

The Impact of East African Community (EAC) Integration on Somalia's Economic Development: Insights from Puntland and Jubaland

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ABSTRACT

The East African Community (EAC), consisting of Burundi, Kenya, Rwanda, the Democratic Republic of the Congo, South Sudan, Uganda, Tanzania, and Somalia, was established to enhance economic cooperation and consolidate democracy within the region. Somalia, plagued by decades of civil war and economic instability, officially joined the EAC in 2024. This study investigates the potential impact of EAC integration on Somalia's economic development, focusing on the roles of the common market and customs union. Using primary data collected through a closed-ended questionnaire administered to staff members of the Puntland and Jubaland ministries of trade and commerce, the study employs SPSS for data analysis. The findings highlight the significance of regional integration in promoting economic growth and stability in Somalia.

Keywords: EAC, Somalia, Economic cooperation, Civil war, Economic development

1. Introduction

The East African Community is increasingly becoming the most indispensable vehicle for economic cooperation and integration in Eastern Africa. As of 2024, when Somalia officially joined EAC, much interest has been built as to the possible implications which regional integration could have on the economic development of the country. After two decades of civil war, Somalia is faced with the challenge of rebuilding its economy and infrastructure. This presents the EAC with both an opportunity and a challenge regarding Somalia's economic recovery process.

This paper, therefore, tries to examine the likely impact of EAC membership on Somalia's economic development, with a particular emphasis on the EAC's common market and customs

union. The study explores whether integration into the EAC will spur economic growth for Somalia, attract FDI, and promote regional trade opportunities.

2. Literature Review

2.1 Conceptual Framework

2.1.1 Production Integration

The integration of production processes relates to coordinating and harmonizing productive processes in as many countries as possible within the region to achieve higher economies and specialization. Indeed, within the context of integrating Somalia into the EAC, production integration makes it possible to make use of Somali comparative advantages towards agricultural production and its long coastline for purposes of contributing to and benefiting from regional value chains (Kaplinsky & Morris, 2012). Consequently, this should help Somalia focus more on industries of production in which it enjoys the highest competitive advantage and, henceforth, improve their overall productivity and economic performance.

2.1.2 Intra-Regional Trade

The intra-regional trade pertains to the importation and exportation of goods and services within a defined geographical boundary, say the East African Community. Mwangi & Ndegwa (2019) echoed the importance of such trade that would ascertain economic integration and allow for economic development among member states. Under the umbrella of the EAC, Somalis stand to benefit through an opportunity to increase their economic engagements through expanding markets and reducing dependency on third-party traders due to intra-regional trade. This will increase intra-regional trade and improve the balance of trade, hence bringing economic stability.

2.1.3 Economic Diversification

Economic diversification refers to the process through which countries expand their economic base by developing a wider range of sectors that are less dependent on just a few economic activities. Somalia's economic diversification has become and will continue to be essential for reducing its vulnerability to external shocks and achieving long-term economic sustainability. Integration within the EAC will expose Somalia to other sectors in which it can diversify, since its economy is predominantly dependent on agriculture and livestock. This is according to UNCTAD (2017).

2.2 Theoretical Review

2.2.1 Comparative Advantage Theory

According to David Ricardo's Comparative Advantage Theory, countries should concentrate their efforts on producing commodities for which they have relative comparative efficiency. The theory thus demands that Somalia identify those sectors where it can compete effectively within the EAC—including agriculture and fisheries—and develop them first (Ricardo, 1817). However, the limitations this theory faces in explaining such modern aspects as technological advancement and scale economies necessitate the application of a more developed approach in regard to Somalia's economic development process (Krugman, 1980).

2.2.2 New Trade Theory

New Trade Theory conditions explain that economies of scale and network influence significantly affect international trade. Integration into EAC will expose Somalia to wider markets, decreasing the cost of production, hence increasing competitiveness. As explained by Krugman, 1980, it justifies the notion that Somalia benefits from industrial agglomeration and increased trade activities within the EAC.

