



Comparison of Somalia and the East Africa Community in Terms of Economy and Competition

Sadak Mohamud Hassan ¹, Mohamed Jibril Mohamed²

Received, 17 September 2022

Accepted, 13 November 2022

Available Online, 31 November 2022

¹*Daha International University, 28P6+35X, Jidka Tarabuunka, Mogadishu, Somalia.*

²*Ege University, Erzene Mahallesi Ege Üniversitesi Merkez Yerleşkesi, 35040 Bornova/İzmir, Turkey*

**Author for Correspondence ORCID ID: <https://orcid.org/0000-0001-8581-6575>; saadaqyare0120@hotmail.com*

ABSTRACT

In the contemporary business environment, regional integration has become recognized as a powerful engine for advancing social and economic development. In order to pursue shared economic, social, and political development, economies in both developed and developing regions implement regional integration policies and initiatives. The East African Community is one of the integrations that will be used as an example of regional integration. The Community was founded in 1967. The three nations, Kenya, Tanzania, and Uganda, decided to work together in a variety of economic and social areas. The East African Community (EAC) currently consists of six countries and in 2022 Somalia has once again announced that it is a candidate to join this community. The purpose of this article is to conduct a research on whether Somalia will have economic and competitive power when it joins the East African Community and what advantages or disadvantages it will gain from Community in the short and long term. This study was conducted by looking at the currently written literature and also by interpreting data collected from the World Bank and Trading Economics databases. The analysis shows that if Somalia's entry into the East African Community (EAC) is accelerated, it will rank as the sixth most productive nation in the EAC, producing only 2% of the Community's total output, and will not contribute much. Additionally, it will not be an economically vigorous member of the East African community. As a result, Somalia must strengthen its economy and create a peaceful environment based on stable policies before joining this community. The production factories destroyed during the civil war must be restored. Education systems must be improved to raise an educated generation that can help

increase the productivity of the country. However, if Somalia wants to achieve significant economic growth in the short and long term, top priority should be given to building economic infrastructure and fighting corruption.

Keywords: Competitive Power, Economic Power, Somalia, East Africa Community.

INTRODUCTION

In 1967, the first East African Community was established. The three countries namely Kenya, Tanzania and Uganda agreed to cooperate in many areas in the economic and social spheres but the agreement however collapsed in 1977. The agreement establishing the East African Community (EAC) was re-signed in November 1999 by the governments of Kenya, Tanzania and Uganda. The agreement, which entered into force in June 2000, aims at a comprehensive integration process that encompasses trade, economics and politics. All three countries considered that regional integration is a necessary plan for their development strategy and at the same time plays an important role in the development of trade and investment between them. Rwanda and Burundi joined the organization in 2007. South Sudan became a full member of the East African Community in 2016, and finally the Democratic Republic of Congo (DRC) joined the East African Community in 2022, becoming the 7th country. The member states of this association are working to implement it in accordance with the agreement established; The Customs Union, the creation of a Common Market, then the monetary union and finally a political federation. Although Somalia is making enormous efforts to become a member of the East African Community, neither its people nor its government are aware of the community's long- and short-term benefits and drawbacks for the country also the ideal timing for Somalia to join this organization is also deemed to have not received sufficient consideration. In this study, the economies and levels of competitiveness of Somalia and the members of the East African Community were examined. It has also been looked at what problems and advantages this community may present to Somalia in the short- and long-term.

Table 1: Comparison of East African Countries (EAC) and Somalia in Terms of Production

