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South Sudan's EAC Accession

Framing the Issues

In brief

- As one of the world's newest countries, South Sudan faces many choices regarding the nature, pace and design of regional integration strategies. The question of whether South Sudan should seek membership of the East African Community (EAC) is addressed by this policy brief, exploring both the pros and cons.

- If South Sudan joined the EAC, the low-income and weak implementation capacity biases would be heightened. Economically, South Sudan would have to guard against unrealistic expectations regarding trade liberalization and question what the purpose and effects of EAC membership are, particularly in the context of weak institutional and physical infrastructure.

- The benefits from trade in goods will most likely come in importing what one cannot produce efficiently. South Sudan will need a larger regional market in order to reduce its dependence on extractive industries, and EAC factor mobility protocols may improve factor shortages. South Sudan will also likely remain an EAC rule-taker for some time. Furthermore, one needs to weigh integration with the risks of entrenching regional oligopolistic rents.

- If South Sudan aligns its domestic regulatory practices in services with those prevailing in the region, it may improve the efficiency of some services important for export competitiveness. Labour mobility is a politically sensitive challenge, but heightened as an issue given South Sudan's weak labour export capacity and actue domestic skills shortages. Capital mobility requires sound macro-economic management.

- South Sudanese policy makers should familiarize themselves with various forms of regional integration schemes that can accomodate individual member states.

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Background

"Typically, integration entails economic, institutional and normative convergence. This anchors the country' s development prospects to the process of regional integration"

Barely a year old, and emerging from decades of strife in a still highly volatile region, South Sudan, the newest member of the world community, faces important choices regarding the nature, pace and design of regional integration strategies. It does so in a context of acute constraints - physical, infrastructural, institutional and in human resource terms - stemming in no small measure from its status as a landlocked, low-income, economy with a long history of armed conflict.

The difficult journey South Sudan confronts in securing lasting peace on its northern border reduces the integration options available to it. The country needs credible political and security anchors able to help it free resources for its nascent development process. While the normalization of political and security relations with its northern neighbor would afford South Sudan by far its greatest peace dividend, not least by lifting uncertainty over the use of the country's existing fossil fuel endowments, prospects of durable peace remain subject to considerable uncertainty. Not surprisingly, the question of seeking membership of the East African Community (EAC) and partaking in the regional public goods on offer within it has gained visible early traction in South Sudanese policy circles. The question of EAC membership has also spawned much anxiety and generated a lively public policy debate among key stakeholders in South Sudan. This policy note aims to contribute to this debate by exploring a number of questions and considerations that policy-makers in Juba may wish to consider in weighing the pros and cons of pursuing an EAC *rapprochement*.

Drivers of Regional Integration

Typically, integration entails economic, institutional and normative convergence. This anchors the country' s development prospects to the process of regional integration. The major impetus behind the world's deeper integration initiatives almost invariably finds their origin in non-economic considerations. South Sudan's quest for EAC membership is thus, at first sight, no exception to the above rule.

"The tendency for politics to drive the demand for regional integration and cooperation can be inferred from regional experiments as diverse as the European Economic Community"

The tendency for politics to drive the demand for regional integration and cooperation can be inferred from regional experiments as diverse as the European Economic Community (EEC). The EEC was built on the ashes of the Second World War but represented, more importantly, a concerted response to the perceived threats from the ensuing Cold War. Cold War dynamics were equally central to the establishment of the Association of South-East Asian Nations (ASEAN) in the late 1950's, a grouping whose economic vibrancy only began to be felt in the mid-1990's. The North American Free Trade Agreement (NAFTA) was itself motivated in no small measure by the desire to arrest the various forces fuelling North-bound illegal migration at the U.S.- Mexico border. It marked an important qualitative deepening in trade- and investment-led integration processes when it entered into force in 1994.

There is little doubt that politics typically trumps economics as a driving force for integration. However, there is also much evidence to support the proposition that without the animal spirits of the market, regional integration processes are unlikely to prove sustainable as political constructs. The post-war history of regional integration is indeed littered with examples, several of which African (including an earlier incarnation of the EAC), of regional processes affirming lofty aims but failing in reaching them. The dynamism could not be sustained absent strong enough economic underpinnings and the supply of regional public goods. Only a shared commitment to collective action would be able to supply the regional public goods (including institutions of pooled governance). Without these two factors, regional aims cannot be fulfilled.

