



**THE 7 INSTITUTE**  
FOR RESEARCH AND DEVELOPMENT

# **Implications of Somalia's Accession To The East African Community: A Multidimensional Analysis**



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## ABBREVIATIONS

BCPs	Basel Core Principles
CA	Communications Authority of Kenya
CRDB	Cooperative Rural Development Bank
DSE	Dar es Salaam Stock Exchange
EAC	East African Community
FSDRP	Financial Sector Development and Regionalization Project
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
ICT	Information and Communication Technology
KCB	Kenya Commercial Bank
KSh	Kenyan shillings
NSE	Nairobi Securities Exchange
RSE	Rwanda Stock Exchange
SMS	Short Message Service
USE	Uganda Securities Exchange

## 1. Executive Summary

The East African Community (EAC) was founded in July 2000 and has developed into a vibrant regional alliance of eight member nations. The EAC is headquartered in Arusha, Tanzania. The primary objective of the EAC is to foster political, economic, and social collaboration among its member states, with the ultimate goal of generating reciprocal advantages. With a population exceeding 300 million and a total economic output of \$312.9 billion, the EAC wields significant economic and social influence.

The EAC is significant due to its extensive integration of member nations across various areas, encompassing economic, political, and social sectors. The extent of integration is highlighted by initiatives such as the Customs Union, Common Market, and the goal of a Monetary Union. Somalia has recently become the eighth member of the EAC, and the organization is still open to further expansion, which might include nations such as Ethiopia, Djibouti, and Eritrea in the future.

The inclusion of Somalia into the EAC on March 4, 2024, was an essential milestone in the nation's regional collaboration and advancement progress. Nevertheless, perspectives on this accession diverge significantly, with certain individuals perceiving it as a stride towards advancement while others regard it as a situation with both positive and negative consequences. To grasp the topic thoroughly, this study sought to assess the potential advantages and disadvantages of Somalia's membership in the EAC.

The analysis explored the potential economic benefits that Somalia could get from its membership in the EAC, taking into account the difficulties associated with integrating with member states that are more economically developed. Additionally, it examined the possibilities and probable challenges linked to Somalia's membership in the EAC.

Challenges and opportunities were recognized, with Somalia's advantageous strategic geographical location and long coastline being prominent among its key benefits. This allows the EAC to enter global markets and capitalize on marine resources. Membership in the EAC offers Somalia the potential for economic integration, the opportunity to diversify its funding sources, and the prospect of enhanced governance.

Nevertheless, the nation confronts obstacles in governance, infrastructure shortcomings, institutional weaknesses, and constitutional crises.

It is crucial to tackle these challenges to guarantee that Somalia fully capitalizes on the advantages of being a member of the EAC. Furthermore, it is important to recognize the possibility of unjust competition and uneven distribution of benefits inside the EAC, where stronger member states may have the capacity to dominate smaller members.

Ultimately, this paper offers a comprehensive examination of Somalia's entry into the EAC, specifically emphasizing the obstacles and prospects. It includes an analysis of the economic, financial, health, and socioeconomic sectors and a thorough evaluation of business opportunities and obstacles. The report concludes by providing solutions to the highlighted challenges and promoting fair and equal involvement in the EAC.

## 2. Overview

The EAC was established on July 7, 2000, and has grown since. It comprises eight member countries and is headquartered in Arusha, Tanzania. The EAC was established to foster cooperation in various key areas, including politics, economics, and social development, to generate mutual benefits for its member states. The member nations of the EAC have a combined population of over 300 million and an economic output of \$312.9 billion, indicating the bloc's considerable economic and social influence.<sup>1</sup>

EAC is one of the fastest-growing regional blocs and has the best potential. Its significance lies in the comprehensive integration of member countries across economic, political, and social dimensions. This integration is realized through initiatives like the Customs Union, the Common Market, and the ambitious pursuit of a Monetary Union.<sup>2</sup> Somalia has recently become the eighth and final country to join the organization. It's important to note that the organization is still open for expansion, with the possibility of countries like Ethiopia, Djibouti, and Eritrea also becoming members.<sup>3</sup>

## 3. Somalia

Somalia's long-standing aspirations to join the East African Community (EAC) finally came to reality on November 24, 2023, when its accession was accepted. On March 4, 2024, Somalia officially became a full member of the EAC, becoming the 8th country to join the bloc.<sup>4</sup> There has been a lot of feedback on the accession. Many in the Somali community have welcomed it and see it as a step towards development. In contrast, skeptics have described it as a double-edged sword. However, the claims by both sides are mainly based on personal opinions rather than any empirical support. Therefore, to shed light on the pros and cons of Somalia joining the EAC, it is essential to undertake in-depth research into this matter. Consequently, the study's primary objective was to analyze the possible benefits and drawbacks of Somalia's membership in the EAC.

A comprehensive analysis was conducted to determine the economic benefits Somalia could reap. It acknowledges the concerns surrounding integration with EAC member states, which are recognized for their relative economic advancement compared to Somalia. This study sheds light on the opportunities and potential challenges for Somalia's EAC membership.

