possibilities that the area has in terms of promoting economic growth and development via poverty alleviation initiatives. Increased investment, production, and commerce are all part of this. This is critical for the area in light of the economic realities that have emerged in the twenty-first century. Respondents who acknowledged the significance of economic integration said that one should realize its generally recognized advantages, which may apply to East Africa. These advantages include reduced corporate transaction costs, fewer investment risks, market growth, pooling of regional resources, greater use of economies of scale in manufacturing, and more effective resource allocation. However, respondents said that strong national economic policies would be required to obtain some of these advantages. Furthermore, regional integration may contribute to the development of a framework for coordinating policies and regulations. Regional economic integration, according to respondents, may also assist to avoid and resolve conflicts by increasing economic connections between African nations. Regional initiatives may also promote noneconomic goals such as regional security and political interaction among members. Respondents believed that regional economic cooperation may help to strengthen and consolidate domestic changes.

4.5 Effectiveness of Economic Integration and Performance

The respondents all agreed that the customs union and the common market protocol had resulted in significant savings in transportation and transaction costs for products since their implementation dates (this has however not reached acceptable levels and much more reductions are needed). The three nations' usage of the ports of Mombasa and Dar-es-Salaam offers the area with an economic gateway that should be maximized. This, along with the tax regimes established under the customs union, significantly reduces the cost of commerce in the area, resulting in lower-priced products and services. The respondents agreed that the biggest difficulty has been a lack of diversity in the goods traded within the area, which raises significant concerns about the feasibility of trade growth in a region whose partner nations have homogeneous products. The dynamics of trade pattern reallocation within an integration zone assume that production is oriented toward specialized production, with more efficient businesses within the regime gaining prominence. The respondents also believed that businesses led to market stability by taking up markets formerly serviced by inefficient enterprises.

Prudent economic policy dictates that there has been little ripple impact throughout the time period under consideration. This, however, lays the groundwork for future development possibilities. The most difficult job in the EAC integration process was determining how much benefit had accrued to the people as a consequence of the integration arrangement. According to the results of the interviewees, certain important elements of economic integration hold the key to the region's economic trade transformation and, ultimately, the performance of transport logistics companies. This is due to two factors. First, the achievement of strong economic development rates contributes significantly to the region's potential in logistics commerce, as well as the particular partner nations' economic standing. Second, realizing the region's economic potential, especially intra-regional commerce, is critical to the region's growth and development. These findings are consistent with the findings of a study conducted by Karamuriro (2015) on regional economic integration and export performance in the COMESA region (1980-2012), which concluded that there is a need for increased investment in transportation infrastructure to reduce long-distance costs of doing business. These conclusions are backed up by empirical research on the trade consequences of economic integration (Mbeke, 2013, Negasi, 2009). Ajayi (2005) concluded that membership in the Economic Community of West African States (ECOWAS) preferential trade agreement seemed to have boosted exports among member nations in a research that examined the progress of economic integration in West Africa.

4.6 Investment Potential under the EAC Integration

EAC member states continue to work hard to harness the region's business environment via the development of economic infrastructure in order to emerge as a preferred investment destination. This has resulted in significant efforts to create an appealing and stable macroeconomic and microeconomic environment in order to achieve this objective. The appropriate government agencies in the partner countries have undertaken various steps to achieve acceptable inflation levels, necessary regulatory and legislative changes, and monetary and fiscal reforms. All partner countries have established Investment Promotion Authorities (IPAs), which serve as a one-stop shop for investors to get all necessary information and services for evaluating and making investment choices. The aim to establish a favorable business climate and attract Foreign Direct Investment (FDI) necessitates complex procedures to achieve this objective. The Common Market Protocol is a significant step forward in terms of establishing a framework for cross-border business, investment, and trade possibilities for member countries.