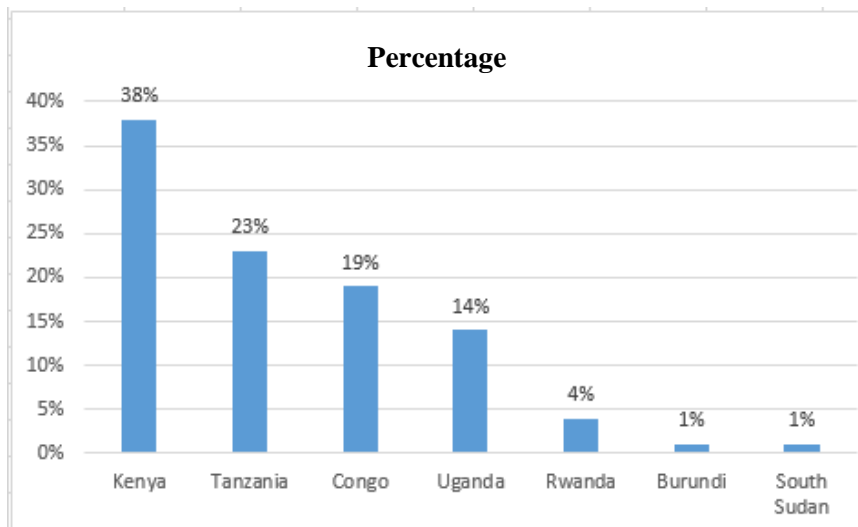
Years	Somalia(GDP)	Burundi (GDP)	Uganda(GDP)	South Sudan(GDP)
2017	5,609,000,000	2,712,324,087	30,744,473,912	3,029,921,940
2018	5,850,677,296	2,660,123,624	32,927,025,573	3,941,454,308
2019	6,476,674,592	2,581,268,126	35,353,060,634	4,079,707,643
2020	6,965,285,325	2,780,510,625	37,600,368,181	3,393,938,633
2021	7,292,721,820	2,902,029,386	40,434,701,517	3,380,268,969
Time	Kenya(GDP)	Tanzania (GDP)	Rwanda(GDP)	Congo, Dem. Rep. (GDP)
2017	82,035,800,868	53,320,625,959	9,252,834,120	38,019,265,626
2018	92,202,956,321	57,003,713,611	9,642,440,646	47,568,210,068
2019	100,379,713,697	61,136,873,692	10,356,327,149	51,775,830,726
2020	100,666,542,666	62,409,709,111	10,184,345,442	48,716,960,860
2021	110,347,079,517	67,775,101,794	11,070,356,519	53,958,573,693

The data was collected from the World Bank database

The most prolific nation in the East African Community (EAC), according to the figure above, is Kenya, which produced goods and service worth \$110.3 billion in 2021. Tanzania came in second with \$67.7 billion in production. The lowest producers, with a combined production of \$6 billion, are South Sudan (\$3.3 billion) and Burundi (\$2.9 billion).

It's important to note that Somalia, which is now a candidate to join the East African Community (EAC), produced 7.2 billion dollars in 2021, surpassing the production of Burundi and South Sudan, both of which are East African Community members (EAC). If Somalia's entry into the East African Community (EAC) is accelerated, it will rank as the sixth most productive nation in the EAC, producing only 2% of the Community's total output, and will not contribute much. Additionally, it will not be an economically vigorous member of the East African community.

EVALUATION IN TERMS OF TOTAL PRODUCTION SHARE



The data was collected from the World Bank database

Kenya is the most productive country in the East African Community with a total output of 38%, followed by Tanzania with 23% and Burundi and South Sudan with a total output of 2%.

Table 2: Population Assessment of Somalia and the East African Community

No	Name of the Country	Population No
1	Congo. Demo. Rep.	92,377,986
2	Tanzania	61,498,438
3	Kenya	54,985,702
4	Uganda	47,123,533
5	Somalia	16,359,500
6	Rwanda	13,276,517
7	Burundi	12,255,429
	South Sudan	11,381,377

The data was collected from the World Bank database

If Somalia joins the East African Community, it will be the 5th most populous country among the member countries, with Somalis making up 5% of the total population of the East African Community. On the other hand, Somalia will open its doors to 292,898,982 people of the East African Community as it is known that Somalia is not stable in terms of security and economy.

Table 3: Examination of Foreign Trade of Somalia and the East African Community (EAC) With Other World Countries.