1. <https://www.eac.int/eac-quick-facts>

2. <https://www.eac.int/overview-of-eac>

3. <https://www.theeastafrican.co.ke/tea/news/east-africa/an-integrated-horn-inside-eac-s-expansion-ambition-4348398>

4. <https://www.eac.int/communique/2991-communique-on-the-signing-of-the-treaty-of-accession-of-somalia-to-the-eac-treaty>

## 4. Challenges and Opportunities

### 4.1 Potential Opportunities

Somalia's strategic geographical position represents its primary advantage. Beyond the benefits of engaging with Somalia's domestic resources, the EAC can capitalize on Somalia's extensive coastline to establish vital links with the global community. Moreover, the marine resources and ports within Somalia's territory offer significant economic potential for the region.<sup>5</sup> The accession to the EAC holds the promise of economic integration and revenue diversification for Somalia. This transition is expected to significantly benefit Somali entrepreneurs by providing access to a larger market and attracting new customers.<sup>6</sup> Moreover, it paves the way for increased trade, infrastructure development, and economic growth.<sup>7</sup>

Joining the EAC provides Somalia with international investment opportunities and holds the potential for improved governance. Although Somalia faces challenging circumstances, it exhibits business openness comparable to many nations in the EAC; impressively, Somalia outperforms some EAC countries in foreign investment attraction.<sup>8</sup> Moreover, the comprehensive harmonization principles of the EAC Treaty can align Somalia with the legal frameworks of other member states, which has the potential to significantly alter Somalia's legal landscape, making it an attractive destination for foreign investment.

Despite the devastating civil wars and the ongoing challenges surrounding establishing a fully functional government in Somalia, the nation possesses notable natural advantages. Somalia's direct access to the Gulf of Aden and the Mandab Strait, which connects the Indian Ocean and the Mediterranean Sea, is a significant asset.<sup>9</sup> Furthermore, implementing EAC provisions can accelerate the development of legal institutions in Somalia, thereby promoting democracy, the rule of law, and human rights.<sup>10</sup>

5. <https://8v90fl.p3cdn1.secureserver.net/wp-content/uploads/2023/11/Somalias-Accession-to-EAC.pdf-English-v-one.pdf>

6. <https://www.aljazeera.com/news/2023/11/24/somalia-officially-joins-east-africa-trade-bloc>

7. <https://www.dailysabah.com/opinion/op-ed/how-ready-is-somalia-for-eac-membership>

8. <https://nec.gov.so/wp-content/uploads/2023/11/Lats-edition-EAC-working-paper.pdf>

9. <https://www.dailysabah.com/opinion/op-ed/how-ready-is-somalia-for-eac-membership>

10. <https://8v90fl.p3cdn1.secureserver.net/wp-content/uploads/2023/11/Somalias-Accession-to-EAC.pdf-English-v-one.pdf>



## 4.2 Potential Challenges

EAC member states have faced difficulties in meeting the macroeconomic convergence criteria<sup>11</sup>, and the case of Somalia presents several formidable challenges. After recovering from a prolonged civil war, Somalia is hampered by poor governance and complex clan politics.<sup>12</sup> It confronts further issues, including economic challenges, infrastructure deficiencies, ineffective institutions, and constitutional crises.<sup>13</sup> The most significant challenges are Somalia's lack of strong institutions, a stable environment, and an effective regulatory system.<sup>14</sup> Addressing these issues is paramount before examining the potential challenges that may arise from Somalia's membership in the EAC.

As Somalia embarks on its membership in the EAC, it will encounter many challenges, varying in magnitude, across multiple sectors. In addition to the preexisting constraints of domestic security challenges and political instability, Somalia will struggle to capitalize on its membership fully.<sup>15</sup> Somalia must improve its infrastructure and institutional capabilities to utilize EAC membership fully.<sup>16</sup> If these issues are not resolved, it could result in excessive influence from EAC members with superior economic strength, impacting Somalia's development efforts.<sup>17</sup>

Like other regional blocs, EAC has issues, including unfair competition and an unequal distribution of benefits among its members. This could mean larger EAC member countries dominating the smaller nations, limiting opportunities.<sup>18</sup> Additionally, it is important to acknowledge that the challenges faced by the EAC are not isolated to Somalia alone. The EAC has challenges that hinder full integration and economic development, such as bureaucratic complexities, political instability, insufficient infrastructure, and ongoing trade disputes. Although diverse, these various problems illustrate the diverse and complicated environment that defines efforts toward regional integration.

In conclusion, the next part of the study presents an in-depth analysis of Somalia's accession to the EAC, focusing on the associated challenges and opportunities. The analysis is mainly based on critical economic, finance, health, and socioeconomic sectors, along with a comprehensive examination of business opportunities and challenges. The study concludes with recommendations after a thorough discussion and a comparative analysis.

11. <https://nec.gov.so/wp-content/uploads/2023/11/Lats-edition-EAC-working-paper.pdf>

12. <https://www.dailysabah.com/opinion/op-ed/how-ready-is-somalia-for-eac-membership>

13. <https://8v90fl.p3cdn1.secureserver.net/wp-content/uploads/2023/11/Somalias-Accession-to-EAC.pdf-English-v-one.pdf>

14. <https://www.dailysabah.com/opinion/op-ed/how-ready-is-somalia-for-eac-membership>

15. <https://www.voanews.com/a/somalia-joins-east-africa-trade-bloc-as-it-eyes-new-opportunities-/7369288.html>

16. <https://www.theeastafrican.co.ke/tea/news/east-africa/somalia-signs-accession-treaty-to-join-eac-4465668>

17. <https://8v90fl.p3cdn1.secureserver.net/wp-content/uploads/2023/11/Somalias-Accession-to-EAC.pdf-English-v-one.pdf>

18. <https://www.aljazeera.com/news/2023/11/24/somalia-officially-joins-east-africa-trade-bloc>

