

**FACTORS IMPEDING THE REALIZATION OF OPTIMAL GAINS  
FROM REGIONAL ECONOMIC COMMUNITIES: A CASE STUDY OF  
TANZANIA IN THE EAST AFRICAN COMMUNITY**

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## Declaration

I, **Fatuma Matemu** hereby declare that this research project is my original work and has not been presented for a degree in any other University.

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## **Abstract**

The 21<sup>st</sup> Century has seen the birth and growth of numerous economic strategies that countries around the globe have benefited. In Africa, one of the most prominent strategies has been the creation of Regional Economic Communities (RECs). The communities serve various purposes including economic development, technological advancement, political cohesion and cultural integration. The East African Community (EAC) is one of the numerous RECs within Africa. The EAC consists of six member states; Rwanda, Tanzania, Uganda, Kenya, Burundi and South Sudan. Formation of the organization has led to invaluable benefits for the member countries including expansion of markets, creation of job opportunities and enhancement of political bonds between states among others. However, despite the creation of equal opportunities for growth for member states, some states continue to record faster growth rates than others. Although Tanzania has enjoyed substantial political stability and multiple opportunities for economic growth, it continues to lag behind smaller counterparts such as Rwanda and Kenya. This research sought to unearth factors impeding the realization of optimal gains from RECs, using Tanzania as the case study. The research relied on data from both primary and secondary sources to support the thesis. Findings from the data indicated that the evaluation was inclusive of actual and perceived opportunities within the EAC. The conclusion was that some of the major impeding factors for Tanzania's ability to maximize on opportunities within the EAC included, restrictive policies, historical factors and inadequate use of national resources. The recommendations made included the complete adoption of the free movement of labor protocol, implementing clear strategies and policies and investing in the existing transport and technological infrastructure as well as promoting cohesion with other counties within the region.

# Table of Contents

Declaration.....	i
Abstract.....	ii
Abbreviation and Acronyms.....	v
CHAPTER ONE.....	1
1.1 Introduction .....	1
1.2 Background of the Study.....	3
1.3 Problem Statement .....	4
1.4 Research Objectives .....	4
1.5 Research Questions .....	5
1.6 Justification of the Research .....	5
1.7 Literature Review .....	6
1.8 Gaps in the Literature.....	11
1.9 Theoretical Framework .....	12
1.10 Research Methodology.....	15
1.11 Research Tools .....	17
1.12 Ethical Considerations.....	17
1.13Chapter Outline .....	17
CHAPTER TWO: Tanzania's History in Relation to the EAC.....	18
2.1. Tanzania's unexploited Opportunities within the EAC .....	20
2.2. Historical influences to Tanzania's participation in the EAC.....	21
2.3. The Ujamaa Concept.....	22
2.4. Tanzania's Post-Colonial Era.....	23
2.5. Kenya's participation in the EAC .....	26
CHAPTER THREE: Tanzania's Opportunities for Optimal Growth in the EAC .....	28
3.1. Geographical Area and Population .....	28

1.2. Tanzania’s status on logistics and trade .....	32
1.3. Tourism .....	35
3.4. Infrastructure .....	38
CHAPTER FOUR: Steps to Realise Optimal Gains for Tanzania in the EAC .....	42
4.1. Free Movement of Labour.....	42
4.2. Clear Strategies and Policies .....	46
CHAPTER FIVE: Conclusion and Recommendations .....	52
5.1. Conclusion.....	52
5.2. Recommendations .....	54
References .....	58
Appendices .....	62

## List of Figures

Figure 1: Service Exports increased in all countries with Kenya's the highest .....	27
Figure 2: Trade through Dar and Mombasa ports 2009-13 ('000 tonnes).....	34
Figure 3: Northern and Central Corridors.....	40

## List of Tables

Table 3-1: EAC member states: Size, Population and GDP estimates, 2014 .....	29
Table 3-2: Restrictions on the free movement of capital in the EAC .....	31
Table 3-3: Africa Regional Integration Index 2016 EAC performance .....	32
Table 3-4: Logistics Performance Index 2014.....	34
Table 3-5: Tourism contribution to GDP in 2016 and overall investment in Tourism.....	36
Table 3-6: Travel & Tourism Competitiveness Index 2013,EAC states .....	37