2.2.3 Endogenous Growth Theory

According to Endogenous Growth Theory, developed by Romer in 1990, internal factors such as human capital, innovation, and technology play a central role in determining long-term economic growth. EAC integration may promote the transfer of technology and skills, two vital ingredients that could speed up sustainable development in Somalia. This also provides a theoretical foundation for policy intervention in education, innovation, or related areas to meet Somalia's EAC goals.

2.2.4 Institutional Theory

As North 1990 confirms, institutional theory postulates that institutions have a huge impact on the quality of economic outputs. For example, in Somalia, integration into the EAC might boost institutional frameworks that improve governance, lower transaction costs, and guarantee economic stability. This theory is very apt at this time when Somalia must conform to the institutional practices of other states in the EAC if they are to reap the full benefits of regional integration.

2.3 Empirical Literature

2.3.1 Factors Influencing Intra-Regional Intermediate Exports

Empirical evidence has identified that factors such as infrastructure quality, availability of financial resources, and levels of industrialization are important determinants of export performance in sub-Saharan Africa (Edwards & Rankin, 2017). More likely, these will also be crucial in Somalia's situation for enhancing intra-regional intermediate exports within the East African Community (EAC). The second factor comes from Mendez-Parra and Willem te Velde (2019), who outline that when considering regional trade agreements, in Somalia's case, active participation in EAC trade arrangements may create enormous growth in export volumes.

2.3.2 Economic Policies and Regional Market Dynamics Driving Intra-Regional Intermediate Imports

Hence, the study by Tsikata, Arthur, and Asmah (2016) brings into focus how liberal trade policies and market stability affect import dynamics in regional blocs like the ECOWAS—an aspect relevant to the EAC. Therefore, harmonization of economic policies with the EAC will put Somalia in a better position for improvement in importing intermediate goods that promote industrial development in countries. Mwangi and Ndegwa (2019) further affirm that economic stability and market size are the major determinants of flows in importing; thus, Somalia has to stabilize its economy to fully reap the accruing benefit from EAC trade.

2.3.3 Contribution of Trade Policies and Infrastructure to Merchandise Trade Complementarity

For example, Kandiero and Wadhawan (2013) found that the appropriate alignment of trade policies increases the trade complementarity among the SADC member states, a factor relevant to the EAC. According to UNCTAD (2017), infrastructure development, particularly in transport and logistics, would go a long way toward developing the trade relations within the EAC. Investment in these areas could remarkably promote Somalia's trade mutual with other EAC nations.

2.4 Knowledge Gap

Even with these in-depth studies on regional integration, there are several gaps in Somalia's EAC-specific context. First, there is generally limited empirical research on how Somalia's unique economic structure affects its integration into the EAC, most especially in terms of intra-regional exports and imports. Second, we haven't thoroughly examined how Somalia's pursuit of economic policies and infrastructure advancements shapes its integration with regional

production networks. While there is considerable literature on the importance of human capital in economic development, little empirical literature exists regarding interventions in individual human capital for Somalia as a facilitator for productive integration and economic diversification in the EAC.

This therefore calls for the filling of such gaps through a wide analysis of the drivers of Somalia's economic integration into the EAC. It is from this backdrop that this research will contribute fresh insights to the policy recommendations tailored for the specific economic, infrastructural, and human capital bottlenecks facing Somalia.

3. Methodology

This study adopts a quantitative research design, employing descriptive statistics to evaluate the impact of EAC integration on Somalia's economic development. We collected data by administering structured questionnaires to staff members of the Puntland and Jubaland ministries of trade and commerce. Established in 1998, Puntland, an arid region in northeastern Somalia, is the oldest state in Somalia, following the so-called state of Somaliland. In terms of peace, security, infrastructure, services, and the capacity of state institutions, Puntland stands as the most developed state in Somalia. Puntland is a strategic location that links the Indian Ocean and the Gulf of Aden Coast; it occupies nearly one-third of the Somali land area. Puntland has two sea ports (Bosaso port and Gara-ad port), as well as nearly four airports. Jubbaland State, on the other hand, is a federal member state in southern Somalia. The Jubba River, which stretches from Dolow to the Indian Ocean, gives Jubaland its name, and the North Eastern Province in Kenya, carved out of Jubaland during the colonial period, borders its western side. Jubbaland is a region that shares the southern border of Somalia with Kenya. The target population of the study stood at about 250 persons, while the sample size of 153 respondents was determined by using Yamane's formula as stated by Yamane, 1967.