"By virtue of its landlocked status, South Sudan currently suffers from an acute shortage of skills. In light of the highly dispersed nature of its population, South Sudan is unlikely for some time to have the means of significantly diversifying its economy"

Economic Rationales for Integration

Trade and foreign direct investment will have to play – and be assigned - central roles in South Sudan's development and integration strategies in the years to come. However, for export-led growth to become a feasible development option, the country will need to pay immediate and concerted attention to supply capacities and physical infrastructure. Enhancing supply capacities, most notably in agriculture will make required inputs available at competitive prices. Physical infrastructure needs to be significantly improved without which the very act of exporting will remain severely handicapped.

By virtue of its landlocked status, South Sudan currently suffers from an acute shortage of skills. In light of the highly dispersed nature of its population, South Sudan is unlikely for some time to have the means of significantly diversifying its economy. Diversification would need to go away from (an almost exclusive) reliance on the production and export of primary commodities (agriculture and extractive industries) and towards a more balanced economic structure featuring a mix of manufacturing and service activities.

For some time to come, South Sudan will likely be confined to exploiting the Hecksher-Ohlin comparative advantages. They stem from its abundant endowments of land and mineral wealth. Some of the proceeds should be invested into a process of medium-term economic diversification. This strategy would both counter the effects of gradual resource depletion and mitigate the macro-economic downsides often associated with over- dependence on extractive industries.

Exporting and the attraction of greater volumes of FDI inflows will thus hold the key to funding needed investments. Investment in public services, which are able to improve the lives and lift the incomes of the country's poor, needs to be complemented by investment in physical connectivity. It is critical to get South Sudanese agricultural and mineral products to market, both domestically and internationally. The quest for physical connectivity entails concomitant investments in physical infrastructure. They are typically supplied in the form of regional public goods with significant funding from multilateral and regional development institutions. Physical connectivity and the investment in infrastructure are, beyond the need for peace and security, likely two of the most important factors motivating – indeed justifying - South Sudan's aim to join the EAC.

An Optimal Policy Convergence Club?

"Four of its five current members (Burundi, Rwanda, Tanzania and Uganda) rank among the world's poorest (least-developed) countries"

Regional integration schemes aiming at the deepest forms of integration are characterized by the establishment of a full-fledged economic community with considerable economic, institutional, policy , and treaty-anchored convergence. Among the world's relatively limited subset of such integration schemes, the EAC stands out in several important matters. For starters, four of its five current members (Burundi, Rwanda, T anzania and Uganda) rank among the world's poorest (least-developed) countries. Kenya is the regional grouping's only medium-income country and its most developed member. Moreover, three of the EAC members (Burundi, Rwanda and Uganda) suffer, like South Sudan, the many disadvantages – indeed one might say the tyranny - of being landlocked. All EAC members, including Kenya, face acute challenges in policy implementation terms. Such problems, in turn, suggest potentially non-negligible distance between regional aims and the means to achieve them.

Were South Sudan to join the EAC, the low-income and weak implementation capacity biases noted above would almost certainly be heightened. This in turn forces a counterfactual interrogation, asked from the vantage point of existing EAC members: what's in it for us? Part of the answer doubtless lies in EAC members' improved access to potentially cheaper South Sudanese agricultural products. The flipside though is greater competition for existing agricultural exporters within the region. Additionally, existing EAC members would gain greater security of access to regional energy supplies. The importance of this factor is downplayed though by the recently made major fossil fuel discoveries in Kenya, Tanzania and Uganda, which are likely to affect oil supply dynamics in the region and beyond.

South Sudan is thus not immune from hard questioning by its prospective regional EAC partners. They will naturally question the ability of its potential newest member to contribute meaningfully to the EAC as currently composed. One of the EAC's accession criteria to consider in this regard concerns the "potential contribution of new members to the strengthening of integration within the East African region". Hence, the current members might not accept a new member, which mainly is a financial, political, and/or geo-strategic burden.

Given the EAC's economic and institutional performance, which data in Table 1 depicts, the question arises of the value and attractiveness of the EAC *acquis*? Simply put: is convergence towards EAC norms (and implemented outcomes) a desirable objective if most of its members rank among the world's lowest performers?