## 5. EAC Community Data Analysis

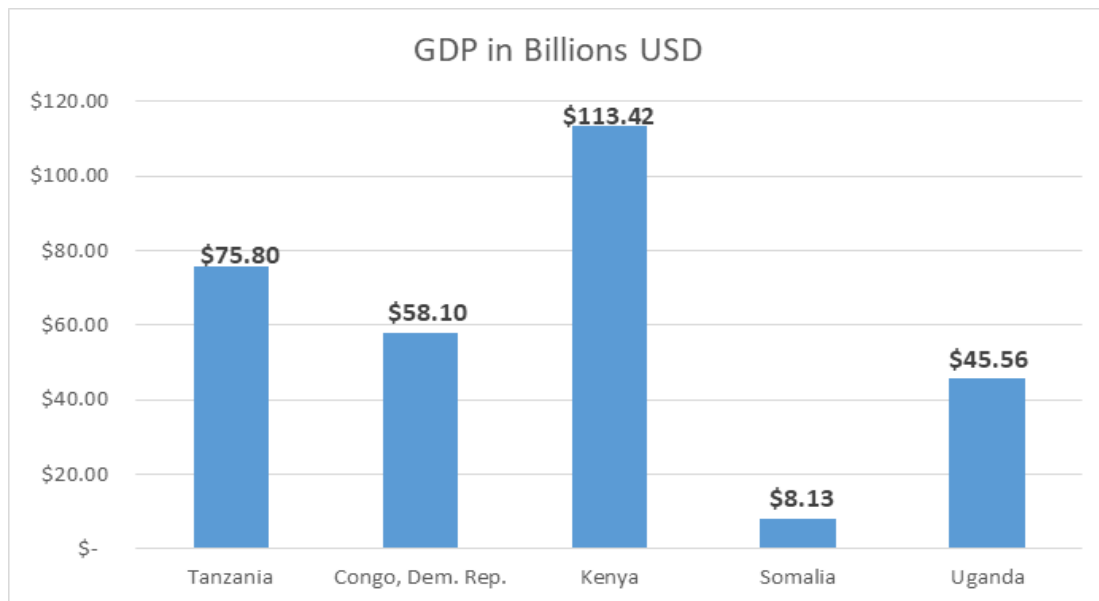
Before Somalia joined the EAC community, it had a population of 301.8 million (2021), of which around 70 percent were rural populations. East African community has a market size of US\$ 312.9 billion (2021). Large population and market size offer excellent opportunities to companies but also pose fierce competition from technologically advanced companies, which also dominate the markets of member states.

Besides all the good things joining the East African community brings to Somalia, it also poses security and economic threats to Somalia. Joining a regional bloc leads to abandoning a significant bargaining power of that country because it allows each member state's goods and people to cross the border without restrictions. Usually, when a country gets into political conflicts with another country, it imposes sanctions or restrictions on another, such as travel bans, visa restrictions, increasing tariffs on goods, and import bans. Lifting these sanctions requires sides to come together and discuss issues using sanctions as bargaining power. After joining the EAC community, Somalia will lose all these abilities.

As the diagram shows, Kenya has the largest economy among East African countries in terms of GDP, followed by Tanzania. Congo DR has the third largest GDP among the countries, with Somalia having the smallest GDP in 2022. It is important to note that while Kenya has the largest GDP, it also has a relatively lower percentage of imported goods and services than other member states, indicating that Kenya firmly relies on the domestic economy. On the other hand, Tanzania has the second-largest economy in the EAC region.

Kenya has the largest market compared to the rest of the East African community, and it is the only member state with a border with Somalia. Somalia heavily depends on imports of goods and services (90.92 percent of GDP), while Kenya's imports were 20.5 percent.