Data from the latter were analyzed using SPSS, version 27, focusing on the association with membership in EAC and the economic performance of Somalia. In particular, we have used the descriptive statistics of means and standard deviations in testing the significance of a common market and customs union on key economic indicators that are entailed by volumes of trade, investment flows, and employment rates.

4. Results and Discussion

4.1 Demographic Characteristics of Respondents

The study involved 153 respondents, with a majority being male (60.7%). The age distribution indicated that most respondents were between 25 and 35 years old (48%), followed by those

aged 36 to 45 (35.3%). The education levels of respondents were predominantly at the bachelor’s degree level (60.7%), with a significant proportion holding master’s degrees (37.3%).

Table 1 Respondents by gender

Gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	91	60.7	60.7	60.7
	Female	59	39.3	39.3	100.0
	Total	150	100.0	100.0	

Source: Primary data (2024)

The table below shows the gender distribution of the respondents surveyed. Out of the sample of 150, 91 were males and represented 60.7%, while females constituted 39.3% with 59 cases. These constitute the clear majority of male respondents in the survey and thus will be representative of male perspectives or experiences. These are indications of a very high dominant percentage for the males, which may influence the general implications and results of the survey accordingly.

Again, the overall percentage in the cumulative percent column adds up to 100%, as would be expected, with the male contributing 60.7% and the female completing the distribution to 100%. This gender imbalance has significant implications for the validity of the resulting survey. This disparity is perhaps the most important agenda for future research efforts, as such a study will strive for a better balance of genders in its samples, capturing a greater level of diversity in insight and perspective, and thereby enhancing the reliability of findings.

Table 2 Respondents by Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	22	14.7	14.7	14.7

25-35	72	48.0	48.0	62.7
36-45	53	35.3	35.3	98.0
46 and above	3	2.0	2.0	100.0
Total	150	100.0	100.0	

Source: Primary data (2024)

The table below illustrates the age distribution of the respondents, highlighting the diversity among the 150 respondents. The largest bracket of upper-year-olds is 25-35 years, with 72 respondents, or 48.0%, followed by the 36-45 age bracket, consisting of 53 respondents, or 35.3%, while the ages of 18-24 have 22 respondents, making 14.7%. The smallest were those 46 and above, with only 3 people falling into that category, or 2.0% of the sample. Such a distribution indicates that the majority of participants in this survey are young to middle-aged.

The cumulative percentiles further define the representatives of an age group more clearly: the first two groups, 18-35, already contain 62.7% and reach 98.0% after joining the group of people aged between 36-45. The minimal representation of those aged 46 and over suggests that older perspectives are underrepresented in the findings. This fact can have a greater impact on the survey results in most cases when the topics are age-related. This, of course, necessitates the participation of older age groups, whose insights will be critical for the validity and comprehensiveness of future research on this topic.

Table 3 Respondents by Education level

Education level

	Frequency	Percent	Valid Percent	Cumulative Percent
High School	3	2.0	2.0	2.0
Bachelor	91	60.7	60.7	62.7

Master and above	56	37.3	37.3	100.0
Total	150	100.0	100.0	

Source: Primary data (2024)

The table above shows the education level of the respondents. The trend illustrates a bias towards higher education among the respondents. 91 respondents, or 60.7% of the sample, held a bachelor's degree, while 56 respondents, or 37.3% of the sample, held a master's degree or higher. Importantly, their representation is quite dismal in the case of only high school respondents, which total a count of 3, amounting to 2.0% of the sample. Based on the distribution, it appears that this population is highly educated, which suggests that they are likely to provide answers that reflect their educational background.

The fact that 62.7% of people have at least a bachelor's degree further clarifies the educational background. The findings point to only a few respondents who had a high school diploma, raising concerns about the representative sample opinions of less educated people. The dominance in the higher grades of education threatens to bias the results, especially for those questions in the survey that rely on an educational background. To capture a wide range of experiences and insights, future research may focus on an increasingly diversified educational profile.