One significant issue that the EAC, like the rest of Africa, has is the sluggish speed at which its efforts to attract FDI are rewarded. Despite significant economic liberalization initiatives, FDI continues to expand at a slow pace. Investment inflows are often directed into sectors centered on raw materials and mining, and therefore are of a non-value-added character. This is in contrast to a lack of investment in infrastructure and energy, which are seen as the engines of the region's industrialisation. The area continues to suffer a massive energy shortage, and a sizable portion of the EAC population still relies on conventional energy sources. This has to change, especially if cottage-based industrialisation is to be achieved. Alternative energy sources are being actively investigated in order to satisfy demand. These include biomass, methane gas, and solar energy, which will be used to complement the existing hydroelectric electricity. Experimentation into the feasibility of nuclear energy, which is presently happening in Kenya, has being undertaken with audacity. The key proposals of the 1st East African Investment Conference, held in Kigali, Rwanda in June 2008, on the development of a solid investment base are being debated in order to promote regional industrialisation. These include developing and implementing an EAC energy master plan, investing in fertilizer facilities to improve agricultural output, and promoting local tourism in all nations.

The enormous rights guaranteed by the Common Market Protocol, including as the freedom to access property, permanent residency, and easy movement of labor, commodities, money, and services, are critical for opening up the area and transcending national borders. Transportation and communication facilities are being built quickly in order for the country to stay competitive as an investment destination. Furthermore, efforts are being made to harmonize rules and regulations in order to promote the EAC as a preferred investment location. Since 2007, the EAC's investments have increased as a region. FDI inflows to the EAC area, for example, increased to US $ 9,040.5 million in 2008, up from US $ 8,333.4 million in 2007 (EAC Trade Report, 2014). The majority of the investment funds came from the United States, China, Japan, Italy, the United Kingdom, and India. Investment inflows for the EAC partner countries are shown in Table 4.18.

Table 4.5: Investment Inflows for EAC Partner States 2015-2020 (US $ Million)

Country	**2015**	**2020**
Kenya	2,051.1	*4,557.1*
Tanzania	5,715.6	*3,229.2*
Uganda	560.7	*1,254.2*
Rwanda	230.5	*329.5*
Burundi	0.5	*3.83*

Source: EAC Trade Report 2021

The region's biggest difficulties as it works toward attracting both intra-EAC and international investment remain the need to eliminate burdensome administrative and regulatory procedures, reduce the high cost of doing business, and provide sufficient financing for IPAs. This will prevent compromises in investment promotion efforts, both locally and internationally. This will aid in supplementing foreign resources, which have traditionally been the primary source of development financing in the area. This will provide the EAC an edge in terms of economic development.

A knowledge of the integration's trade elements cannot fail to connect investment in the area to the presence of a strong trade environment. The fact of investment is that it has a natural gravitational pull toward locations with abundant markets and the potential for the greatest return on money invested. The biggest challenge for the area has been to create an atmosphere that is welcoming to investment. All partner states' drive toward IPAs, which aimed to establish a one-stop shop for investors, was a deliberate effort to galvanize all the elements required for investment recruitment and promotion. Investments are an essential prerequisite for the development of wealth and jobs. This is an important time because investment flows show a "home bias," with many investors preferring to invest more in their home nations (Rodrik, 2000).

Much of this potential was not fulfilled throughout the research period, especially after mid-2008, when the globe began suffering the catastrophic global financial crisis and economic slump. This impacted the source of the majority of investment financing at a time when governments needed to implement drastic austerity measures to preserve their economies from the impending collapse. The years 2008-2010 may be described as a time of missed opportunities. Sustained investment into the area was severely hindered since most of the region's locally mobilized investment resources had to be reduced in order to avoid the risks of a recession. Infrastructural development projects throughout the area could not be completed at the previously anticipated pace.

