FIVE East African countries on Saturday signed a protocol to establish a monetary union, in a first step towards creating a single currency.

At a summit in Kampala, leaders from Burundi, Kenya, Uganda, Tanzania and Rwanda inked the framework to set up a single market modelled after the eurozone.

Besides ultimately delivering a single currency, the monetary union is designed to result in the free movement of workers, goods, services and capital within the five countries with a combined population of 135 million.

It would also lead to the creation of a customs union due to be set up by 2014.

Kenyan President Uhuru Kenyatta said: “The signing of the East African Community monetary union protocol is the logical combination of all our integration efforts.

“We now have the framework required to unlock the promise of integration,” he added.

He said the union would “eliminate the cost of juggling different currencies, thereby reducing transaction cost”.

“Businesses will find more freedom to trade and invest more widely and foreign investment will find additional irresistible reasons to pitch tent in our region,” said the Kenyan president.

However, it would be about a decade before the conditions required for setting up such a union were fulfilled, the group estimated.

Participating countries would each have to meet macro-economic criteria such as inflation targets. In addition, a central bank for the bloc would have to be established.

The East African agreement comes 21 years after the European Union’s Maastricht Treaty was signed on February 7, 1992. That agreement, which came into force on November 1, 1993, ultimately led to the euro in 1999.

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Kenya Revenue Authority charges excise tax on all beers at the rate of Sh70 per litre.

Some analysts say the government will not meet its Sh6.2 billion annual target because of the slowing sales and the fact that many consumers are reverting to cheaper illicit brews.

Kenya Breweries estimates that 3,000 Senate outlets have been closed across the country as a result of the price increase.

Treasury plans to raise Sh6.2 billion annually from the excise tax remission.

“In my opinion, raising taxes on low-end beer is a zero sum game because the end result is predictable,” says the director of economic policy think tank, Inter Region Economic Network James Shikwati.

“In terms of policy, the new tax measure is like a zero sum game-giving with the right and taking away with the left hand.”

Nacada estimates that Nairobi has the highest use of illicit brews (7.2 per cent) followed closely by Western at 7.1 per cent, advantage at this moment and given that the trajectory is one of gradual erosion of that decisive advantage leads me to the view that this pivot to Asia has a logic and momentum of its own. Therefore, I see the US being increasingly determined to press its advantage. One might even posit that calming down the Iranian front, allows the US to better concentrate its energies on the pivot to Asia.

One of the key elements of the Pivot to Asia is the air-sea battle concept. This concept envisages the battle beginning with a “blinding attack” against Chinese anti-access facilities and incorporates “distant blockade” operations. China’s dependence on foreign oil is increasing just as the US dependence is decreasing.

And interestingly, given my belief that the Eastern seaboard is a fabulous energy prize, that puts the Indian Ocean in many respects right into the geopolitical frame. If you are considering “distant blockade”, one of those areas you will be blocking is this part of the world, given the amount of energy that is likely to be sold into Asia, in the future.

This geopolitical backdrop needs to better inform some of our foreign policy.

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By Star Reporter

THERE are concerns that Treasury may not meet its excise tax targets following a decision to impose a 50 per cent duty on low cost beer Senator Keg.

Senator, which was previously exempted from the excise duty now attracts tax translating to Sh35 per litre given that Kenya Revenue Authority charges excise tax on all beers at the rate of Sh70 per litre.

Some analysts say the