## Abbreviation and Acronyms

<b>AMU</b>	Arab Maghreb Union
<b>CET</b>	Common External Tariff
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>EAC</b>	East Africa Community
<b>EACC</b>	Eastern Area and Coordination Centre
<b>EAC-DS</b>	East African Community-Development Strategy
<b>ECCAS</b>	Economic Community for Central African States
<b>ECOWAS</b>	Economic Community of West African States
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic product
<b>IGAD</b>	Intergovernmental Authority on Development
<b>MDG</b>	Millennium Development goals
<b>NTB</b>	Non Tariff Barriers
<b>OAU</b>	Organization of African Unity
<b>PAFMECA</b>	Pan African Freedom Movement of East and Central Africa
<b>RIO</b>	Regional Integration Organization
<b>REC</b>	Regional Economic Community
<b>SADC</b>	South African Development Community

## CHAPTER ONE: Introduction

Chisha et al<sup>1</sup>, Regional Economic Communities (RECs) are regional groupings that comprise countries within a specific geographical region, formed primarily to foster economic growth and development. Although most countries prefer operating as autonomous entities within the international market, the benefits obtained from formation and utilization of RECs have motivated numerous countries around the globe to participate in such organizations. A core feature of RECs is that even they recognize the individual sovereignty of each member and only serve as engines to propagate the achievement of mutual agendas.

A prominent advantage of RECs is that they provide an avenue for market expansion for participating countries. Countries within such organizations often develop policies that member states can incorporate into national policies to allow residents of member states to engage in business across borders with fewer limitations.<sup>2</sup> Some of the common limitations to cross border business most business owners face include tax restrictions, stringent border entry protocols and prohibition of imports for specific products. Creation of RECs allows member states to discuss strategies that eliminate such restrictions without compromising national objectives for individual states.

Secondly, RECs serve as Regional Integration Organizations (RIOs), which facilitate the development of regional integration policies applicable throughout the region. The purpose of regional integration is to ensure sustainable political and social stability among member states

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<sup>1</sup> Chisha, M., Asfour, A. & Dana, L. The Role of Regional Economic Communities in Africa: Perspectives from Stakeholders in Urban Zambia, *International Journal of Business and Globalization* 17(1):33, 2016. p.33

<sup>2</sup> Ibid



as a prerequisite to sustainable economic development.<sup>3</sup> Creation of a secure and stable environment fosters the development of regional market expansion devoid of the economic volatility civil wars and stringent national policies create.

Thirdly, RECs create platforms from which member states can discuss the utilization of transboundary natural resources in a manner that benefits each country without compromising their preservation efforts. Examples of transboundary resources include lakes, beaches, harbors, forests among others. It is important for each country to understand the conservation efforts its counterparts put into the preservation of such natural resources for the development of sound national policies concerning the utilization of the same resources.<sup>4</sup>

Despite the advantages RECs present for member states, the creation and maintenance of such RIOs encounter several challenges that subsequently affect the realization of economic goals for member states within the region. For instance, in some cases, member states do not always reach a consensus on appropriate economic strategies applicable across borders. Additionally, the institution of regional policies sometimes limits the potential of individual member states to develop innovative ways of improving their economic potential without the involvement of other members. Differing national economic objectives also hinder regional economic development in some instances causing stagnation for some states<sup>5</sup>.

Some of the oldest RECs include the South African Customs Union and the East African Community formed in 1910 and 1919 respectively. Some of the RECs have substantial

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<sup>3</sup> Nkhata, M.,J. The Role of Regional Economic Communities in Protecting and Promoting Human Rights in Africa: Mandate of the Tribunal of the Southern African Development Community, *African Journal of International and Comparative Law* 20(1): 87-109, 2012. p.88

<sup>4</sup> Ibid

<sup>5</sup> See note 2

memberships while others have fewer members. For instance, COMESA has 19 member states while the EAC has 6 members. This research focused on the evaluation of the EAC as an example of an REC. The organization, whose member states include Kenya, Tanzania, Uganda, Rwanda and Burundi, serves the East African region. The goal was to establish factors preventing Tanzania from achieving optimal gains from the EAC

## **1.2 Background of the Study**

The EAC has approximately 130 million inhabitants living within the geographical boundaries of its member countries. The membership of the Community comprises the Republics of Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania<sup>6</sup>. The membership had comprised of these 5 states until south sudan joined the bloc. South Sudan joined the East African Community in April 2016<sup>7</sup>. The organization has an institutionalized decision-making framework which comprises of the Summit, Secretarial, legislative Assembly and the court of Justice. The organization's core aim is creating a political federation that will foster economic and social growth via several integration steps, which include free trade area, custom union, common market, single currency and federation<sup>8</sup>. Some of the objectives of the EAC include improvement of trade relations, development of friendly policies for purposes of integration and generation of strategies that benefit the entire region socially, politically and economically<sup>9</sup>.