"Three of the EAC members (Burundi, Rwanda and Uganda) suffer, like South Sudan, the many disadvantages – indeed one might say the tyranny - of being landlocked"

Moreover, South Sudanese officials must ask themselves how regional norms are developed and adopted within the EAC. This entails the questions about the degree to which its newest member would be able to shape them? To what extent do EAC norms reflect the policy preferences (and the potential for regulatory and/or protectionist capture) of its economically and politically strongest members? More centrally, South Sudan needs to confront the counterfactual question of whether any credible regional alternatives exist? Is reliance on unilateral market opening or the adoption of multilateral norms a viable alternative to EAC integration? While this

Policy Brief does not purport to supply answers to all of the above questions, all appear worthy of closer policy attention in Juba.

Table 1: East African Community: Selected Indicators and World Rankings, 2012

Member/Indicator	Burundi	Kenya	Rwanda	Tanzania	Uganda
Institutions	129	96	64	77	76
Government Effectiveness	134	99	70	95	102
Regulatory Environment	113	92	69	67	50
Business Environment	124	118	47	109	67
Human Capital and Research	73	72	120	122	125
Education	42	96	116	136	118
Tertiary Education	111	61	131	101	126
Knowledge workers	125	95	122	133	128
R&D	68	75	74	85	101
Infrastructure	141	120	118	119	130
Information and Communication Technologies	141	104	124	118	122
General Infrastructure	76	126	101	106	43
Investment climate	129	50	35	114	128
Trade and competition	111	105	99	132	115
Imports of goods and services, % GDP	52	73	109	79	93
Exports of goods and services, % GDP	140	103	136	115	114
Intensity of local competition	109	64	98	107	74
Global Innovation Index	137	96	102	128	117

Source: WIPO (2012), Global Innovation Report 2012, Geneva: World Intellectual Property Organization.

Limits of Trade-Led Regional Integration

"Trade liberalization is clearly one policy domain where governments have been prone to promise (and expect) more than could be achieved"

It seems justified for South Sudan to assign an important role to trade and investment policy for generating the resources it needs for its development. However, economists since Jan Tinbergen have usefully reminded policy-makers of the dangers of assigning too many and potentially conflicting objectives to any one policy instrument.[1] Trade liberalization is clearly one policy domain where governments have been prone to promise (and expect) more than could be achieved. This was especially fostered in the charged ideological environment that followed

1. The "assignment problem" concerns the allocation of policy instruments to policy objectives in order to improve policy effectiveness. Tinbergen, who was awarded the first ever Nobel Prize in economics in 1969 (which he shared with Ragnar Frisch), enounced in his "On the Theory of Economic Policy, (Amsterdam: North Holland, 1952) what would later come to be known as the Tinbergen Rule: to achieve policy objectives, governments must have policy instruments equal in number to the objectives.

"Health conditions are basic at best, with one of the highest infant mortality rates in Africa and the lowest per capita number of medical professionals on the continent."

the demise of central planning and the ascendancy of the Washington consensus. It was hoped that the progressive dismantling of impediments to trade could all at once promote greater allocative efficiency, enhance consumer welfare, promote structural change and, most recently, alleviate poverty. South Sudan must guard against the risk of generating unrealistic expectations from its decision to seek EAC membership and engage in its process of trade- and investment-led integration.

The gains from EAC membership need to be gauged against the backdrop of South Sudan's current economic realities. Constraints imposed on the country's economic agents need to be considered as well as their likely supply response. Also , the quality of institutional governance and the state of physical infrastructure are important factors. However one looks at it, South Sudan's current developmental reality makes for sobering reading:

- An estimated 50%+ of South Sudan's population lives below the US$1/day poverty line.
- Three quarters of the country's population has had no formal education, with major labour market impacts.
- The country is devoid of the modern transport arteries needed to get goods to domestic or foreign markets, with an estimated 300 kilometers of paved roads in a country the size of France.
- Health conditions are basic at best, with one of the highest infant mortality rates in Africa and the lowest per capita number of medical professionals on the continent.
- South Sudan ranks among the least urbanized societies in the world. Such a lack of agglomeration economies retards the shift to manufacturing and holds back needed scale economies for public service delivery.
- Property and land rights remain weakly protected.
- Firms and households suffer from generally poor access to high cost electricity.
- High labour costs and low supply of local skills imply a high degree of dependence on foreign wage labourers. This is a socially sensitive combination that fuels fears of an EAC-induced stampede of foreign labour.
- Despite its considerable agricultural potential, South Sudan maintains a high level of dependence on food imports from the region. EAC membership could reduce the country's import bill so long as the Common External T ariff (CET) does not raise the post-accession cost of goods consumed by the poor.
- A significant dearth of technocratic expertise impedes the capacity to design and implement indigenously decreed policy choices.
- The country suffers from overdependence on fiscal receipts from extractive industries and the related governance and macro-economic risks and challenges such dependence typically entails.