Capital accumulation via investment is a key driver of economic development. This is the most significant missing link that many parts of the globe continue to confront, and the EAC is no exception (Quah, 2001). Investment must be viewed not just as inflows from outside the area, but also as outflows from inside the region. The trend toward cross-listing large businesses on regional stock exchanges provides a chance for both domestic and international investors to get access to the capital market. This generates a pool of investment money that will be easily accessible for the region's growth. The primary priority for all governments is the establishment of investment conditions that will attract the greatest money for regional development initiatives. Attracting FDI inflows into the area is essential to achieving strong economic development rates that would contribute to poverty reduction in the region. There is a link between FDI and economic development, especially when there is a well-educated workforce and favorable investment circumstances. As a result, this is one area where the EAC must not yield if the objective of improving the citizenry's quality of life is to be achieved.

The mobility of elements of production in the area has yet to be completely improved in order to accelerate the reallocation of resources from less productive to more productive economic sectors. The EAC will thrive in the future as a result of this, as well as the implementation of legislative frameworks that will serve as an incentive to investors and investment activity.

As the globe slowly recovers from the global economic crisis, attracting the greatest investment possibilities should remain the major objective of all EAC institutions and agencies' discussions. This will drive the area to become the preferred destination for investors, resulting in extraordinary job creation and the breaking of the region's poverty cycle.

4.7 Relationship between regional integration and economic growth

To determine the relationship between regional integration and economic growth, a regression analysis was conducted. The findings were as shown below;

Table 6: ***Regression Model***

Dependent variable:

GDP

	COEFFICIENT		T-STATISTICS
TOT	0.080241	3.701831**	
FDI	0.598905	2.067106**	
DEXR	-0.131046		-5.226439**
INFL	-0.027189		-1.226726
C	4.210216	5.789544**	

R^2 0.284349

F statistics 13.31050

Prob (F statistics)

0.00000 DW

2.035296

**Shows significance at 1% level, **Shows significance at 5% level*

****Shows significance at 10% level*

The model is as presented below:

GDP= 4.210216+ 0.080241 (TOT) + 0.598905 (FDI) - 0.131046 (EXR) - 0.027189 (INFL)

The DW is 2.035296 suggesting that the models has no correlation issues. F - ratio are meaningful at the 5% level, indicating that the control variables may be regressed combined. The R2 is 28.4349 percent, which means that the analysis shows 28.4349 percent of the variance in the response variable GDP.

The ratio of international trade is 0.080241 that implies that a movement in terms of business results in a shift in Economic growth of 0.080241. TOT already has a t-value = 3.701831 and a correlation coefficient of 0.0003, indicating that it is economically relevant at the 5% level. This is consistent with Willem's (2011) conclusion that new agreements have a substantial impact on GDP. Barro (1998) discovered a substantially moderate correlation on trade terms. As per Barro, new agreements promote domestic production growth.

The ratio of Capital Inflows is 0.598905, that implies that a 1% increase in foreign investment results in a 0.598905 % variation in Gross domestic product (gdp. Foreign investment has a t-value of 2.067106 and a p-value of 0.0406, indicating that it is significantly positive at the 5% level. The findings on FDI and GDP are consistent with that of Ndambendia and Njoupougnigni (2010), who discovered strong support for the positive and yet limited impact of internal control systems on financial development, Raheem and Khadaroo (2011). Michalowski (2012), on the other hand, finds conflicting data about the effect of FDI on economic development.

The currency value coefficient is -0.131046, which indicates that a 1% change in currency exchange results in a 0.131046 percent (drop) shift in Productivity growth. Innovative ideas has a t-value of -5.226439 and a probability value of 0.0000, indicating that it is statically important at the 5% level. This contrasts the results of Mosfets (2012), who discovered that EXR is vanishingly small with a significance level of 0.837.

