

The economic and business advantages of Somalia's membership in the east African community: Mutual gains and future prospects

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Abstract

The decision of Somalia to join the East African Community (EAC) is an important step forward in the pursuit of regional development and business expansion. This research will provide insight into what economic benefits Somalia can expect as a member of the EAC, which include increased trade opportunities and market access, foreign direct investment, diversification of sectors, and the potential for the EAC to benefit economically from Somalia's entry into the community. This research used a combination of methods to develop this research; literature reviews and policy analyses were conducted by reviewing current conference materials and economic statistics. This paper provides suggestions on how to align Somalia's policy objectives with those of the EAC, particularly in areas such as: infrastructure, regulatory reforms, and strategic development of selected sectors. In conclusion, the research indicated that Somalia's entry into the EAC has created opportunities for both countries to grow their economies, create jobs and integrate into each other's markets.

Keywords: Somalia; East African Community; Regional Integration; Economic Development; Trade; Foreign Investment; Policy Reform

1. Introduction

Somalia's accession to the East African Community (EAC), in 2023, is an important step forward in the country's post-war economic strategy. Historically, Somalia was severely impacted by conflict and weak regional links, but now it joins a regional organization recognized for the collective power of its members in negotiations, their ability to move people and products, and their ability to enable economic convergence among member states (World Bank, 2025). The EAC is one of the largest regional organizations in terms of both population size (over 300 million) and Gross Domestic Product (\$270+ Billion) (Business Beat, 2025).

Through the EAC, Somalia will gain greater access to opportunities provided by harmonization of tariffs, regional infrastructure projects, and stronger governance structures (World Bank, 2025). For several of Somalia's key sectors — agriculture, livestock, manufacturing, and services—access to these new opportunities will have direct implications for market access, foreign investment, and entrepreneurial activity (Abdirahman, 2025; Sharif, 2025). Somali policymakers anticipate positive spillovers — higher daily incomes, job creation, transfer of technology, and greater global competitiveness — as a result of the EAC membership (World Bank, 2025).

However, the EAC will also benefit from Somalia's own distinct characteristics: its strategic maritime location along international shipping routes, a thriving Blue Economy, and a large, young workforce seeking to be engaged in the development of the region (Business Beat, 2025). In addition, the integration process will require Somalia to implement

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far-reaching reforms — aligning its regulatory framework, enhancing institutional capabilities, and increasing its export base — to take full advantage of the opportunities provided through EAC membership (NEC, 2025; Rift Valley Institute, 2025).

With this context in mind, this study examines the mutual economic and business benefits derived from Somalia's accession to the EAC using recent events, academic studies, and perspectives of stakeholders. Additionally, this study identifies key recommendations for policy, capacity-building and partnerships to help sustain progress and promote regional unity.

2. Literature review

Research on regional integration suggests that membership in a regional organization provides developing countries with enhanced market access, collective bargaining power, and strengthened institutions (World Bank, 2025). The EAC countries have benefited from harmonized policies, infrastructure investments, and cooperative projects, which have contributed to increased competitiveness and foreign direct investment (FDI) flows (Business Beat, 2025; Sharif, 2025).

Somalia's integration into the EAC provides the opportunity for increased export opportunities, primarily in the areas of agriculture and livestock, in which Somalia has comparative advantage (Abdirahman, 2025). An examination of recent EAC conferences indicates that there is optimism among Somali entrepreneurs regarding higher income levels and employment as they become exposed to the larger regional market (Balcad, 2025). However, literature also highlights the persistent obstacles facing Somalia — namely, infrastructure deficits, lack of export diversification, and institutional constraints (World Bank, 2025).

Recent policy papers emphasize the necessity of alignment with EAC standards and robust reforms in Somalia's regulatory and administrative environments (NEC, 2025). The literature emphasizes that effective engagement and capacity-building are crucial for Somalia to realize the full potential of EAC membership (Sharif, 2025).