**Figure 1. Gross Domestic Product Comparison (GDP in Billions of USD)**



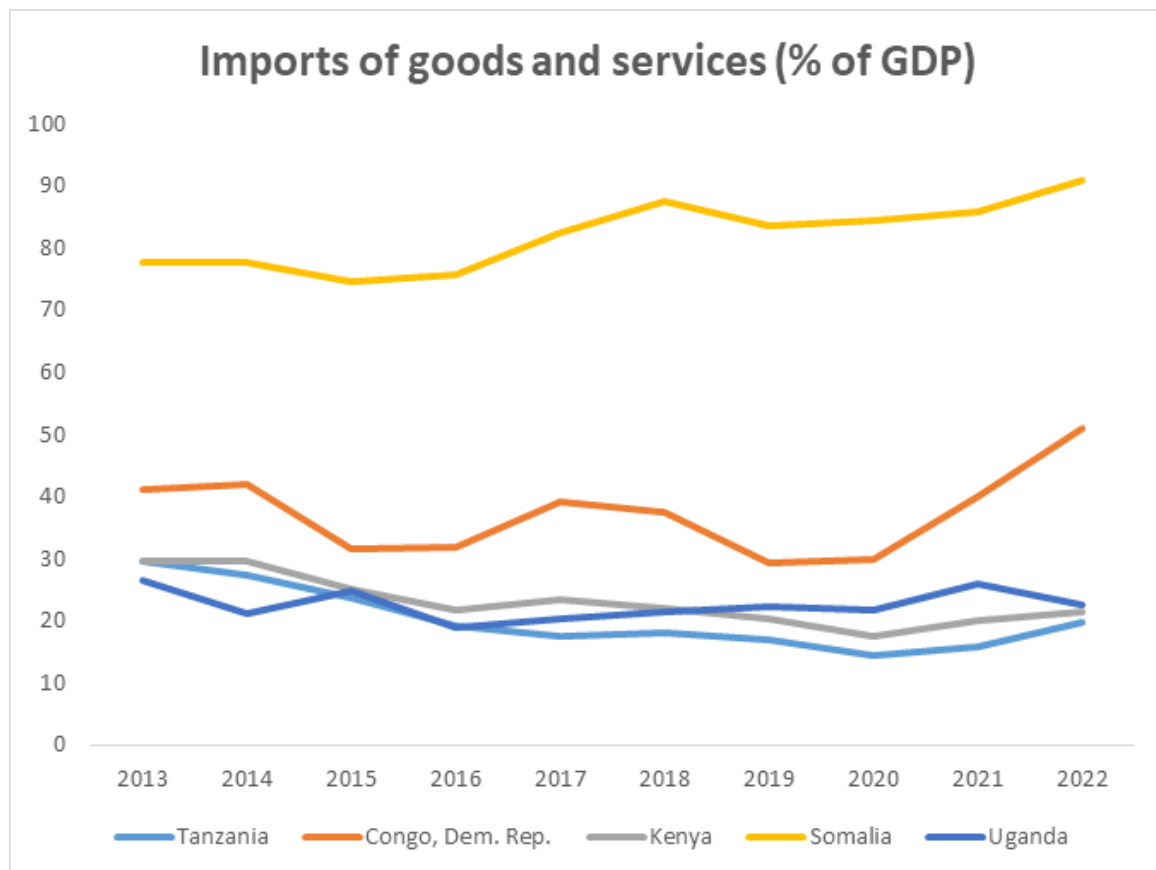
**Source:** The World Bank 2022

Kenya has a market size of over 50 million people and a leading economy in the East African Community. The top reasons Western companies consider doing business in Kenya include: 1) it is a market-based economy; 2) Kenya is the economic, commercial, financial, and logistics hub of East Africa; 3) it has a young, growing, and educated English-speaking population with a high fluency in technology.

From the data, Somalia has the highest percentage of imported goods and services of gross domestic product (GDP) in 2022, followed by Congo, DR. Somalia is a country that depends on imported goods and services, maintaining a percentage of 90% of imports of gross domestic product (GDP) over the last five years. The unfortunate reality is that the import percentage of the GDP of Somalia and Congo keeps increasing, as the graph shows. At the same time, this rate decreases in other countries in the graph. Congo DR has significant import fluctuations as a percentage of GDP, with a sharp increase in 2021 and 2022. Somalia's data shows fluctuation over the years, with a peak in 2014 and a significant increase in 2022.

Tanzania has the lowest percentage in 2022. Furthermore, Tanzania, Kenya, and Uganda all have downward trends in imported goods and services as a percentage of GDP from 2013 to 2020, with an increase in 2021 and 2022. Overall, the data illustrates varying trends in the imported goods as a percentage of GDP for the East African countries, with some experiencing consistent decreases.

**Figure 2. Imports of goods and services (% of GDP)**



**Source:** The World Bank 2022

### 5.1 Exports

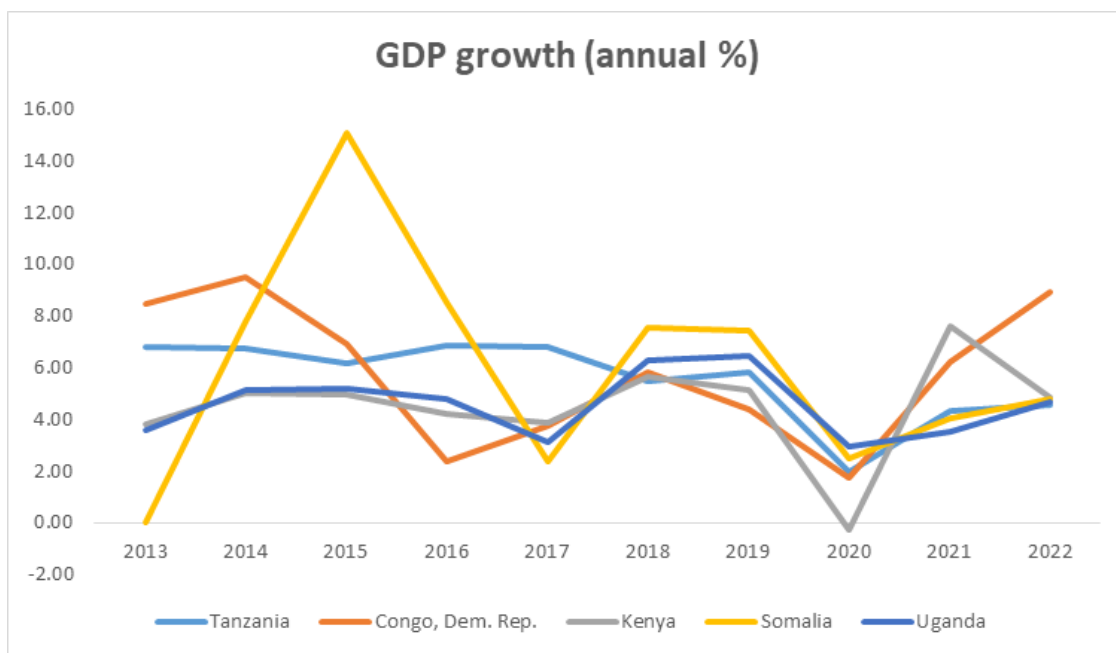
Following the resumption of Miraa exports to Somalia, Kenya's exports nearly doubled in the first half of 2023, becoming Africa's fifth largest Kenya export destination. Central Bank of Kenya reported exports worth Sh11.4 billion in the first six months, representing a 76% growth from sh6.5 billion in the same first six months of last year. The increase saw Somalia become Kenya's fifth largest export destination on the African continent, behind Uganda, Tanzania, Rwanda, and Egypt. Kenya exported goods worth \$123M to Somalia in 2021, while Somalia exported \$880k worth of goods to Kenya. Kenya's main export products include Rolled Tobacco (\$42.4M), Other Edible Preparations (\$18.9M), and Packaged Medicaments (\$12.2M). Somalia exports Prefabricated Buildings (\$350k), Scrap Iron (\$113k), and Electric Generating Sets (\$72.5k) to Kenya. Somalia re-exports these products to Kenya, not domestically produced products. Kenya's leading exports include Horticulture, tea, and coffee, earning approximately 2.7 billion US dollars with only Horticulture and tea in 2022.