Country	Somalia	Burundi	Uganda	
Export(2021)	1,305,273,950	145,109,997	6,342,558,847	
Import(2021)	6,370,044,470	691,215,997	10,646,655,942	
Trade Balance(2021)	-5,064,770,520	-546,106,000	-4,304,097,095	
Country	Kenya	Tanzania	Rwanda	Congo, Dem. Rep.
Export(2021)	11,662,731,889	9,712,766,572	2,110,469,007	21,651,289,631
Import(2021)	22,179,806,764	11,557,280,891	3,851,166,792	21,234,909,902
Trade Balance(2021)	-10,517,074,875	-1,844,514,319	-1,740,697,785	416,379,729

The data was collected from the World Bank and Trading Economics databases

The East African Community, excluding the Congo, has a trade imbalance of \$18.9 billion, which shows that domestic output is incredibly low, exports are also remarkably low, and they are dependent on other nations to bolster their domestic consumption. Additionally, Somalia has a 5 billion dollar foreign trade deficit due to its reliance on annual imports from outside of 6.3 billion dollars and exports of only 1.3 billion dollars in goods and services. This demonstrates that the population of East African community and the Somali population are consuming society rather than production societies. It is important to consider what products and services a country like Somalia, whose people rely on imported goods and services for their daily needs could provide to the East African Community market if it joined at this time?

FOREIGN TRADE RELATIONSHIP BETWEEN THE FOUNDERS OF THE EAST AFRICA COMMUNITY (EAC) AND SOMALIA.

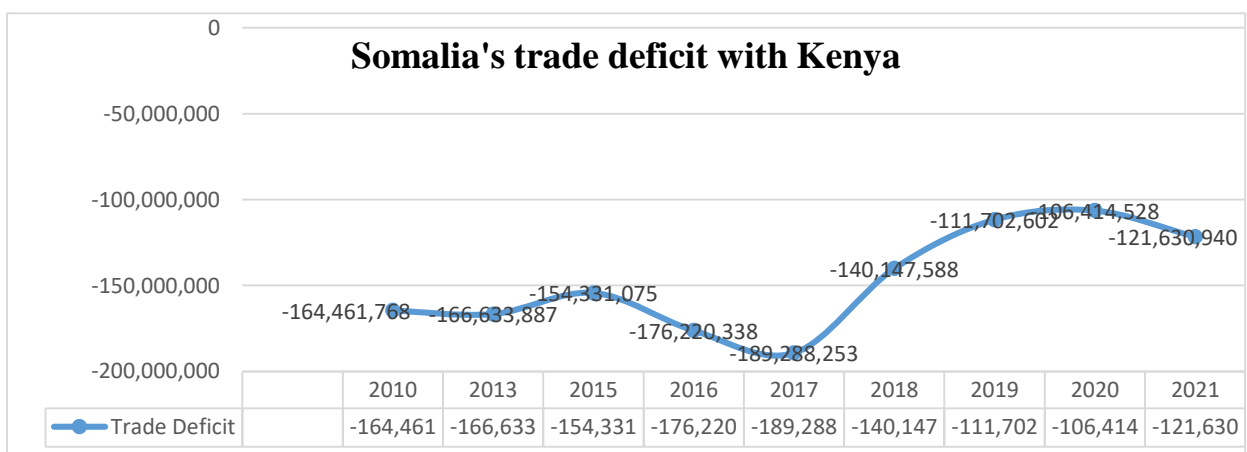
Here, the trade ties between Somalia and the three founding members of the East African Community (EAC), with whom Somalia performs the most of its trade, will be addressed.

Table 4: Somalia and Kenya

Years	Somalia Imports from Kenya	Somalia Exports to Kenya	Trade Volume	Trade Deficit
2010	164,706,929	245,161	164,952,090	-164,461,768
2013	170,044,818	3,410,931	173,455,749	-166,633,887
2015	154,623,268	292,193	154,915,461	-154,331,075
2016	176,741,045	520,707	177,261,752	-176,220,338
2017	190,199,146	910,893	191,110,039	-189,288,253
2018	148,794,903	8,647,315	157,442,218	-140,147,588
2019	116,031,735	4,329,133	120,360,868	-111,702,602
2020	106,921,510	506,982	107,428,492	-106,414,528
2021	122,526,044	895,104	123,421,148	-121,630,940

Data were collected from the Trading Economics database.

