

TRADE >> RACE FOR REGIONAL DOMINANCE BELIEVED TO BE THE MAIN DRIVING FACTOR BEHIND LATEST TRADE SPAT BETWEEN STATES

Uneasy Dar, Nairobi ties test EAC gains

Ultimately, analysts say, the buck stops with the two presidents and escalation should stop

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There seems to be no end in sight for the protracted trade war between Kenya and Tanzania. The differences have even raised concerns that they could slow down East African Community's (EAC) integration agenda.

Last month, Tanzania closed its border after the government banned grain exports to protect its limited stocks, putting Kenya's effort to import maize from Zambia in limbo. Kenya has also imposed a ban on importation of gas and wheat from Tanzania, saying it will only allow wheat flour and other products that are milled from grain wholly produced in Tanzania, or whose full Common External Tariff (CET) rate has been applied. Dar es Salaam has blocked Kenyan milk and tyres from entering its territory.

Apparently, the range of products that are being banned across the borders keep increasing.

The cracks in the relationship between the two EAC members were also on display in March at the Namanga border. Kenyan businesspeople operating at the border staged a protest for being denied entry into Tanzania to conduct business following a Tanzanian government directive to deport foreigners operating in the country illegally.

Kenya later responded in kind, sending home Tanzanians working without the requisite permits at the border town.

These series of actions underline an uneasy diplomatic relationship between Nairobi and Dar es Salaam, whose roots are traceable to the coming to power of President John Pombe Magufuli in November 2015. The new president immediately courted Kenya's wrath when he forced a review of the Economic Partnership Agreement with Europe and persuaded Uganda to opt for an oil pipeline through Tanzania.

The not-so-friendly relationship is now threatening to roll back the gains made in the bloc's integration bearing in mind that the driving force behind the union is enhanced regional trade. Economists aver that there are a lot more benefits from having open borders within the region than there would be when individual countries restrict trade. However, the actions by the two countries point to a growing protectionism, which doesn't augur well for



Tanzanian President John Pombe Magufuli.

free trade and unrestricted movement of people.

Analysts say that while the two countries could be having genuine concerns, these are clouded by what is seen as some kind of tit for tat. Moreover, they add that the issues that the respective countries are raising, such as safety risks in regard to Kenya's importation of Tanzanian gas, could be easily resolved diplomatically instead of being left to fester.

There are some signs though of efforts to address the trade war. Regional trade ministers were scheduled to meet

last Thursday to try and resolve the spat. The EAC Secretariat has also written to Kenya over the trade dispute. In fact, it has been reported that President Magufuli has himself written to his Kenyan counterpart.

Prof Macharia Munene, an expert of History and International Relations at the United States International University (USIU) - Africa said the differences between Nairobi and Dar es Salaam can be addressed if the heads of the two States act robustly and proactively on the series of misunderstandings on trade.

"All these other players can talk policies, but it is up to the two presidents to put a stop to this nonsense," said Prof Macharia.

When the two presidents are decisive, he said, their ministers will adhere to their instructions and act accordingly in bridging the differences and stop them from escalating.

"There have been some ideological differences between the two countries. We know that there is some sort of competition for who gets better than the other, but this is not a good reason for some of the things which have been going on," said Prof Munene.

The echoes of the current spat can be traced to the East African Cooperation, which collapsed in 1977. One of the weaknesses cited then was that it was politically driven and some of its key decisions depended on the whims of the leaders at the time - Presidents Jomo Kenyatta (Kenya), Milton Obote (Uganda) and Julius Nyerere (Tanzania).

Ideological differences were as a result of Kenya embracing capitalism with Tanzania going the socialism way through Ujamaa. Uganda's position oscillated between capitalism and

1977

The year the East African Cooperation, the first attempt at integration collapsed

socialism through Mr Obote's political and economic blueprint, the Common Man's Charter.

Another stumbling block for the first attempt at integration were the different levels of economic development where Kenya was seen as benefiting disproportionately while other partner States were merely net importers from the country. Kenya's perceived trade dominance within the region still lingers.

Fingers have also been pointed at the change in policies by the current Tanzanian administration for the current standoff. Kenyan businesses, which have operations in Tanzania say Dar es Salaam's economy is witnessing a change in policies and procedures under the government of Mr Magufuli. "We have been growing by 20 per cent, but at the moment we have a challenge in Tanzania. Business has slowed down in Tanzania for the last six months, it is really down there because of the restructuring of economic model of the country by the president," Crown Paints CEO Rakesh Rao, told shareholders last month during the company's annual general meeting in Nairobi.

After coming into office Mr Magufuli launched a crackdown on tax evasion targeting large firms. Some foreign investors are reported to have said that they could scale back operations because of tougher demands placed on firms, including high tax bills.