The Rate Of inflation statistic is -0.027189, with a t-value of -1.226726 and a p value of 0.2221, indicating that it is negligible at the 5% critical value. In comparison, Bick (2010) discovered that inflation rates had a substantial beneficial effect on productivity only at the 10% confidence interval. The specification's findings are consistent with that of Kahn and Senhadji (2001), regardless of the fact that, as Fischer (1993) found, low inflation rates have a substantial beneficial impact on growth. Harris and Southerly (1998) corroborate the conclusion that rising inflation have a detrimental impact. Gujarati (2004) discovered that at 5%, the effect of government expenditure on GDP development is statistically meaningful.

4.8 Current EAC and GDP Situation

The study found that African leaders have found a way to see regional economic integration as a valuable instrument for development. For it to thrive, every nation's legislature must embrace it and agree to collaborate. They have attempted to adopt regional cooperation as a major element of their expansion plans since freedom. The European Union was Africa's most significant trade, financial, and economic refers to the process, and it was regulated by a succession of Lome conventions that gave African nations (except South Africa) unilaterally privileged entry to Single marketplaces. In 2002, the Euro Zone and Africa signed the Cotonou accord, paving the door for the development of World Trade Organization (WTO) compliant trade and investment accords (Hurt, 2003). The Member states have expressed a desire to motivate global economic categories to negotiate Economic Partnership Agreements (EPAs) together under Paris Convention, implying that bilateral trade as well as responsive collaboration will undoubtedly be a significant policy device of African provincialism over the next couple of years. This has ramifications for those who want to include a food security component to these arrangements. Economic development, for instance, is expressly addressed in the clause of the WTO Agreements.

The researcher also found that Gunning (1999), Africa is the riskiest location to invest. As a result, despite its wealth in environmental assets, Africa finds it difficult to attract a fair amount of global investment. Furthermore, many African countries have experienced severe socioeconomic disequilibria, international debt payment loads, inflated currency, a shortage adequate trade financing, and a limited national economy, with immigration charges being a significant source of income. This has had a negative impact on growth in relation of regional obligations (McCarthy, 1995).

Moreover, Economic Development Integrating promotes economic development in nations and offers extra benefits from free trade outside equipped to address such as the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). Financial integration fosters political collaboration and lowers the likelihood of violent conflict. Economic development and economic relations are arguments against regional cooperation. Economic development happens when low-cost manufacturers inside the free trade zone replace high-cost local businesses. Whenever higher-cost providers inside the free trade zone replace lower-cost outsourcing services, capital accumulation develops. Angola, for example, has effectively utilized its integrating activities to improve its economic well-being. Some nations, meanwhile, fall behind in terms of Foreign exchange earnings, per national expenditure, equity markets, and overall standard of living.