## 5.2 GDP growth

The GDP growth in the EAC community fluctuated severely over the last decade, signifying fluctuation in the national outputs that impact employment. Based on the below table, one can observe that Tanzania experienced relatively stable GDP growth from 2013 to 2018, with growth rates ranging from 5.5% to 6.9%. However, there was a significant decrease in 2020 to 2%, followed by a gradual increase in the following years, reaching 4.6% in 2022.

However, Congo DR had the most volatile GDP growth, with a high of 9.5% in 2014 and a low of 1.7% in 2020. However, there has been a notable recovery in 2022, with a growth rate of 8.9%. Due to the coronavirus economic disturbance, the economic growth of all countries sharply declined. Kenya's GDP growth rate has also fluctuated, with a slight contraction in 2020 followed by a significant increase to 7.6% in 2021 and 4.8% in 2022.

**Figure 3. Gross Domestic Products growth (Annual %)**



**Source:** The World Bank 2022

Furthermore, Somalia experienced rapid GDP growth in 2015, followed by more moderate growth rates in the subsequent years, stabilizing around 4–5% from 2019 to 2022. Uganda's GDP growth rate has remained relatively steady, with moderate fluctuations between 3–6% from 2013 to 2022. Overall, while each country's GDP growth has fluctuated over the years, there are signs of recovery and stability in the most recent data. However, it is important to consider external factors such as global economic conditions and domestic policies when analyzing these trends.

### **5.3 Capital Markets**

Currently, the EAC has four operational stock exchanges: NSE, RSE, DSE, and USE in Kenya, Rwanda, Tanzania, and Uganda, respectively. These exchanges collectively list 110 companies; these stock exchanges had a combined equity market capitalization of US\$22 billion, with the NSE accounting for 55% of this total at US\$12 billion. Regarding their significance to their respective economies, the NSE's equity market accounted for 36% of Kenya's Gross Domestic Product (GDP). Burundi, however, is the only EAC Partner State yet to establish a capital market. However, plans are underway to develop a capital markets development framework to pave the way for its establishment.

### **5.4 Banking**

The East African Community (EAC) Financial Sector Development and Regionalization Project (FSDRP) aims to establish a single market in financial services within the region. The primary objective of EAC policies related to the banking sector is to achieve a single market in banking services, promoting sustainable economic growth, and enhancing financial inclusion in the Partner States. The banking industry is a crucial driver of regional financial integration in the EAC, as it has embraced a regional business model driven by factors such as client demand and opportunities perceived along the regional trade corridors.

The commercial banking sector in Kenya is the fourth largest in Sub-Saharan Africa, following South Africa, Nigeria, and Mauritius. The country is home to 43 commercial banks and two mortgage finance institutions. Tanzania's banking system comprises 26 commercial banks, while Uganda has 21 commercial banks. Rwanda has eight commercial banks, one development bank, and one mortgage bank. Finally, the Burundi banking industry comprises seven commercial banks, one development bank, and one housing fund.

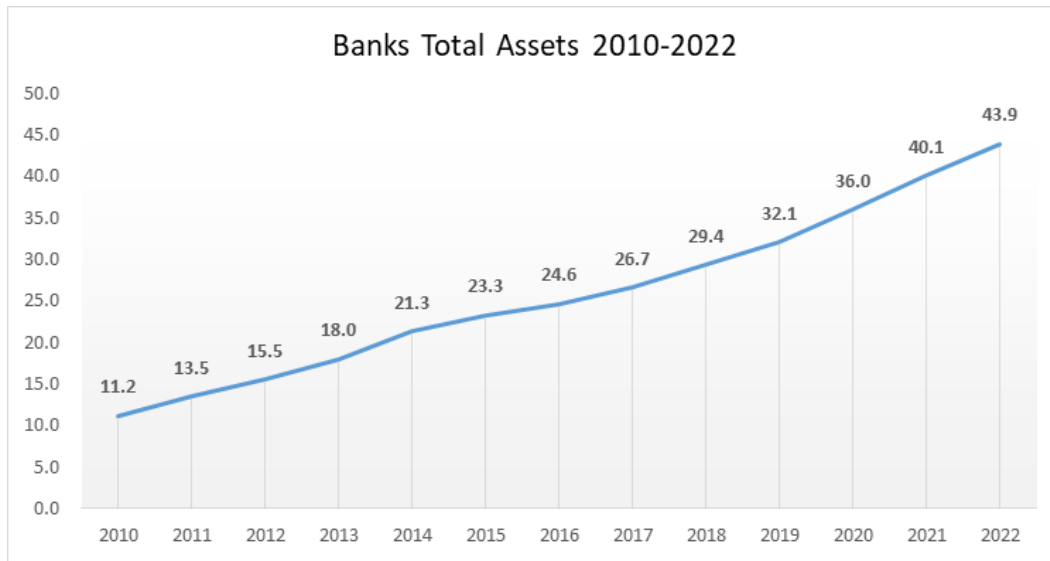
The cross-border expansion of banking within the East African Community (EAC) began in the 2000s, with Kenyan banks leading the way by establishing a substantial branch network in other EAC Partner States. By the end of 2012, Kenyan banks had set up 251 branches in the EAC, with an additional 31 branches in South Sudan. Eleventh multinational and Kenyan-owned banks are engaged in cross-border banking within the EAC. This expansion has been driven by banks such as Kenya Commercial Bank (KCB), Equity Bank, Fina Bank, and Commercial Bank of Africa, which have established a significant presence in the region.