In the previous year(2021), trade between Kenya and Somalia totaled \$123 million. Trade between the two countries has recently dropped as a result of Khad, which is the most traded good between them and is sometimes influenced by the political decisions made by leaders.



It is important to note that although there is unfair trade between the two countries, Kenya is the country that benefits most from this trade. While Kenya benefits from this trade for 122.5

million dollars a year, Somalia only benefits less than 895,000 thousand dollars and Somalia's trade deficit with Kenya is 121.6 million dollars.

Kenya's open khat market in Somalia will stay open if Somalia joins the EAC because there will be less Somali political decisions that are hostile to the Khad and Kenyan khat dealers will also pay lower taxes as a result of the integration of customs. Kenya will continue to benefit from foreign trade if Somalia does not produce goods and services that will soon be in a competitive position.

Table 5: Somalia and Tanzania

Years	Somalia Export to Tanzania	Somali Import from Tanzania	Trade Volume	Trade Deficit
2010	32,597	8573560	8,606,157	-8,540,963
2012	6,516	585987	592,503	-579,471
2014	52,153	2793550	2,845,703	-2,741,397
2015	426,169	388597	814,766	37,572
2017	5,021	746761	746,766	-746,756
2018	1,325	1187726	1,187,727	-1,187,725
2020	1,640	1573079	1,574,719	-1,571,439
2021	2,563	558452	561,015	-555,889

Data were collected from the Trading Economics database.

Over the previous eleven years, trade between Somalia and Tanzania has decreased. Between the two nations, trade volume declined from 8.5 million dollars in 2010 to 561 thousand dollars in 2021. Tanzania nevertheless proved advantageous despite the modest amount of trade. With Tanzania, Somalia has a \$555,000 trade imbalance.

Table 6: Somalia and Uganda

Years	Somali Import from Uganda	Somalia Export to Somalia Uganda	Trade Volume	Trade Deficit
2010	3,720,461	139	3,720,600	-3,720,322
2011	5,136,720	30	5,136,750	-5,136,690
2012	13,709,685	298,355	14,008,040	-13,411,330
2013	7,779,674	15,853	7,795,527	-7,763,821
2014	4,475,103	3,942	4,479,045	-4,471,161
2015	2,255,422	497,419	2,752,841	-1,758,003
2016	2,792,739	671,145	3,463,884	-2,121,594
2017	1,484,181	228,891	1,713,072	-1,255,290
2018	1,240,607	265,369	1,505,976	-975,238
2019	556,375	784,905	1,341,280	228,530
2020	675,677	76,474	752,151	-599,203

Xogta waxaa laga soo aruuriyay database'ka Trading Economics

In a similar vein, recent years have seen a sharp decline in Uganda and Somalia trade relations. The amount of trade between the two nations decreased from \$3.7 million in 2010 to \$752K in 2020.

However, Uganda has benefited from trade between the two countries as shown in the table above. In 2020, the trade deficit between Somalia and Uganda was \$599 thousand.

CONCLUSION AND EVALUATIONS

Somalia has endured harsh conditions for the past 30 years, its economic infrastructure has been damaged, the government is struggling to provide even basic services, and the international community pays about 60% of the country's budget. While Somalia's annual GDP is \$7 billion, the country imports \$6 billion worth of goods and services from the rest of the world. On the other hand, Somalia exports \$1.3 billion to the rest of the world. This shows how little a country produces and how dependent it is on imports. As a result, Somalia cannot easily become economically and competitively effective by joining the East African Community(EAC) while it is in this unproductive and impoverished condition. However, if Somalia enters this Community as soon as feasible, it will struggle to have a considerable influence on the decisions made by the East African Community because it will only contribute 2% of the Community's total output and only 5% of its population. It will also be challenging for Somalia to deal with any issues that may occur if millions of people from the East African Community member states migrate to Somalia in quest of employment. As a recommendation Somalia must strengthen its economy and create a peaceful environment based on stable

policies before joining this community. The production factories destroyed during the civil war must be restored. Education systems must be improved to raise an educated generation that can help increase the productivity of the country. However, if Somalia wants to achieve significant economic growth in the short and long term, top priority should be given to building economic infrastructure and fighting corruption.

