

East Africa seeking ways to avoid further shocks

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The East African Community has agreed to put tight measures in place to respond to the impact of the global financial crisis.

During a one-day meeting, in Arusha, Tanzania, yesterday, the meeting which was attended by among others, the central bank governors from Tanzania, Uganda and Kenya, noted that the current crunch will affect developing countries trade volumes inevitably, including the East Africa.

The meeting called on the East African governments to intensify efforts to improve the investment climate in the region to attract capital, as a way of increasing national economies' capacity to respond to the effects generated by the shocks of the crisis.

The East African financial and business leaders noted that although the region was not fully integrated in the world financial markets, East African economies have been hard hit by the current global financial crisis and must devise suitable ways to bail them out.

Amongst hard hit sectors of the economy identified, the meeting said horticulture products, as well as other agriculture exports, such as cotton, coffee and tea were facing very tough times, with some of the areas such as cut-flowers exports said to be at the brink of collapse in some areas.

Declines were also expected in the tourism sector, with the industry said to likely experience a 20 percent drop since high cancellations were recorded at the fall of last year.

The region's dependency on export markets and source of investment capital in the West was also said to be a disadvantage to the East African economies, with the meeting urging for prudent policy reforms to support budgets.

Tanzania's deputy minister of Finance and Economic Affairs, Jeremiah Sumari, told the meeting that improved domestic resource mobilisation can bail out East African countries from the adverse effects of the crisis.

"We can no longer depend on assistance and aid from the developing countries because their priority will be to fix their economies and financial systems," he told the meeting, further saying: "In the current environment, it is vital to consider the effect of any proposed tax reforms on investment, new and existing, in order to prevent any counter productivity."

The meeting also called for a formation of a joint crisis management team at the East African leadership level, to ensure that the region comes up with harmonised solutions and avoid distortions on the regional market.

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