4.2 Analysis of EAC Integration and Economic Development

Table 4 Integration within the EAC's common market will promotes economic Development in Somalia.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	99	66.0	66.0	66.0
	Strongly agree	46	30.7	30.7	96.7
	Disagree	3	2.0	2.0	98.7
	Neutral	2	1.3	1.3	100.0
	Total	150	100.0	100.0	

Source: Primary data (2024)

This table assesses the perceptions of the respondents as to whether integration into the EAC common market would foster economic development in Somalia. A majority, 99 (66.0%), felt such a statement was true and hence were confident in regional economic integration contributing positively. To this end, a significant proportion, 46 (30.7%), strongly agreed, bringing the total to 146 people (96.7%) who supported the assertion. This enormous support indicates that most of the populace believes there are likely certain economic opportunities from such integration.

Contrary to the few who opposed the statement, only 3 respondents, or 2.0%, disagreed, and another 2 respondents, or 1.3%, remained neutral, indicating a greater consensus among respondents regarding the positive impact of EAC integration on Somalia's economic development.

Table 5 The EAC's common market plays a role in attracting foreign direct investment (FDI) to Somalia

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	94	62.7	62.7	62.7
Strongly agree	45	30.0	30.0	92.7
Disagree	7	4.7	4.7	97.3
Neutral	4	2.7	2.7	100.0
Total	150	100.0	100.0	

Source: Primary data (2024)

The table provides an overview of the respondents' responses to the level of influence that the EAC common market has on FDI inflow into Somalia. As many as 94, or 62.7%, of the majority of respondents agree that the EAC common market has a positive effect on attracting FDI inflows, while an additional 45, or 30.0%, strongly agree with the statement. This very strong support from 139 people, or 92.7%, would suggest that the majority of participants believe the common market framework has increased Somalia's attractiveness to foreign investors and may signal confidence in the benefits of regional economic integration.

On the other hand, the table shows that only a minority of the respondents, that is, 7 or 4.7%, disagreed with the statement, while 4 or 2.7% remained neutral. The low levels of disagreement and neutrality suggest that few participants are skeptical about the potential impact of EAC on FDI. The overwhelming tendency in these opinions to view EAC as a facilitator for economic

growth through FDI suggests that the dissenting voices offer valuable insights into potential barriers or challenges to effectively attract investment.

Table 6 Joining the EAC, particularly the common market, will affect positively Somalia's access to regional markets and trade opportunities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	90	60.0	60.4	60.4
	Strongly agree	40	26.7	26.8	87.2
	Disagree	8	5.3	5.4	92.6
	Strongly disagree	2	1.3	1.3	94.0
	Neutral	9	6.0	6.0	100.0
	Total	149	99.3	100.0	
Missing	System	1	.7		
Total		150	100.0		

Source: Primary data (2024)

The table below elicits how respondents were of the view that Somalia's inclusion in the common market of the EAC would impact its access to the regional markets and trade opportunities. Overwhelming 90 respondents, constituting 60.0%, agreed that it would be in positive effect, while 40, or 26.7%, strongly agreed with the assertion. Aggregately, this would mean that 130 respondents—86.7%—are of the view that EAC membership will improve market access and trading opportunities for Somalia; this reflects a considerable optimism about the potentially positive economic impact of integration into the regional framework.

On the other hand, 8 (5.3%) of the respondents disagreed and 2 (1.3%) strongly disagreed with the statement in the table. Further, 9 (6.0%) did not answer the question. Clearly, though the majority believe that EAC membership is paying off positively, a good section is quite worried, if not skeptical, of the implications of such membership. These differences become of interest to policymakers because they demarcate the trade-offs of joining the EAC and ensure that the voices do not go mute in equal discussion on the economic future of Somalia within regional integration.