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Confronted with the above realities, South Sudanese decision-makers need to assess the case for EAC membership against a number of hard questions. These include:

- To what extent – and over what probable time horizon - can the country's development prospects be durably enhanced as a result of regional integration efforts?
- What role can South Sudan realistically assign to trade- and investment-led

integration – the bread and butter of negotiated regional integration initiatives today . What lies more squarely within the realm of domestic (development policy) challenges that South Sudan must likely address on its own (possibly with donor assistance)?

"To what extent – and over what probable time horizon - can the country's development prospects be durably enhanced as a result of regional integration efforts?"

- Does South Sudan run the risk of misguided sequencing by rushing into EAC membership in an acutely resource- constrained environment and without an adequate capacity to supply regional markets?
- How quickly can South Sudan replace fiscal losses consecutive to the adoption of the EAC's CET by alternative revenue sources?
- Is the government of South Sudan confident that the adoption of the EAC's CET will be pro-poor?[2]
- Can the ECT's Sensitive Products' List nullify the potential gains from greater South Sudanese agri-food exports that should otherwise come from EAC membership?
- What are the consequences of importing the tariff protection structure molded by the EAC's largest members (Kenya and Tanzania)?
- How adequate is South Sudan's current capacity to implement EAC norms and standards. Particularly in regard to deeper integration issues one needs to analyze capacity for the removal of non-tariff measures, compliance with sanitary and phyto-sanitary standards or the enforcement of regional rules of origin?
- What sources of export competitiveness does the country enjoy beyond extractive activities and agriculture?
- What medium-term prospects of export diversification does South Sudan have given its current human and infrastructural endowments and geo-economic constraints?
- What value-added processing can South Sudan derive from its agricultural and mineral endowments?
- Over what time horizon is it realistic to expect South Sudan to overcome the high trade costs that stem from its geography to seek diversification into services trade? What lessons can South Sudan learn from Rwanda in this regard?
- What labour market effects, for both skilled and unskilled workers, would EAC membership likely generate?
- What regional public goods can the EAC supply South Sudan? Are these likely available from regional or multilateral development banks without the constraints of binding EAC treaty commitments? Or can such benefits be magnified via membership in a deep integration/regulatory convergence club?
- Can joining the EAC process help South Sudan absorb new/additional doses of needed aid for trade?

"What are the consequences of importing the tariff protection structure molded by the EAC's largest members (Kenya and Tanzania)?"

2. Evidence drawn from Rwanda's 2007 accession to the EAC offers a cautionary tale in this regard, showing that the tariff changes induced by Rwanda's adoption of the CET were enough to lower the income level of poor households by close to 4%, an amount equivalent to two weeks' wages. The primary cause of such observed effects was the addition of high tariff rates from the ECT's Sensitive Items (SI) List, which covers items consumed disproportionately by the poor. See Frazer, Garth (2012), The EAC Common External Tariff (CET) and Rwanda, Report prepared for the International Growth Centre, (February 18).

Trade in Goods

"The government must carefully assess the benefits of EAC membership against the potential costs of affording first mover privileges to Kenyan or Tanzanian interests in its market"

Adoption of the EAC's CET would entail both costs and benefits requiring careful study given prevailing production and consumption patterns. The export gains stemming from enlarged regional access will likely be more theoretical than real so long as trade and production costs remain punitively high and supply capacities weak. This may be the case for some time even in areas where the country is amply endowed and possesses natural comparative advantages, such as agriculture.

The trade in goods bargain linked to EAC accession must thus likely be sold on the import side in the short- to medium-term. As well represented in first best textbook economics, welfare gains from trade, after all, come chiefly from the ability to import what one cannot produce or produce efficiently. However, this is never nor anywhere an easy political economy equation. There are, indeed, typically strong limits to unilateral benevolence and South Sudan's import competing interests have already sounded most alarm bells in Juba.

Given, moreover, the incipient nature of the country's institutions and the limited pool of trained policy expertise on offer in Juba, South Sudan will likely remain an EAC rule-taker for some time. In this position, South Sudan will be subject to the policy preferences of those external interests best able to shape (and potentially capture) regional norms. Early attention needs to be paid to training policy officials in areas of global and regional economic governance and trade diplomacy.