The EAC has made numerous efforts to ensure that its members can access economic opportunities arising in the region through its integration plan. For instance, the creation of

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<sup>6</sup> EAC (2011): East African Community development Strategy 2011/12 -2015/16), Arusha Tanzania

<sup>7</sup> <https://www.eac.int/eac-partner-states/south-sudan>

<sup>8</sup> Ibid

<sup>9</sup> Asche, Helmut and jonne Bruecher . Myth and Reality of African Regional integration. *Recht in Afrika* 2, 2009: 169-186

the Customs Union Protocol created an opportunity whereby citizens and residents within the East African region can benefit from lower custom duties among other taxes. While countries such as Kenya, Uganda and Rwanda have capitalized on the opportunities, Tanzania continues to experience difficulty optimizing the benefits the opportunities present for various reasons. Tanzania has been a member of the EAC since organization's inception and is also the largest country in the region by land mass and population, which raises concerns on factors causing its lagging growth and failure to optimize benefits from benefits arising within the region like its counterparts.

### **1.3 Problem Statement**

Historically, Tanzania has variously been depicted as performing below par in as far as her contributions, gains and opportunities from the EAC arrangement are concerned. This general outlook tends to depict her as a member state that has, for various reasons, missed out on the opportunities that RECs offer. The central argument in this study is that there is a need to identify and examine the likely factors that impede the realization of optimal gains for Tanzania in the EAC.

### **1.4 Research Objectives**

1. To examine the historical factors in shaping Tanzania's participation in the EAC
2. To identify the unexploited opportunities on the part of Tanzania within the EAC
3. To establish the steps Tanzania must take to realize optimal gains from its EAC engagement.

## **1.5 Research Questions**

1. What is the place of historical factors in shaping Tanzania's participation in the EAC?
2. What are the unexploited opportunities on the part of Tanzania within the EAC?
3. What are the steps Tanzania must take to realize optimal gains from its EAC engagement?

## **1.6 Justification of the Research**

Tanzania is one of the largest countries in the East African region by land area. Geographically, the country is bigger than Kenya, Uganda, Rwanda and Burundi combined. The country is also one of the founding members of the East African Community, an organization that seeks to foster regional integration and cohesion for the benefit of all members involved. Despite the country's early entry into the organization, the country's economic progress within the region seems slower than that of Uganda and Kenya<sup>10</sup>. The Kenyan shilling for instance has had a higher exchange rate than that of the Tanzanian shilling for more than a decade while Uganda enjoys a higher economic versatility, evident in its labour export within the region. The situation creates a need for evaluation of Tanzania with regard to its participation in the East African Community.

Most of the existent literature states the reason for Tanzania's slow rate of development within the EAC as the country's failure to maximize on available opportunities over the past decades. However, the studies do not provide reasons for the lag in development, hence creating a gap in research on the topic, which this study seeks to fill. This study proposes that Tanzania continues to lag behind other countries within the EAC because of several factors impeding its realization of optimal gains. Some of the factors collectively contribute to the

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<sup>10</sup> Makame, A. The East African Integration: Achievements and Challenges, *GREAT Insights* 1(6), August 2012. Maastricht: ECDPM

country's lack of proper strategies and mechanisms to exploit opportunities arising within the region at various intervals. Further, Understanding the opportunity and challenges that Tanzanian have in relation to the other EAC member states provides a chance of knowing how best to relate with its citizens.

## **1.7 Literature Review**

Tanzania has been on the forefront of the EAC since its inception. It is the largest of the east African countries. However, the country's history has affected the nature of its participation in the EAC while challenges facing the country have contributed to unexploited opportunities. The country therefore needs to develop strategies to enable the realization of optimal gains.

### *Historical factors influencing Tanzania's participation in the EAC*

The most salient historical factor shaping Tanzania's participation in the EAC is the prevalence of the socialist concept, 'Ujamaa', that the government continues to implement as a national strategy in various areas of the country's economy<sup>11</sup>. Shortly after independence, Tanganyika and Zanzibar merged to form the nation of Tanzania in 1964. The agreement for the unification of the two states was signed by the first president of Tanganyika, the late Mwalimu Julius Kabarange Nyerere, and the first Zanzibar president, the late Sheikh Abeid Amani Karume, on 22 April, 1964, in Zanzibar<sup>12</sup>. Tanzania's first president was Julius Nyerere, who led a one-party state that nationalized key industries and created ujamaa, a rural, collective village-based movement of "African Socialism" and "self-reliance." Ujamaa faced increasing popular dissatisfaction, and was slowly abandoned in the 1970s and 1980s.