Table 7 Somalia's membership in EAC common market is expected to have impacts on job creation and employment opportunities in Somalia

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	93	62.0	62.0	62.0
	Strongly agree	42	28.0	28.0	90.0
	Disagree	13	8.7	8.7	98.7
	Neutral	2	1.3	1.3	100.0
	Total	150	100.0	100.0	

Source: Primary data (2024)

The table assesses the expectations of the respondents concerning whether membership in the EAC common market will affect job creation and employment opportunities in Somalia. A majority of 93 (62.0%) agreed that EAC membership will positively affect job creation, while 42 (28.0%) strongly agreed. This implies that 135 respondents, or 90.0%, believe that Somalia's membership in the EAC will bring about a plethora of job opportunities, indicating a strong belief in economic growth and job expansion through regional cooperation.

The table indicates that 13 out of the respondents, representing 8.7%, felt that the membership will create more jobs; however, only 2 were indifferent at 1.3%. This may seem like an overwhelming number with the sentiment of optimism in providing jobs, but a small yet significant number doubts EAC membership as a way to create work. These are fundamental issues that stakeholders need to understand as they strategize about policies and programs that would maximize the employment benefits of integration into EAC as one of the means to respond to barriers to proper job creation in Somalia.

Table 8 Participation in the EAC single market fosters technology transfer in Somalia

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	88	58.7	58.7	58.7
	Strongly agree	50	33.3	33.3	92.0

Disagree	8	5.3	5.3	97.3
Neutral	4	2.7	2.7	100.0
Total	150	100.0	100.0	

Source: Primary data (2024)

As shown in Table 8, 58.7 percent of the respondents agreed that participation in the EAC single market provides an avenue for technology transfer to Somalia. Indeed, this is important for Somalia—the transition of technology and skills is, as a result, very significant, especially for industrial development and economic diversification. The country's 9th National Development Plan, 2024, considers ICT a national priority, according to the National Trade Administration. To that end, SOMINVEST has developed the ICT and Technology National Development Plan, 2024, which considers ICT a national priority, according to the National Trade Administration. The strategy guides and directs investments in these sectors. This covers opportunities in critical sectors like ICT enterprises, investment in research and technology, science and technology, mobile payment services, and the extension of fiber optic networks to major towns and cities.

On the other hand, Somalia has two existing fiber optic network systems connecting it to the global internet: (1) the West Indian Ocean Cable Consortium's (WIOCC) East Africa Submarine Cable System (EASSy), a 10 Tb/s fiber optic network; and (2) DARE1, a 100G subsea cable. Another fiber-optic Somalia. Africa is currently under construction to connect Europe and the Middle East to several African countries, including Somalia.

Technology has a multitude of impacts on Somalia's economic development, including improved financial inclusion, increased productivity, and increased income for farmers. Moreover, technology improves population health, education, and job creation. Despite such influence, a number of challenges are influencing the rate of utilization of technology in Somalia, hence hindering the influence of technology on the economy of the nation. The major obstacles to technology are instability, as it limits access to it due to such aspects as finance and politics, lack of infrastructure, and lack of enough skilled labor. This will be instrumental in the development of Somalia's telecommunication and information technology infrastructure, digital literacy, support for entrepreneurship, improved collaboration, and generally an enabling environment that encourages innovation. In this line of view, the participation by the government of Somalia in the EAC market is believed to facilitate necessary strategies to improve the country's standing in the technology sector.(Hilowle, I. F. 2024).

Additionally, Internet uptake in Somalia is rapidly increasing: There were 1.95 million Internet users in Somalia in January 2021 (12.1 percent of the population, an increase of 20 percent since 2020). Despite the lack of stable energy sources and limited infrastructure, ICT and mobile

communications are some of the fastest-growing sectors that are generating profits. In Somalia, ICT is the third-largest industry in terms of employment. Seventy-three percent of the population over the age of 16 in both rural and urban regions use mobile money (National Trade Administration, 2024).

The growth and expansion of fiber optic network systems have enabled the development of ICT-enabled businesses and ICT services such as mobile money payment systems. Demand for internet and ICT services is significant due in part to the burgeoning youthful population. Mohamed Alin, M. S. (2018) estimates that more than 60 percent of Somalia's population is under 35 years old. The Mobile Data Pricing 2020 Report ranks Somalia as the 7th country in the world and the first in Africa with the lowest average consumer cost for 1 GB of internet data.