3. Methodology

This study uses a mixed-methods research design:

- Document Analysis: Peer-reviewed articles, conference proceedings, international policy notes, and economic assessments published between 2023-2025 (World Bank, 2025; Business Beat, 2025).
- Comparative Policy Analysis: Evaluation of the experiences of other EAC member countries in order to provide context for Somalia's experience (World Bank, 2025).

Data collected from all approaches were used in order to enhance the validity of the study, with a focus on trade volumes, investment flows, and regulatory reform outcomes.

4. Results and discussion

4.1. Enhanced Trade Opportunities

By becoming a member of the EAC, Somalia now has access to a regional market of over 300 million consumers, providing the opportunity for local companies to increase exports in agriculture, livestock, textiles, and processed foods (Business Beat, 2025; World Bank, 2025). Somali entrepreneurs expressed optimism regarding the use of new trade corridors, and anticipated increased daily earnings and living standards (Sharif, 2025).

4.2. Increased Investments and Industrial Growth

Alignment with EAC investment policies has led to an increase in foreign direct investment (FDI) in Somalia, facilitated by improvements in infrastructure and access to regional financing (World Bank, 2025). Somali manufacturers are well-suited to integrate into regional supply chains, while Somali pastoralists benefit from increased market access and product diversification (Abdirahman, 2025).

4.3. Reforms in Governance and Institutional Capacity

Membership in the EAC requires Somalia to harmonize its policies and standards, leading to reforms in the area of governance, trade regulations and customs procedures (Business Beat, 2025; NEC, 2025). Policymakers noted that alignment enables business opportunities, improves investor confidence, and increases Somalia's influence in regional decision-making (Balcad, 2025).

4.4. Positive Socio-Economic Effects

Regional integration results in the creation of jobs, reduction in poverty, and improvement in the quality of life of individuals — especially those in rural communities whose livelihoods depend on the sale of agricultural products (World Bank, 2025; Sharif, 2025). Networks of technology and education facilitate the development of new skills and innovative activities, and allow Somali businesses to participate in new industries (Business Beat, 2025).

4.5. Mutual Benefits for the EAC

The EAC benefits from Somalia's strategic location, access to the sea, marine resources, and expanded trade corridors — leading to greater regional connectivity and food security. Somalia's Blue Economy offers new opportunities in fishing, logistics and ports — contributing to the EAC's infrastructure (World Bank, 2025).

4.6. Challenges and Risks

While there are many positive developments occurring in Somalia, there remain many challenges — including infrastructure gaps, a limited number of exportable products, susceptibility to external shocks in prices, and ongoing security issues (World Bank, 2025; NEC, 2025). Recent policy notes highlighted risks associated with the reliance on customs duty revenue and the challenges in implementing the Common External Tariff (CET) regime (World Bank, 2025).

Recommendations

- **Investments in Infrastructure:** Provide funding for transportation, logistics and energy projects to support expanded markets and added value (World Bank, 2025).
- **Capacity-Building:** Establish mentorship and training programs for Somali entrepreneurs wishing to enter the regional market (Business Beat, 2025).
- **Align Regulatory Environment:** Expedite reforms to bring Somalia's regulatory framework into line with EAC standards in trade, investment and business registration (NEC, 2025).
- **Export Diversification:** Increase the diversity of Somalia's export portfolio, beyond livestock to include manufactured goods and services (Sharif, 2025).
- **Foster Regional Partnerships:** Increase Somalia's level of engagement in EAC projects, business forums and joint ventures (Balcad, 2025).

5. Conclusion

Somalia's accession to the EAC provides a strong basis for continued and sustained economic growth, business development, and regional cooperation. Although many challenges still exist, through the implementation of solid infrastructure, sectoral diversification, and consistent policy alignment, Somalia and its partners can achieve mutual benefits from this membership. The accession to the EAC significantly changes Somalia's economic environment, creating opportunities for the creation of jobs, innovation, and regional integration in East Africa.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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