South Sudan furthermore needs to weigh the risks of buying into too much trade and investment diversion by entrenching regional oligopolistic rents in the name of integration. The government must carefully assess the benefits of EAC membership against the potential costs of affording first mover privileges to Kenyan or Tanzanian interests in its market. Unilateral liberalization extended on a Most Favoured Nation (MFN) treatment basis may well yield superior efficiency gains in many instances while also being considerably simpler to implement.

Trade in Services, Labor Mobility and Capital Movement

As Figures 1 to 7 reveal prevailing EAC regimes governing trade in services are relatively liberal when looked at on a cross-regional basis.[3] More restrictive overall policy stances are maintained in mobile telecommunications, retail trade and, especially, air transport services. With weakly developed regulatory regimes and equally weak regulatory enforcement capacity, South Sudan must decide whether to align its domestic regulatory practices in services to those prevailing in the region. While such an alignment might initially prove taxing, it might help improve

3. Source: World Bank, Services Trade Restrictiveness Database. Country groupings are the following: Association of South-East Asian Nations (ASEAN); Gulf Cooperation Council (GCC); East African Community (EAC); European Union (EU); Common Market of the South (Mercosur); North American Free Trade Agreement (NAFTA); Organization for Economic Co-operation and Development (OECD); SAPTA (SAARC Preferential Trade Agreement); Trans-Pacific Partnership (TPP).

the efficiency of some services important for export competitiveness. With proper doses of targeted aid for trade directed regulatory strengthening, those bottleneck services can be improved that are most likely to affect performance in areas of export competitiveness. Examples are energy, logistics, transportation, finance, and professional services.

"Unilateral liberalization extended on a Most Favoured Nation (MFN) treatment basis may well yield superior efficiency gains in many instances while also being considerably simpler to implement"

