

SOUTH SUDAN'S QUEST FOR REGIONAL INTEGRATION

Anne W. Kamau

Framing the Issue

Over the past year, South Sudan has made considerable efforts to participate in the global economy by applying for membership to strategic international and regional bodies, including the East African Community (EAC)—a regional intergovernmental organization consisting of Kenya, Uganda, Tanzania, Rwanda and Burundi. South Sudan made the application against a backdrop of envisaged economic benefits from trade and commerce that it hopes to gain from having access to a much larger market (140 million people). In addition, it expects to be able to take advantage of the community's existing infrastructure (especially airports, railways, land roads and seaports) to improve its access to regional and global markets in order to increase trade. Despite the recent changes in the country's macroeconomic conditions, including a significant reduction in oil revenues and violent interethnic conflicts, South Sudan has not suspended its application to join the EAC. Nevertheless, while integration looks appealing, it also comes with costs. For one thing, South Sudan is likely to lose income from tariffs imposed on imports from EAC member-countries and its domestic producers would face significant competition from the EAC's more experienced exporters.

In establishing the EAC, member countries sought to provide themselves with a structure that would enhance their ability to trade with each other, as well as participate more effectively in the global economy (EAC 2007, Article 5). The primary objective of the EAC is to develop a single market in East Africa anchored on free internal and external trade. South Sudan's eventual integration into the EAC will benefit not only South Sudan, but also other members of the community (Mkinga 2012). For example, South Sudan is endowed with a significant amount of natural resources, which include oil, minerals, water, forests and rich agricultural lands, and the Government of South Sudan (GoSS) has also indicated that it is interested in establishing the type of large-scale commer-

cial farming that could turn South Sudan into the breadbasket of the region. Success of this ambitious project could help reduce the region's dependence on food imports and significantly improve food security (UNECA 2011).

Joining the EAC is a great long-term plan for South Sudan. However, the macroeconomic conditions on the ground are on a perturbing path. With the stoppage of oil production, which accounts for as much as 98 percent of South Sudan's budget revenue, the economic situation is likely to worsen (Stearns 2012). According to South Sudan's Finance Minister Kosti Manibe Ngai, "there is a possibility of depreciation of the South Sudan pound, leading to expensive imports and spilling to high levels of domestic inflation" (GoSS 2012). This would make it difficult for South Sudan to meet any macroeconomic convergence criteria for the EAC. The outcome could be increased poverty levels and the failure of the government to maintain spending on critical areas such as the delivery of basic human services.

What's at Stake?

Becoming a member of a regional trading bloc portends many benefits, but also comes at a cost. Some South Sudanese citizens have expressed concerns about potential lost jobs, revenue, business and industry to the more developed nations of the EAC. The literacy rate is only 27 percent in South Sudan, compared to Kenya, Uganda and Tanzania at 87 percent, 73 percent and 72 percent respectively (UNDP 2012). Agriculture employs about 80 percent of the labor force and domestic industries are still in their embryonic stages of development (UNFAO 2008). Moreover, the EAC intends to eventually adopt a single currency, harmonize fiscal and monetary policies, and ultimately evolve into a political federation. This implies a loss of autonomy in such areas as the design and implementation of fiscal and monetary policies, as well as the ability to carry out other political duties independently from all the other EAC member countries.

Although South Sudan stands to benefit significantly from membership in the EAC, especially in the long run, it must evaluate its application carefully to make certain that this is indeed the appropriate time to seek membership.

The decision to admit South Sudan into the EAC is a function of the EAC heads of state, who are expected to decide on this issue during their November 2012 Summit. In a previous EAC summit communiqué, the EAC heads of state “expressed concern about the ongoing conflict between the Republic of Sudan and South Sudan and appreciated the role partner states have played in resolving the conflict in the Sudan.” A committee was charged with visiting South Sudan and establishing whether South Sudan meets the criterion for membership according to Article 3 (3) of the EAC Treaty, which sets the conditions for membership. Such conditions include “(a) acceptance of the Community as set out in the Treaty; (b) adherence to universally acceptable principles of good governance, democracy, the rule of law, observance of human rights and social justice; (c) potential contribution to the strengthening of integration within the East African region; (d) geographical proximity and interdependence between it and the Partner States; (e) establishment and maintenance of a market driven economy; and (f) social and economic policies being compatible with those of the Community.”

South Sudan is in a good position to have its application for membership in the EAC approved. First, South Sudan has the potential to contribute significantly to the strengthening of integration within the East African region. South Sudan is a neighbor to most of the EAC states and its government has indicated in its development plans that it is interested in establishing and maintaining a market-driven economy. In addition, the government is continuing its efforts to establish a governance system based on the rule of law and respect for human rights and social justice. Second, South Sudan shares historical and cultural links with virtually all EAC members.