Furthermore, there is increasing interest from banks domiciled in other EAC Partner States in cross-border expansion, as evidenced by CRDB Tanzania setting up a branch in Burundi in 2012. Establishing national umbrella bodies, known as Bankers' Associations, in all EAC countries has played a crucial role in promoting the interests of member banks and fostering a reputable and professional banking sector. From the perspective of EAC regionalization, an efficient and stable banking sector is essential for achieving sustainable growth in EAC countries, where most financial intermediation occurs through commercial banks. Moving towards legal and regulatory harmonization in line with international standards, such as the Basel Core Principles (BCPs), is critical to effectively functioning as a single market in banking services within the EAC. This alignment with international best practices will support the development of a robust and integrated financial sector across the region, ultimately contributing to economic growth and financial inclusion.

The total assets of banks in Kenya reached over 44 billion US dollars in 2022. The total assets of banks increased by around ten percent compared to last year, and overall, the banks have been witnessing increasing trends over the last ten years.



**Figure 4. Total Assets of Banks in Kenya (2010–2022)**



**Source:** Statista

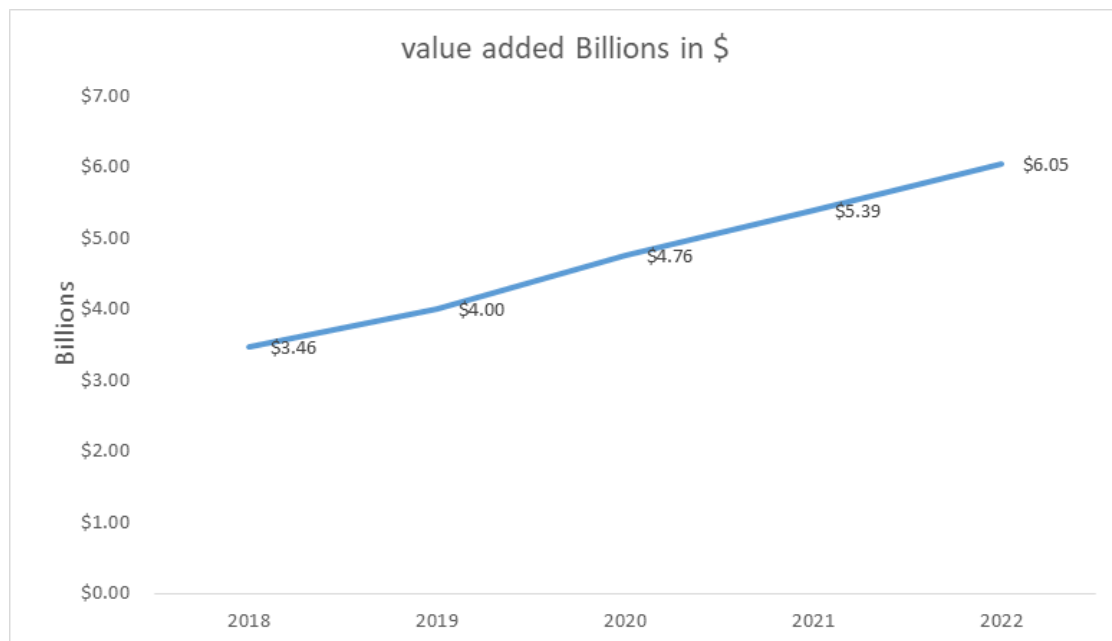
Data indicated that the total assets of banks in Kenya amounted to around \$44 billion US dollars in 2022, while the total assets of counterpart country Somalia held about \$1.5 billion US dollars in the same period. Kenya is an economic powerhouse in East Africa, demonstrating over 113 billion gross domestic products, whereas Somalia has \$8 billion GDP.

### 5.5 Construction Sector

The construction sector added some 954 billion Kenyan shillings (KSh), approximately 6.56 billion U.S. dollars, to Kenya's Gross Domestic Product in 2022. The annual value increased compared to 2021, keeping an upward trend since 2018. Value added by the construction sector to the GDP in Kenya 2018–2022