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<sup>11</sup> Sheikheldin, Gussai H. Ujamaa: Planning and Managing Development Schemes in Africa, Tanzania as a case Study. *Journal of Pan African Studies* 8(1), 2015. P.2

<sup>12</sup> Ibid

He was succeeded by the president of Zanzibar, Ali Mwinyi, who oversaw political reforms and a gradual transition to a capitalist economy, in part due to the economic collapse caused by ujamaa and centralized economic management<sup>13</sup>. The single party rule ended in 1995 with the first democratic elections held in the country since independence. The effects of the ‘Ujamaa’ movement continue to affect the strategic implementation of national economic policies, often limiting the country’s ability to participate fully within the EAC, especially in relation to exploitation of economic opportunities, by creating challenges in resource utilization and distribution.

#### *Opportunities to be explored by Tanzania in the EAC*

One of the opportunities currently available to Tanzania that remains insufficiently exploited is the utilization of its natural resources within the EAC. Tanzania is currently the largest reservoir of natural resources within the East African region. Some of its resources include but are not limited to land, precious metals, water and natural harbors. However, despite the country’s enjoyment of decades of political stability, the development of the private sector remains greatly hampered by the prevalence of Ujamaa. The Ujamaa concept propagated by the late president Julius Nyerere essentially accorded the president the mandate to determine how the country’s natural resources were allocated and used. Like socialism in other states around the world, the system does not support the concept of freehold land ownership. In the past, cultivation of land was collective, as the land rights were transferred to the elected village councils<sup>14</sup>. In recent years, the concept of Ujamaa has affected and continues to influence various sectors of the country’s economy including but not limited to agriculture, banking and financial services, subsequently making the government the biggest employer in

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<sup>13</sup> Ibid

<sup>14</sup> Ibid

the country<sup>15</sup>. The strategy has in the past affected the private sector negatively causing the country's economy to plummet, resulting in dependence on international aid. Although the country's economy has significantly improved over the past three decades, there is still need for major improvements, especially regarding capitalization on opportunities available within the EAC, through utilization of natural resources available within the country's borders.

The second unexploited opportunity is the availability of favorable import and export policies within the EAC. A prominent factor limiting the realization of maximum gains in the import and export sectors of the economy for Tanzania is the existence of stringent national economic policies that hinder the exploitation of such trade opportunities within the EAC. According to a report by the Observatory of Economic Complexity<sup>16</sup>, Tanzania spent \$13.5B on imports and gained \$6.4B from exports, creating an expenditure deficit of \$-0.7B in 2014. Most of the country's exports comprise agricultural products such as rice, wheat and maize and minerals such as gold, precious metal ore, oily seeds and copper ore. The main imports for the year included palm oil, cars and medicaments. The report also indicates that the main export destinations for the country were China, South Africa and Japan while the origins of imports included India, China, the United Arab Emirates, Switzerland and Kenya<sup>17</sup>. The data is indicative of the country's oversight of potential market opportunities within countries forming the East African community, which is a contributing factor to Tanzania's slow progress in economic growth. Kenya is better off than Tanzania in the horticulture industry because of the infrastructural rigidities inherent in Tanzania's export system. Tanzania

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<sup>15</sup>Jennings, M. *Surrogates of the State: NGOs, Development and Ujamaa in Tanzania*. Bloomfield, CT: Kumarian Press Inc, 2008.

<sup>16</sup>The Observatory of Economic Complexity (2016). OEC- Tanzania (TZA) Economic Complexity. [Atlas.media.mit.edu/en/profile/country/tza/](https://atlas.media.mit.edu/en/profile/country/tza/)

<sup>17</sup> Ibid

produces much more horticulture produce than Kenya but sells very little overseas. Compared to Kenya, Tanzanian farmers grow the produce on a small scale and lack network to enable them combine their harvest at lower costs when exporting. Additionally, higher freight charges at Kilimanjaro international airport and Julius Nyerere International Airport in Dar Es Salaam, coupled with inadequate storage facilities at the airport, make it even harder for Tanzania to export. In contrast, Kenya's Nairobi Jomo Kenyatta airport is well served by major airlines and charter operators, making it easier to access European markets and the rest of the world.