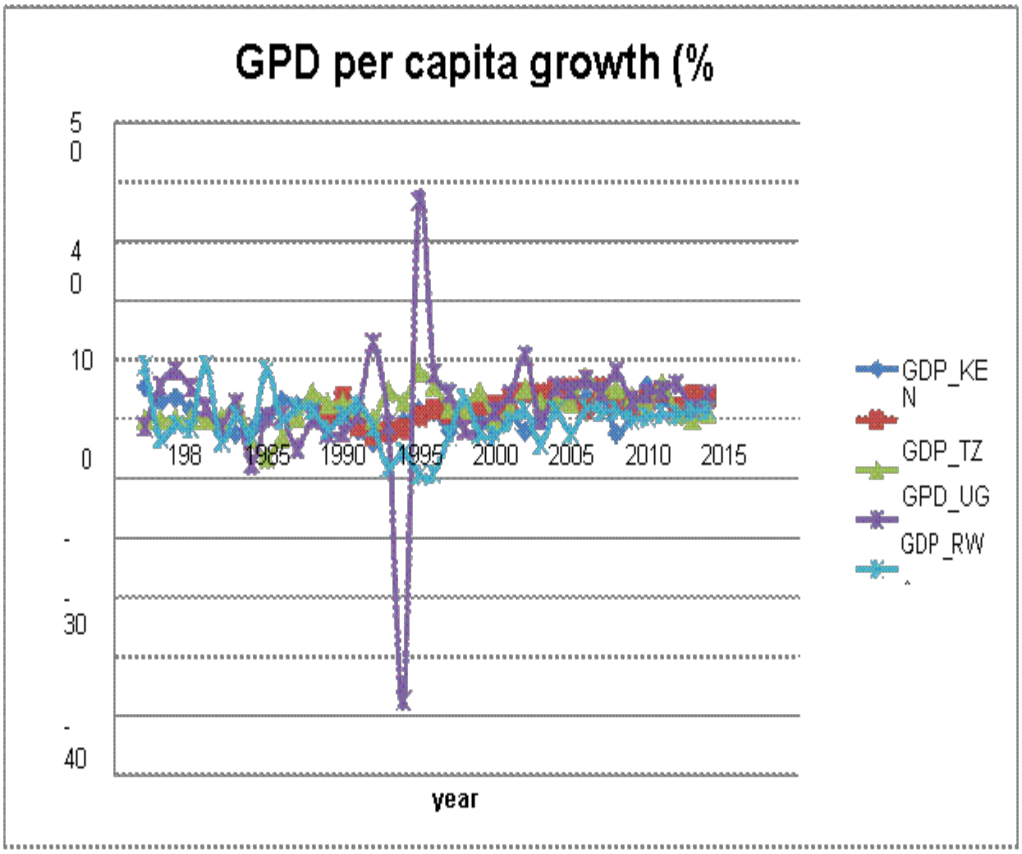


Figure 4.6: ***EAC and partner countries, GDP per capita growth***

Figure 6 depicts Rwanda's weakest Gdp per capita of -47.3142 percent when comparison to the majority of the world. This is owing to the political uncertainty (mass murder) that occurred in 1994, which influenced its Economic growth rate. Nevertheless, the next year, it had the highest rate in the EAC, at 36.76702 percent.

Africa is renowned for having a high poverty incidence and a population explosion (Potts, 1995). This has been the goal of all countries to have an awareness of the importance and to try to get the best methods to collaborate and jointly accomplish learning and expansion in order to assist their people. This includes providing job prospects and attracting both international and local investment. Nevertheless, organizational squabbles and bribery in region blocks were a problem in recent years, making it harder to meet that goal. According to Hausmann (2006), effective integration is essential because nations that develop quickly also have extremely rapid growth in exports. Nonetheless, that will not be the situation since certain nations are having difficulties cooperating or attempting to execute programs. Notwithstanding massive inflows of foreign assistance, East African nations are struggling from stagnating economies and poor living conditions, despite increases in real growth rates in certain member states (Figure 4.6), that has a negative impact on growth and progress.