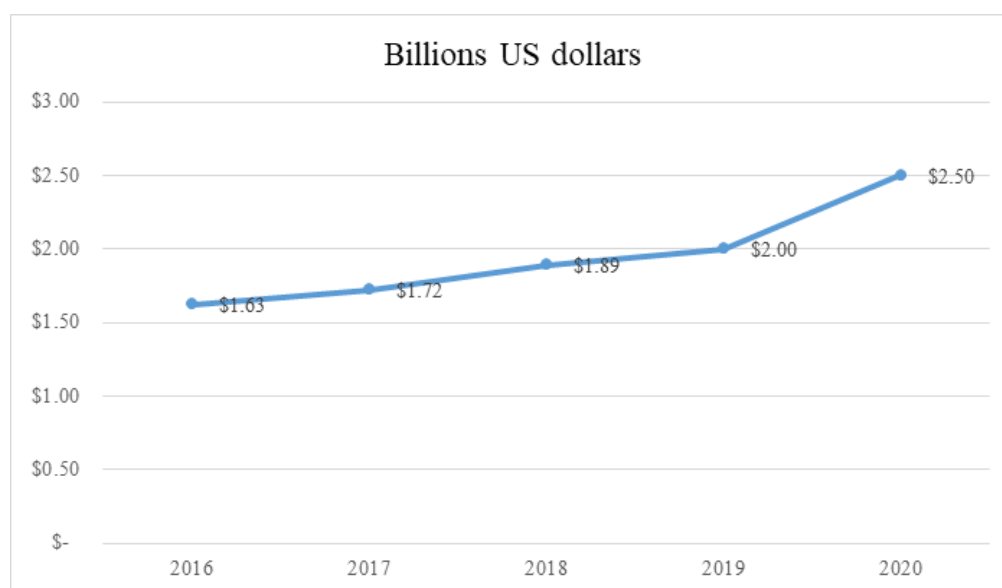


**Figure 5. Value Added by The Construction Sector to The GDP In Kenya 2018–2022**



**Source:** Statista

Kenyan Mobile Sector Records Growth in Revenue and Investments In June 2023, Kenya's Information and Communication Technology (ICT) sector experienced significant growth in mobile revenue and investment. According to the Communications Authority of Kenya (CA), mobile revenue increased by 7.7% to reach 2.15 billion, while investment in the sector grew by 14% to 0.37 billion. Among the five major providers – Safaricom PLC, Airtel, Telkom Kenya, Finserve, and Jamii Telecommunications – revenue from voice and data accounted for 30.8% and 26%, respectively. Other revenue streams, including mobile money and SMS, contributed 43.2% of the total revenue.

**Figure 6. Annual Revenue of Telecommunication Operators in Kenya 2016–2020**

**Source:** Statista

Safaricom emerged as the leading voice, data, and SMS provider, while Jamii Telecommunications recorded the lowest shares. The sector employed a total of 10,526 individuals, with a male-to-female ratio of 57:43. Mobile voice traffic increased by 4.1% to 82.7 billion minutes, and active mobile (SIM) subscriptions grew by 0.6% to reach 66.4 million, resulting in a mobile (SIM) penetration rate of 131.3%. The cumulative local SMS traffic for the fiscal year grew by 18.4% to 52.4 billion SMS, and the total number of mobile phone devices connected to mobile networks reached 62.9 million, with a penetration rate of 124.4%. Feature phones and smartphones had 63.5% and 60.9% penetration rates, respectively.

**Table 1. Prevalence of HIV, total (% of the population ages 15–49)**

Year	Tanzania	Congo DR	Kenya	Somalia	Uganda
2013	5.2	1	5.3	0.1	6.2
2014	5.2	1	5.2	0.1	6.1
2015	5.1	0.9	5	0.1	6
2016	5.1	0.9	4.9	0.1	5.9
2017	5	0.9	4.7	0.1	5.8
2018	4.9	0.8	4.5	0.1	5.7
2019	4.8	0.8	4.4	0.1	5.5
2020	4.6	0.8	4.2	0.1	5.4
2021	4.5	0.7	4	0.1	5.2

**Source:** The World Bank 2021

Somalia has a large, vulnerable population to catch this severe disease. Uganda, Tanzania, and Kenya have the highest percentage of HIV prevalence, 5.2, 4.5, and 4 (2021), respectively. Upon the stability of Somalia, many East African people will move to Somalia for better opportunities, capitalizing on their comparative advantage skills and language compared to Somalis. This large market size could be an economic opportunity for Somali companies if they can face giants in Kenya companies there and here. Naturally, Somali communities are known to be highly entrepreneurial compared to any other eastern, so this large market could also bring business opportunities to Somali business communities. The challenge is efficiency; Somali businesspeople engage in low capital-intensive businesses, making them vulnerable to highly capital-intensive competitor companies from other member countries.

## 6. Discussion

The east African community regional bloc consists of eight member states with four landlocked countries (50%). Kenya is only EAC member state bordering with Somalia, and Kenya is the economically powerhouse of the bloc compared to the rests. One of great assets Somalia can offer to East Africa communities is access to sea but unfortunately Kenya blocked Somalia from serving for landlocked member states. Landlocked members have border with Kenya, Tanzania, and Congo DR, having access to sea via these countries' sea. South Sudan and Uganda use Kenyan ports while Kenya gets all infrastructure and transportation benefits from moving goods from ports to landlocked countries such as transport companies, trucks, and drivers are Kenyans. Therefore, it is reasonable to landlocked countries invest in these ports to use them. Kenya has a narrow seaport needing bigger maritime space for fishing and park waiting ships, so after Somalia joined the organization, these ships will park Kismayo areas because a member state has the right to do so. Kenya pushed Somalia accession to bloc after Somalia encountered consecutive rejections from bloc. Kenya was apparently not alone to facilitate Somalia membership, but some Western countries were also behind the scenes for conflicting reasons. For abovementioned reasons accompanied by the current insecurity, Somalia might not benefit from these landlocked countries.

On the other hand, since Somalia has weak economy and small market, it is good reason to get into EAC communities because regionalization helps to receive and attract more FDI. There are huge protein gaps in Africa, and we have the large coastline, so we can provide fish that contains these proteins to EAC members and other African countries through bloc members. The economically giant countries get huge international investments from many countries and that's why banks have huge money.