Figure 1: Banking Services: STRI by Regional Groupings

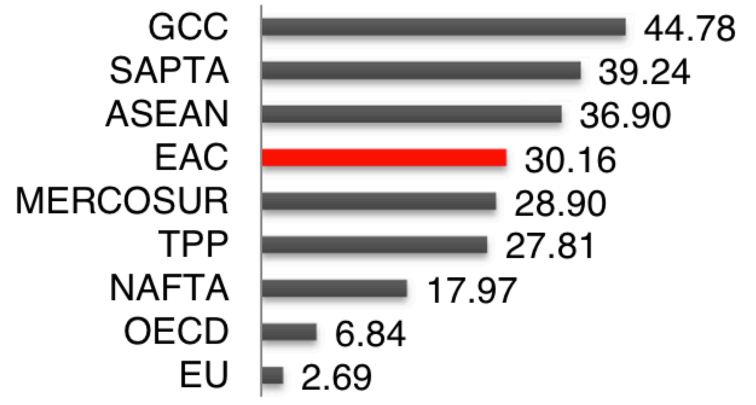


Figure 2: Insurance Services: STRI by Regional Groupings

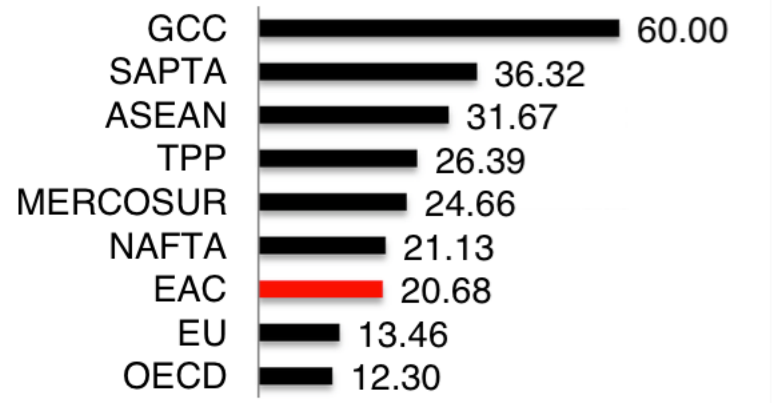


Figure 3: Fixed-line Telecommunications Services: STRI by Regional Groupings

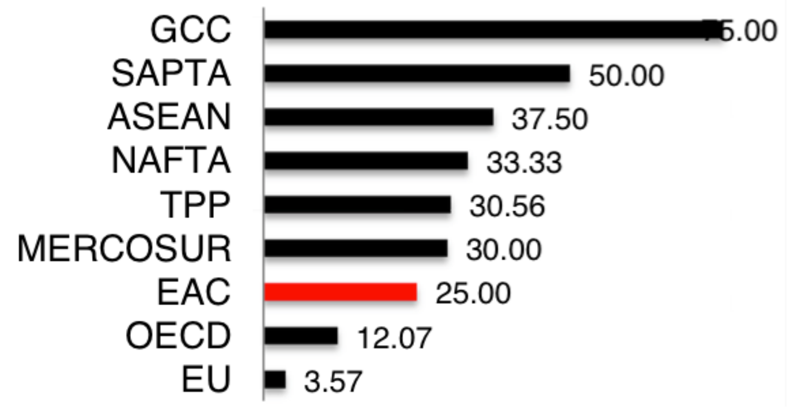
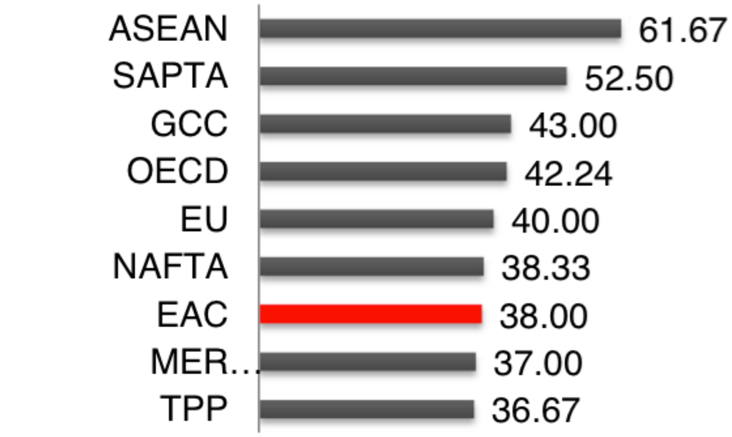


Figure 4: Accounting and Auditing Services: STRI by Regional Groupings



"With proper doses of targeted aid for trade directed regulatory strengthening, those bottleneck services can be improved that are most likely to affect performance in areas of export competitiveness."