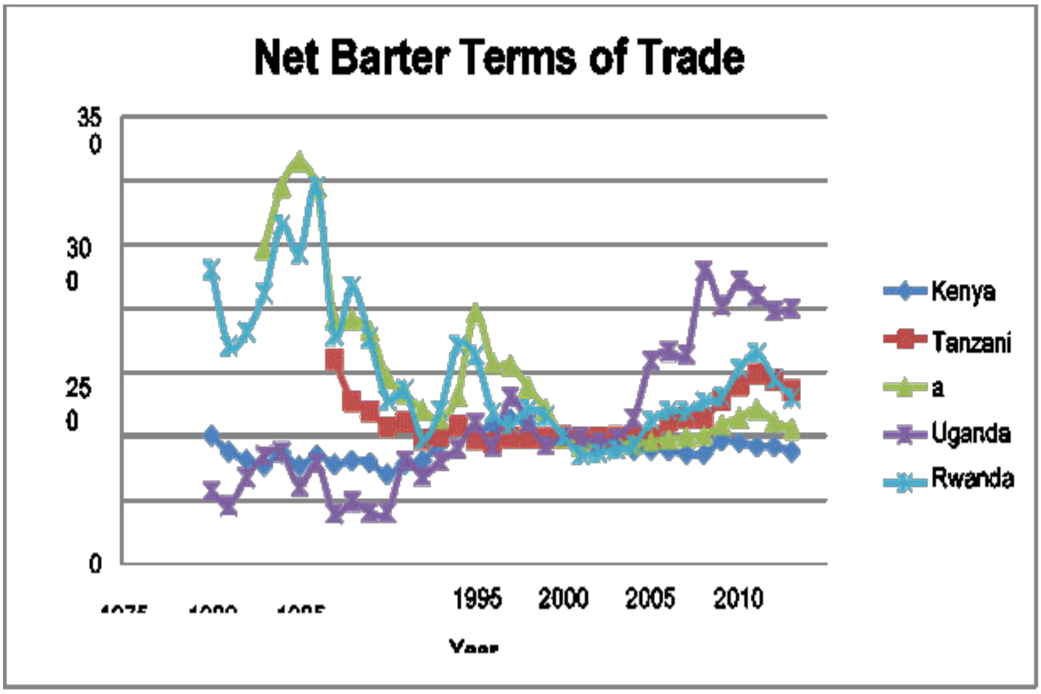


Figure 4.7: ***Net Barter Terms of Trade index***

Source: World Economic outlook Database, 2015)

Figure 4.7 depicts the five nations' net barter trade terms. It has fluctuated throughout time. Following the revival of the EAC, there was an increase in commerce between the five member nations, particularly with the Single Market, which drew up Kenya, Tanzania, and Uganda in 2004, and was incorporates elements by Rwanda and Burundi in 2008. Intra-EAC commerce increased by 40percent between 2005 and 2009, according to the EAC Growth Strategy for 2011/12 to 2015/16. Tanzanian exports to Kenya rose from US$ 95.5 millions in 2004, to US$ 300 million in 2009, while Ugandan exports to Kenya went from US$ 15.5 millions in 2004, through Approximately usd 172 million in 2009. The Customs Union, which went into effect in July 2010, facilitated export development. As per Barnabas (2013), the anticipated rise in foreign investment between EAC member countries should enhance chances for growth of the economy. This assumption, however, falls under ongoing disputes in policymaking institutions such as the World Bank over the reality of the trade-economic development nexus in poor nations.

Import duties decrease and harmonising, financial sector and labor market reforms, legislative / regulatory austerity measures, asset incentive as well as tax code harmonising, digital currency justification, as well as other mechanisms promote and enable nations to expand their business and fully utilize regional infrastructural funds. African countries must improve regional collaboration and integration in order to develop. Countries must address the internal problems they face in an efficient manner. The difficulties would include farm animal's illnesses, malware such as Influenza and STDs, borderless air degradation, management and knowledge development that has better value for money but is too expensive for personal African nations, and the growth of fundamental economic facilities (transport, communication and power). Africa requires not just more and better co - operation, and also a louder voice to confront the entire world, which has prejudiced against them, in order to change the worldwide financial, monetary, and democratic structures.

3. SUMMARY OF KEY FINDINGS

Regional economic integration efforts in the East African Community are critical to addressing some of the African continent's issues. Furthermore, it may profit from the creation of a single large market to take advantage of economies of scale, local and international investment, and better competitiveness, which can raise productivity and boost exports. Furthermore, the integration of local domestic markets into larger markets will help to reduce transaction costs. While certain East African Community nations have achieved considerable integration advances, the overall trend on the Horn of Africa has been sluggish. Nations' desire to seek greater economic integration has progressed according to plan, although there have been insufficient major accomplishments thus yet.

5.1. Introduction EAC

The research shows that certain key elements of regional economic integration assist to the continent's economic development. First, achieving a high rate of economic development contributes significantly to enhancing the region's strengths and economically positioning the various partner states. Moreover, realizing the region's trade prospects, particularly intra-regional commerce, has the ability to contribute to the region's progress and expansion. The EAC's success or failure is dependent on this basis. It will remain so in the future years, owing to the establishment of the single market. Third, the region's vast investment potential provides a chance for economic restructuring with the goal of maintaining economic growth. Fourth, development improvements for the area must be addressed from the ground up in terms of assessing the distribution of the results of economic growth to the people of the partner countries. This will aid in measuring the effectiveness of wealth distribution across all nations.