The prolonged civil war in Somalia has significantly impacted its governance structures and complex clan politics, creating a formidable barrier to effective participation in regional blocs like the EAC. The presence of dysfunctional federalism and political division stands as a significant obstacle to achieving good governance. This situation has prevented Somalia from fully leveraging the benefits of EAC membership, highlighting the need for a fully functional government capable of navigating the complexities of regional cooperation and economic integration.

In addition to these political challenges, Somalia faces significant economic hurdles. The country's existing internal challenges, particularly its underdeveloped and undiversified economy, pose a major constraint on investment opportunities and trade facilitation. These economic issues are crucial to address before considering the potential challenges and opportunities arising from EAC membership, as they could ultimately impede Somalia's ability to fully capitalize on regional economic integration.

Similarly, Somalia's poor infrastructure and institutional weaknesses are critical areas that need urgent attention. Years of conflict have left the country's transportation networks, communication systems, and energy grids in a state of disrepair, thus hindering efficient trade, investment flows, and regional connectivity. Furthermore, fragile regulatory frameworks and weak legal institutions are significant barriers to Somalia's ability to fully benefit from the economic opportunities offered by the EAC and attract foreign investment.

Additionally, like many regional blocs, the EAC grapples with internal challenges of unfair competition and uneven distribution of benefits. As a less developed member, Somalia faces the risk of excessive influence

from economically stronger and more influential EAC members. This imbalance could make Somalia particularly vulnerable, hampering its independent development efforts and limiting the advantages it could gain from the membership. Therefore, Somalia must address these multifaceted challenges to ensure beneficial and equitable participation in the East African Community.

Now, Kenyan khat farmers can bring their khat and sell it on the streets of Somalia at low prices and more khat will flow to Somalia. The HIV rate is the lowest in Somalia because of culture and religion, which prevents us from the disease. The HIV indicators in EAC are higher than in Somalia, but the health care we are behind these countries. The households in member countries consume domestically produced goods. Conversely, Somalia as imported goods dependent state, Somalia will become consumer for other member countries. More of direct foreign investment inflow will flow to other countries because of larger populations, better development, labor quality, English proficiency, and they located in heart of bloc while Somalia located far corner of the bloc, making the transportation and access costly. These disadvantages divert FDI inflow to Somalia.

Somali businesspeople will access to bigger market size that will improve their business performance, especially shoppers. However, hosted country will take macroeconomic benefits such as tax, employment, and rent while only businessperson get profit for Somalia. Since politically unstable, individuals from member states will not do business in Somalia near future but big companies will likely invest in Somalia. Banks in some members states are wealthier than banks in Somalia and provide world class financial products and services. If these large banks penetrate Somali market and provide various financial products and services are good for customers but will hurt the newly established indigenous banks. Some of EAC member states never invest in other states because it cannot compete with domestic firms economically and technologically, becoming consumer state. For Somalia to avoid similar cases, Somali companies should invest in other local companies instead of making direct investment to mitigate competitive threats from local firms and smooth the entry.

## 7. Recommendations

Many obstacles preventing Somalia from EAC membership benefits are internal rather than external. Therefore, the study recommends as follows.

- ✔ To leverage the benefits of EAC membership, Somalia should address federalism and political divisions; prioritizing resolving these issues is crucial for establishing a stable and effective governance framework.
- ✔ Comprehensive reform of Somalia's government institutions and legal frameworks is essential to support effective EAC integration, aiming to enhance institutional capacity, governance standards, and legal compliance with EAC agreements.
- ✔ Promoting inclusive policies that foster national unity is critical for Somalia to benefit fully from its EAC membership. National unity is foundational for a cohesive national strategy toward EAC integration and harnessing its potential benefits.
- ✔ A gradual implementation of EAC integration and harmonization policies is essential, allowing Somalia the necessary time to address its internal challenges and strengthen its economic and legal institutions in preparation for deeper regional integration.
- ✔ Conducting comprehensive and broader studies on the implications of EAC bloc membership is crucial. These studies should explore the opportunities and challenges of membership and inform Somalia's strategic positioning within the EAC.
- ✔ Somalia should prioritize reconstructing its critical infrastructure to fully embrace the opportunities of EAC membership. This is essential for fostering economic alignment with the EAC member states and ensuring equitable benefits from regional integration.
- ✔ Emerging Firm Protection: To safeguard emerging and small-scale enterprises in Somalia from the competitive pressures of larger foreign corporations. The formulation and implementation of protective policies should aim to create a supportive ecosystem for local businesses to thrive and compete effectively.

- ✔ Given the strategic importance of Somalia's maritime resources, the study recommends that Somalia should establish policies to ensure that it derives maximum benefit from its sea access; the policies should focus on equitable resource utilization and sustainable management practices.
- ✔ Somalia should actively engage in the EAC policymaking to advocate for equitable and fair competition policies. This advocacy is crucial for ensuring that the benefits of EAC membership are distributed fairly and for protecting the interests of Somalia's local industries and vulnerable sectors.
- ✔ With the possibility of integration within the EAC leading to a flow of cheap labor from other member states, Somalia needs policies that protect local employment and promote fair labor practices within Somalia.
- ✔ Finally, in anticipation of increased regional movement and integration, particularly noting that some EAC member states have higher rates of HIV, it is essential to elevate social awareness about public health issues, including HIV. Enhanced public health campaigns are recommended to mitigate health risks and safeguard the well-being of Somalia's population.

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