Table 9 The customs union promotes market access for Somali goods and services within other EAC member states

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	98	65.3	65.3	65.3
	Strongly agree	31	20.7	20.7	86.0
	Disagree	13	8.7	8.7	94.7
	Strongly disagree	2	1.3	1.3	96.0
	Neutral	6	4.0	4.0	100.0
	Total	150	100.0	100.0	

Source: Primary data (2024)

The table below examines the respondents' perceptions of the customs union's impact on market access for Somali goods and services in other EAC member states. A majority of them, 98 respondents (65.3%), agree that the customs union facilitates improved market access for Somali products, while an additional 31 respondents (20.7%) strongly agree. This means that 129 respondents, or 86.0% of the interviewees, believe that the customs union will facilitate more regional market access for Somali enterprises, indicating a high level of optimism about integration benefits within the EAC framework.

Conversely, 13 (8.7%) expressed disagreement with the statement, 2 (1.3%) expressed strong disagreement, and 6 (4.0%) expressed indifference. This would mean that, although the general trend seems to be well in favor, there is a certain skepticism over whether this union has actually helped in the area of promoting Somali goods and services effectively. Therefore, understanding

such divergent views is important for policymakers, as this indicates the need to address such obstacles to market access and ensure full benefits of regional integration for Somali businesses.

Table 10 Free movement of people and capital facilitates Somali entrepreneurs to confidently invest their capitals in to other member countries of EAC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	91	60.7	60.7	60.7
	Strongly agree	47	31.3	31.3	92.0
	Disagree	5	3.3	3.3	95.3
	Strongly disagree	2	1.3	1.3	96.7
	Neutral	5	3.3	3.3	100.0
	Total	150	100.0	100.0	

Source: Primary data (2024)

The table below summarizes respondents' views on how free movement of people and capital within the EAC instills confidence in Somali entrepreneurs to invest their capital in other member countries. The majority of respondents, 91 (60.7%), agreed to the statement, while 47 (31.3%) strongly agreed that the freedom boosts their confidence for investing in other member countries. This means that 92.0% of the respondents, approximately 138, feel cross-border mobility and investment opportunity have a positive bearing on the development of entrepreneurship in Somalia. That is, most of them appreciate the accruable benefits of regional integration.

The table compression demonstrates that few of the respondents doubt the benefits accrued from free movement, since only five people, or 3.3%, disagree, and two strongly disagree at 1.3%. In addition, there are 5 respondents, or 3.3%, who are neutral. Thus, an overwhelming majority agrees to the fact that free movement provisions add value, while only a handful of them may bring forward doubts or uncertainty about their actual effectiveness. Policymakers must consider these various perceptions discussed above when formulating or designing a facilitating environment that can attract investments and address the bottlenecks impacting the empowerment of Somali business people under EAC membership.

4.3 Discussion

Results of this study have highlighted dividends that could be accrued through the integration of Somalia into the EAC, especially through the Common Market and Customs Union. That upbeat perception among Somali trade officials is recorded on how integration into EAC may affect economic development, investment opportunities, and trade, which is an indication of a larger potential wherein regional cooperation can support the economic recovery process of Somalia.

These benefits, however, have several challenges that Somalia needs to fully address in the realization of these benefits. Realization in the aspects of infrastructure development in transportation and logistical areas will greatly enhance increased trade and access to markets within the EAC region. Accordingly, findings show a need for policy alignment and institutional reforms that will enable Somalia to participate and realize benefits from the economic frameworks within the EAC.

5. Conclusion and Recommendations

This paper provides useful insight on how EAC integration can influence economic development in Somalia. This suggests that Somalia's probable membership in the EAC and the Common Market and Customs Union is likely to significantly boost economic growth, attract more foreign investments, and promote further trade opportunities.

These would require investment in infrastructure by the Somali government and alignment of its trade policies to meet the set standards by EAC. On this background, there would also be sustained investment in human capital and technology as a precondition for industrial development and economic diversification.

Therefore, for long-term effects on Somalia's economy, we recommend employment, technology transfer, and institutional reforms associated with EAC integration. Given the right guidance in policy formulation, a better understanding of the challenges and opportunities that come with regional integration is very important.

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