The EAC has made significant progress toward integration during the last 12 years of its existence. The *customs union* and *common market* are already in place and the East African Monetary Union protocol is currently being negotiated by a High Level Task Force and is expected to be signed by the heads of state by December 2012 (EAC e-Newsletter 2012). Preparations are ongoing to introduce a single currency, a process that will be accompanied by or undertaken in conjunction

with the harmonization of monetary and fiscal as well as welfare policies. Considering the progress that has already been made in the EAC, the question to ask is whether South Sudan is ready to be absorbed into a larger, more developed and complex market. The harmonization of fiscal, monetary and welfare policies could make it very difficult for South Sudan to undertake the types of policies that target vulnerable groups within its borders. Harmonization compels members to surrender authority over certain public policies. Given that South Sudan is likely to be the poorest country in the community, the government should seriously consider the fact that membership may deprive it of the ability to solve problems unique to its economy. For example, the type of fiscal discipline required to achieve macroeconomic convergence in the EAC could be detrimental to efforts to strengthen South Sudan’s fragile economy—an economy suffering from more than 50 years of neglect by Khartoum, as well as the destructive effects of more than 30 years of civil war. Since South Sudan is likely to have the weakest economy in an expanded EAC, it might be necessary for the GoSS to seek assistance from the community. South Sudan must protect its vulnerable populations, as well as develop domestic productive capacity in order to enhance the country’s ability to compete effectively.

Policy Recommendations

South Sudan needs to make certain that this is the right time to join EAC and prepare itself to participate gainfully if membership is granted, or withdraw until a time when they are economically strong enough to become a member. Some policy suggestions to enhance South Sudan’s participation in the EAC are offered below:

- **Examine macroeconomic policies required to meet the criteria for integration.** The GoSS has the challenge of implementing macroeconomic policies that support economic growth and the creation of wealth—some of the more immediate policies to enhance growth include providing opportunities, especially in the rural areas, for human capital formation; helping rural farmers gain access to urban markets so that they can sell their output and secure necessary inputs for their farms; providing opportunities for entrepreneurs to obtain credit; and generally securing the peace in order to create an enabling environment for investment. In joining the EAC, South Sudan also agrees to meet the necessary macroeconomic con-

vergence criteria and therefore would have to maintain low inflation and budget deficits, as well as high economic growth rates. This is likely to be a serious challenge for a nation that is currently building an economy devastated by years of brutal civil war. Further, the macroeconomic situation resulting from the closure of oil production—slow economic growth, the depreciated South Sudanese pound, and high inflation—makes it difficult for South Sudan to meet the criterion necessary for full integration.

- **Build appropriate infrastructures and institutions.** Infrastructure plays a central role in trade and cultural exchanges between regions both domestically and internationally. South Sudan lacks roads and communication infrastructure—it currently has only 100 kilometers of paved roads (IMF 2011). Providing itself with effective and fully functioning infrastructure, as well as appropriate governmental institutions to enhance trade, is key to South Sudan's ability to extract benefits from its membership in the EAC. Another case in point, is the farm-to-market roads access. South Sudan's predominantly rural agricultural sector will not be able to participate fully in the trade opportunities offered by EAC membership. Thus, South Sudan must secure the necessary revenues for infrastructure development, which requires the GoSS to resolve any issues with oil production and resume production as soon as possible. Perhaps, more important is the fact that South Sudan's economy does not currently generate enough tax revenue to adequately finance all of the government's planned development projects.
- **Ensure a peaceful environment to facilitate trade.** Regional integration offers a wide array of benefits for South Sudan, especially in the long run. Nevertheless, for these benefits to be realized, South Sudan needs to promote the peaceful coexistence of ethnic groups to enable them to engage in productive activities and trade. The government should ensure that universally acceptable principles of good governance are adhered to by all ethnic and government institutions; it must ensure that democracy and the rule of law are practiced, and human rights and social justice are observed. Unless South Sudan provides itself with an internal peaceful environment that will facilitate trade, it is not likely to benefit from membership in the EAC.

References

- EAC 2007. *Treaty for the Establishment of the East African Community* at <http://www.eac.int/treaty>, As Amended on December 14, 2006 and August 20, 2007.
- EAC e-Newsletter Update Issue 2012. No. 54, p. 6, January 31, 2012.
- EAC Heads of State 2012. *Communiqué of the 10th Extraordinary Summit of EAC Heads of State Held on the April 28, 2012 at Ngurdoto Mountain Lodge, Arusha, Tanzania: Towards a Single Customs Territory*, Arusha, Tanzania, 2012.
- GoSS 2012. *2011/2012 Budget Speech to National Legislative Assembly by Hon. Kosti Manibe Ngai, Minister of Finance & Economic Planning*, Juba, 2012.
- IMF 2011. *South Sudan Faces Hurdles as World's Newest Country*, Washington, DC: IMF, 2011.
- Mkinga, M. 2012. *Citizen Reporter Tanzania*, at <http://www.thecitizen.co.tz/sunday-citizen/-/22317-south-sudan-eyes-eac-membership>, May 13, 2012.
- Stearns, S. 2012. "Sudan Fighting Damages Both Sides' Oil," at <http://www.globalsecurity.org/military/library/news/2012/04/mil-120427-voa04.htm>.
- UNDP 2011. *Human Development Report, 2011* (New York: Oxford University Press, 2011), p. 160.
- UNDP 2012. *Africa Human Development Report 2012: Towards a Food Secure Future* (New York: Oxford University Press, 2012), p. 173.
- UNECA 2011. *Tracking Progress—Report for the Intergovernmental Committee of Experts on Macroeconomic and Social Developments in the Eastern Africa Region 2011*, Dar es Salaam, Tanzania, Economic Commission for Africa Sub-Regional Office for Eastern Africa SRO-EA.
- UNFAO 2008. *South Sudan Agricultural Market Investment Innovative Use of a PPP to Build Institutional Capacity Rapidly*, Rome: FAO, 2008.