Figure 5: Mobile Telecommunications Services: STRI by Regional Groupings

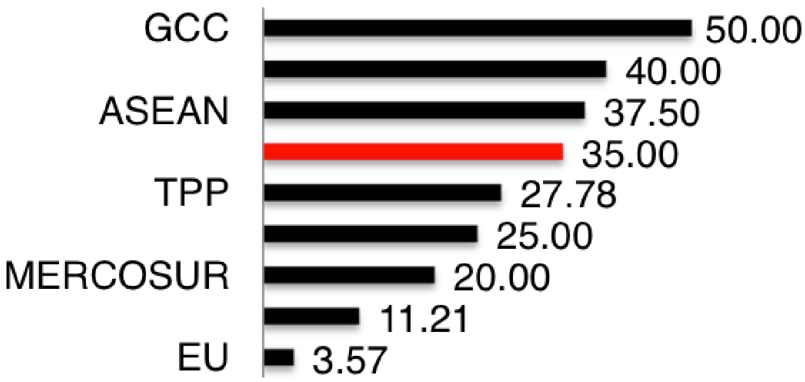


Figure 6: Retail Distribution Services: STRI by Regional Groupings

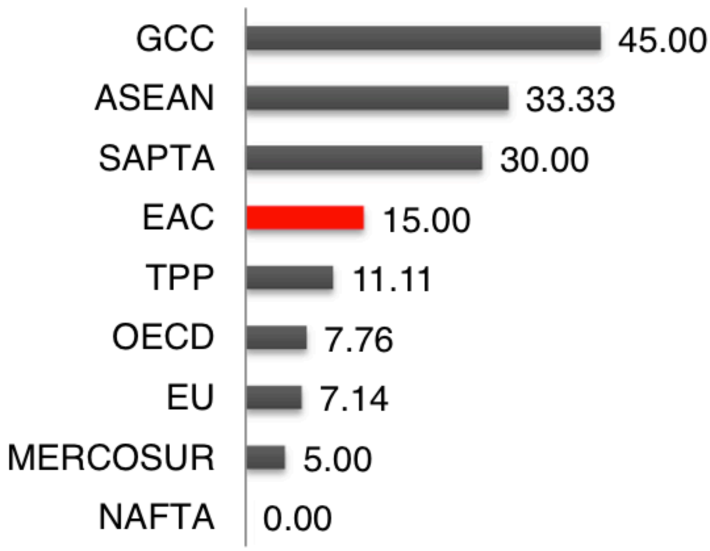
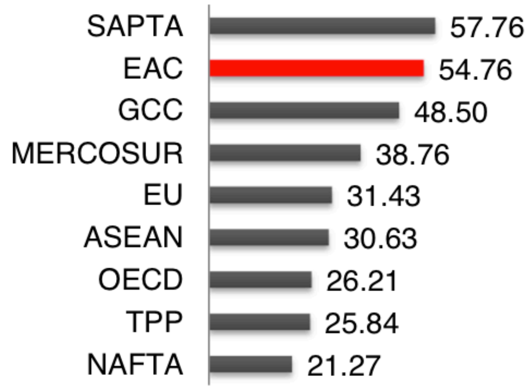


Figure 7: Air Transport (Intl) Services: STRI by Regional Groupings



The ability of South Sudan to compete in the more complex and regulatory-intensive area of trade in services remains severely constrained. However, the country could usefully assign the objective of importing needed input services to trade and investment policy (alongside a strengthening of domestic regulatory institutions). These input services and the attendant infrastructure as well as capital are important factors for the domestic economy. More specifically, mobile finance and telephony , professional services, infrastructure services, trade logistics, etc could be imported from its EAC partners, especially Kenya, and beyond (Egypt, Nigeria and South Africa). There is already evidence of this occurring in mobile banking and telecommunications. These areas have seen a recent pick-up in FDI inflows, primarily from African sources. Here again, however, South Sudan must guard against the risk of entrenching the first mover advantages of potentially sub-optimal regional providers of infrastructure services. Liberalizing the country's services and investment regime on an MFN basis remains a potentially attractive policy option in this regard, with potentially strong rewards in terms of investment climate enhancement.

"The ability of South Sudan to compete in the more complex and regulatory-intensive area of trade in services remains severely constrained"

Labour mobility and its cross-border management remains, always and everywhere, a daunting and politically sensitive challenge. In South Sudan, this is heightened by weak labour export capacity and acute domestic skill shortages sustaining the demand for foreign labour, even in lower skilled worker categories. This is clearly an area where the prospect of EAC accession generates significant anxiety in South Sudan and where variable geometry or staged implementation mechanisms would help mitigate such vocal political concerns.

The liberalization of capital movements requires, in South Sudan like everywhere else, sound macro- economic management to avoid Dutch disease-like problems which may prejudice needed export diversification. A changed conversation globally[4] on the desirability of full capital account liberalization has taken root in the wake of the most recent global financial crisis. Scope should exist for South Sudan to exercise needed regulatory precaution along the lines already practiced by other EAC members.

Multi-Speed Integration

Most deep integration compacts, including the EAC, practice various forms of variable geometry: progressivity is key to policy sustainability and the upgrading of technical and supply capacity prior to - or in the context of - market opening. South Sudanese officials need to familiarize themselves with the various forms of variable geometry practiced around the world. This will help to seek ways of adapting them to the EAC context with a view to better aligning its membership obligations with the commensurate enhancement of its development priorities and implementation capacity.

Several regional integration schemes accommodate the needs and constraints of specific categories of members. Members can be economically weaker (or stronger) or politically reluctant to give up undue trade, fiscal or regulatory sovereignty in the context of deeper integration. Examples include:

"Most deep integration compacts, including the EAC, practice various forms of variable geometry: progressivity is key to policy sustainability and the upgrading of technical and supply capacity prior to - or in the context of - market opening"

- Differentiated treatment of the so-called "CLMV" members of ASEAN (Cambodia, Lao PDR, Myanmar and Vietnam) with a view to addressing development/income/capacity gaps. This process has worked well and is in part responsible for helping Vietnam graduate to middle income status.
- Differentiated treatment of labour mobility: The so- called "Schengen" arrangements governing labour mobility within the EU which foresee longer transition periods for full labour mobility from countries (Bulgaria and Romania) with greater skills and income gaps. Also, variable geometry approaches to budgetary burden shares in selected areas of EC implementation.
- Explicit preferences for lighter forms of regional cooperation: For example, Chile's associate partnership status within Mercosur to avoid the damaging effects of importing Mercosur's heavily Brazilian-influenced CET.