REFERENCES

- Babu, J. O., Kiprop, S., Kalio, A. M., & Gisore, M. (2014). External debt and economic growth in the East Africa community. *African journal of business management*, 8(21), 1.
- Bachmann, V., & Sidaway, J. D. (2010). African regional integration and European involvement: external agents in the East African Community. *South African Geographical Journal*, 92(1), 1-6.
- Bagabo, P. W. (2012). *Commitment to the East African community customs union protocol, 2004-2009* (Doctoral dissertation, University of Birmingham).
- Bar, J. (2018). East African Communities (1967-1978, 1999-) and their Activity for Political Stability of the Region. *Politeja*, 56, 247-266.
- Barya, J. J. (2011). *Social security and social protection in the East African community*. fountain publisher.
- Bass, H. H. (2018). A common currency for the East African community? Lessons from the introduction of the euro. *International Business and Global Economy*, 37(1), 215-230.
- Buigut, S. (2011). A fast-track East African Community Monetary Union? Convergence evidence from a cointegration analysis. *International Journal of Economics and Finance*, 3(1), 255-261.
- Gakwaya, E. (2011). The Impact of Regional Integration to Local Industry: Case of the Republic Of Rwanda The East African Community Market. In Iceri2011 Proceedings (Pp. 2621-2630).
- Hazlewood, A. (1979). The end of the East African Community: What are the lessons for regional integration schemes?. *JCMS: Journal of Common Market Studies*, 18(1), 40-58.
- Kagwanja, P. (2007). Calming the waters: the East African community and conflict over the Nile resources. *Journal of Eastern African Studies*, 1(3), 321-337.
- Kasaija, P. A. (2004). Regional integration: A political federation of the East African Countries?. *African Journal of International Affairs*, 7(1-2).
- Katembo, B. (2008). Pan Africanism and Development: The East African Community Model. *Journal of Pan African Studies*, 2(4).

- Kermoian, R., & Leiderman, P. H. (1986). Infant attachment to mother and child caretaker in an East African community. *International Journal of Behavioral Development*, 9(4), 455-469.
- Levard, L., & Gabagambi, D. (2012). Intra-Regional Trade Limitations for Agricultural Commodities in the East African Community.
- Little, M. C., Reay, P. J., & Grove, S. J. (1988). The fish community of an East African mangrove creek. *Journal of Fish Biology*, 32(5), 729-747.
- Magani, A. G. (2019). Common External Tariffs and Trade Efficiency Lessons for Cross-listed Firms in the East African Community.
- Makau, S. M., Onyuma, S. O., Okumu, A. N., Samuel, O. O., & Agatha, N. O. (2015). Impact of Cross-border listing on stock liquidity: Evidence from East African community. *Journal of Finance and Accounting*, 3(1), 10-18.
- Munro, J. L. (1967). The food of a community of East African freshwater fishes. *Journal of Zoology*, 151(3), 389-415.
- Ojah, K., Gwatidzo, T., & Kaniki, S. (2010). Legal environment, finance channels and investment: The East African example. *The Journal of Development Studies*, 46(4), 724-744.
- Okiro, K. O. (2015). The effect of corporate governance and capital structure on performance of firms listed at the East African Community Securities exchange.
- Onyango, R. A., & Were, M. (2015). Determinants of economic growth in the East African Community. *International Journal of Economics, Commerce and Management*, 3(11), 1183-1196.
- Othieno, L., & Shinyekwa, I. (2011). *Trade, revenue and welfare effects of the East African Community Customs Union Principle of Asymmetry on Uganda: an application of Wits-Smart simulation model* (No. 677-2016-46674).
- Reith, S., & Boltz, M. (2011). The East African Community: Regional integration between aspiration and reality. Konrad Adenauer Stiftung: International Reports, 9(1), 91-107.
- Wairimu, C. (2019). Examining East Africa Community Strategies for Forging a Common Identity among the Citizenry: A Comparative Study of the Promotion of the East Africa Community Anthem and Kiswahili in Uganda.
- Yabara, M. M. (2012). *Capital market integration: progress ahead of the east African community monetary union*. International Monetary Fund.