The prospect of uneven earnings for partner countries has the potential to shorten the duration of the partnership. States are basically locked into an integration agreement as long as their entitlements are guaranteed. When welfare losses occur, a state may withdraw from the integration to pursue alternative policies on its own or to reconsider the necessity for future participation in another regional integration organization. Finally, the importance of policy imperatives cannot be overstated. The sluggish pace of operationalization of the single market and the customs is not attributable to a lack of international cooperation and concord.

5.2 **Conclusion**

The fulfillment of the EAC's development goals and job prosperity remain the partner states' primary goals. This is a goal that will continue to connect the area and drive the search for newer and more creative methods to further integrate the region's economy in order to weather the global economic storms of the twenty-first century. The strategy to be taken in the twenty-first millennium cannot be mutually exclusive, but governments must move beyond the traditional concern with state sovereignty and toward more collaborative approaches to development and economic progress.

In respect of the research questions, which was to determine the impact of trade conditions on economic development in EAC member nations, EAC had a strong positive association with GDP. As a result, we test the alternative hypothesis that trade terms have no impact on economic development in the EAC partner countries.

5.3 Recommendations

The report suggests that the EAC examine the phases of integration to guarantee the EAC's future functioning and relevance to Africa's economic growth and development agenda. A stronger focus on civic education for the people of the five states is required. A comprehensive knowledge of how the EAC operates, the different phases of integration, and the main outcome areas is essential to the region's success. Second, as the area advances toward monetary union, there is a strong requirement for monitoring and evaluating the region's integration progress in relation to the objectives and targets established at the start of the regional integration process. Furthermore, increased stakeholder engagement is required in the area of structural precast and coordination. In particular, the role of civil society and the business sector must be expanded, and more collaboration in the form of public-private partnerships must be explored. This will result in more effective ways to achieving the integration goals. Fourth, there is a need for more targeted research on the EAC, especially on how to promote more variety of East African economy and closer economic integration. There are many possibilities to expand the region's economic foundation. The results of these research should influence the policy changes that must be put in place for the integration process to function effectively. Finally, with the creation of the 54th African state, Southern Sudan, there is a need for the EAC to be more flexible in order to contemplate enlargement to include South Sudan as a charter addition.

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Appendix: Questionnaires

Section A: Demographic Characteristics

1. What is your gender

   Male [ ]

   Female [ ]

2. How old are you?

   21 to 30 years [ ]

   31 to 40 years [ ]

   41 to 50 years [ ]

   50 years and above [ ]

3. What is your education level?

   Certificate [ ]

   Diploma [ ]

   Bachelor Degree [ ]

   Master's Degree [ ]

   Others [ ]

4. Marital Status

   Married [ ]

   Divorced [ ]

   Widowed [ ]

5. What is your nationality?

Kenya [ ]

Ugandan [ ]

Rwandan [ ]

Burundian [ ]

Tanzanian [ ]

6. Which position do you hold in the company?

Government agencies [ ]

Immigration [ ]

Corporate [ ]

Business Associations [ ]

Section B: Regional Integration and Economic Growth in East African Community

1. How does Regional Integration and Economic Growth in East African Community?

   Negative [ ]
   Positive [ ]

2. What are major elements of integration influence how the growth achieved by partner countries?

Economic growth and development [ ]
Trade [ ]
Investment [ ]
Demographic factors [ ]

3. **3.** Is economic integration and performance effective in your respective country?

   ……………………………………………………………………………
   ……………………………………………………………………………
   ……………………………………………………………………………
   ……………………………………………………………