An important question that arises in this regard is whether South Sudan needs to buy into all elements of the EAC blueprint? This, in turn, leads to a number of related considerations:

- Can accession be staged across various integration instruments or across various EAC Common Market freedoms?
- Could South Sudan join the CET at a later stage or enjoy special and differential

4. See, notably, IMF (2010), "The Fund's Role Regarding Cross-Border Capital Flows", Paper prepared by the Strategy, Policy and Review Department and the Legal Department, Washington, D.C.: International Monetary Fund, (November 15). See also Griffith-Jones, Stephany and Kevin Gallagher (2011), "Curbing hot capital flows to protect the real economy", in Economic and Political Weekly, Volume XLVI, No. 3, (January 15), pp. 12-14.

"EAC membership can help thin South Sudan's thick borders through the establishment of transport corridors and a reduction of trade costs"

treatment (S&DT) with regard to import tariffs on sensitive products?[5]

- Can South Sudan be given longer transition periods to conform with EAC regulatory requirements?
- Can special dispensations be envisaged regarding the entry of lower-skilled workers into South Susan's labour market?[6]

Additional Considerations

South Sudan will need a larger regional market if it is to progressively reduce its dependence on extractive industries. With reciprocal market access gains from joining the EAC, South Sudan can use the expanded market access to engage in a longer-term process of economic diversification towards manufacturing and services. EAC membership can enlarge South Sudan's relevant market and also contribute to improving the country's still fragile investment climate.

In the short-run, EAC protocols on factor mobility (capital and labour) may help address acute shortages of FDI and skilled labour in South Sudan despite the policy sensitivities prevailing in the country, particularly on the labour market and temporary migration fronts.

Critically, EAC membership can help thin South Sudan's thick borders through the establishment of transport corridors and a reduction of trade costs via various trade facilitation and infrastructure upgrading initiatives. Regional integration compacts are best placed to supply – and help fund - such critically important regional public goods.

As noted earlier, the EAC is arguably not an optimal regulatory convergence club given the LDC status and implementation constraints faced by the majority of its members. Accordingly, South Sudan must be careful not to lock itself too rigidly into potentially sub-optimal regional arrangements. Whenever feasible, South Sudan should adopt a liberal stance towards third country suppliers and investors, thus opening its markets on an MFN basis. Seeking early accession to the World Trade Organization would be important in this regard.

"The EAC is arguably not an optimal regulatory convergence club given the LDC status and implementation constraints faced by the majority of its members"

South Sudan faces a critical need to focus scarce resources on human capital enhancement (education and health) with a view to endowing the country with healthier, more productive, and better informed workers and decision-makers. Better human capital holds the key to the process of gradual economic diversification and scaling-up the sophistication of what the country produces and transforms.

5. It should be noted that, so far, such exceptions have not been granted in the EAC.
6. It bears noting that EAC rules in services, labour and capital movement show significantly more flexibility and acknowledge the need for progressivity, allowing differentiated multi-speed adherence to otherwise commonly agreed regional aims.

Tentative Conclusions

"A variable geometry approach to membership can supply the country a number of critically important regional public goods, not least of which an important political and security blanket to the nascent nation"

Trade-and investment led integration and EAC membership must not be seen as magic development bullets. The pros and cons of membership need to be weighed carefully and measured against the alternatives of unilateral and multilateral liberalization. South Sudan need not place all its development eggs in the same institutional basket. Experience suggests the need for caution in the choice of objectives that countries assign to trade- and investment-led market integration and the pace and depth at which integration is pursued.

South Sudan must likely first travel an arduous road of sustained and wide-ranging domestic reforms before the benefits of EAC membership can generate meaningful reciprocal traction. Still, a variable geometry approach to membership can supply the country a number of critically important regional public goods, not least of which an important political and security blanket to the nascent nation. A regional anchoring may also supply South Sudan with the means to overcome the tyranny of its geography through a thinning of its borders. Among other key considerations to weigh is the value the country's decision-makers will assign to the EAC as a possible source for importing needed infrastructural goods and services. The value depends on the nature of those goods and services best able to add value to the areas where the country possesses a natural comparative advantage. This will help promoting a medium- to long- term process of economic diversification. At the same time, South Sudan can progressively align its regulatory standards to a set of best regional practices able to generate sustained gains in economic governance.

About the authors

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