Thirdly, the expansion of the labour market caused by free trade policies provides an economic opportunity that Tanzania is yet to exploit optimally. The country has a high literacy rate, which creates a valuable labour force. However, the government continues to rely on jobs within its borders to lower its poverty rates, a strategy that seems to be failing according to statistics. A report by UNICEF indicates that even though the literacy rate in Tanzania for young males between 15 and 24 years was 76.5% and 72.8% for young females between 2008 and 2012, the population living below the international poverty line of US \$1.25 per day was 67.9%<sup>18</sup>. The figure is indicative of a gap between education and income opportunities within the country, which Tanzania could remedy by seeking various solutions within the EAC, some of which include outsourcing labour and creation of job opportunities through partnerships with countries within the region. One of the EAC's objectives has been the creation of a free-trade region but Tanzania has expressed reluctance in participating fully in initiatives requiring relaxed trade policies and policies requiring free movement, the main concern being its inability to protect the few opportunities available within its borders for its

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<sup>18</sup> UNICEF (2016). Statistics-Tanzania, United Republic of.  
[www.unicef.org/infobycountry/tanzania\\_statistics.html](http://www.unicef.org/infobycountry/tanzania_statistics.html)



labour force. However, the concerns overlook the possibility of abundant opportunities within other countries, especially countries keen on innovation such as Kenya.

### *Conclusion*

Although most researchers identify internal factors limiting Tanzania's ability to optimize its gains within the EAC, authors such as Makame are keen to note that challenges within the organization may also cause limitations for Tanzania<sup>19</sup>. Makame identifies the poor implementation of the Common External Tariff (CET) policy within the organization as one of the challenges limiting the realization of full economic gains for member states. However, Makame also states that the persistence of the challenge is because of disagreements among member states, which would indicate Tanzania's partial responsibility in the creation of the challenge.

Among the solutions experts suggest to enhance economic growth for Tanzania within the EAC is the democratization of the private sector of the country's economy<sup>20</sup>. The process would ensure that players within the private sector retain the freedom to develop innovative ways to increase job opportunities as well as revenue within the country, through participation in trade within the EAC. Other suggestions for exploitation of opportunities within the EAC that offer Tanzania a chance at sustainable social and economic development include the re-evaluation of national policies limiting cross border trade and application of innovative ideas for utilization of available natural resources<sup>21</sup>.

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<sup>19</sup> See note 9

<sup>20</sup> Mushi, S. *Development and Democratization in Tanzania*. Kampala, Uganda: Fountain Publishers, 2001.

<sup>21</sup> Ibhawo, B. and Dibua, J. I. Deconstructing Ujamaa: The Legacy of Julius Nyerere in the Quest for Social and Economic Development in Africa. *African Journal of Political Science* 8: 59-82, p.81

## **1.8 Gaps in the Literature**

A prominent gap in literature regarding factors impeding the attainment of optimal gains from RECs is inadequate information concerning the occurrence of the factors. Most literary sources confirm the existence of impediments and identify factors contributing to the persistence of the problem without due regard to the sources or causes of the factors. Understanding elements that create factors causing impediments to the realization of optimal gains is essential in creating generating long-term solutions to the problem in a manner that is sustainable, reliable and enforceable. For instance, in the case study, even though there exist literary sources identifying the persistence of Ujamaa as a problem responsible for limiting the realization of maximum gains from the EAC for Tanzania, lack of information explaining the cause of the persistence makes it difficult to develop sustainable recommendations.

Secondly, inadequate statistical data regarding the contributions of citizens in the EAC to the existence of impediments to optimal gains from the organization creates difficulty in the determination of their role in the persistence of the problems. Due to difficulties obtaining survey findings and statistical data explaining the participation of Tanzanians in the persistence of impediments, it was necessary to conduct independent surveys and collect primary data for this study.

Thirdly, even though the concept of neofunctionalism has been in existence for a substantial period, limited application of the concept by researchers concerning regional integration has greatly affected information available on the topic. Further, the main purpose of the concept is to create an explanation for the regional integration process of European countries. Therefore, although the core features are applicable in the rationalization of RECs in other regions, including America and Africa, there is a prominent oversight of unique African elements and experiences.

Lastly, the study of a specific country within the EAC narrows down focus and allows for the generation of concise information and research findings. However, it restricts the current research by limiting the inclusion interrelated factors originating from other countries within the EAC. Such factors include pending trade agreements between Tanzania and other member states, for which information pertaining their contribution to problem may be currently unavailable.

## **1.9 Theoretical Framework**

This research applied the theory of neofunctionalism. Although the development of the theories primarily focused on explaining the creation of RIOs in Europe and interactions among countries forming them, the main premises within the theories apply to RIOs in other continents across the globe. The theories create an understanding of the role and mandate of the EAC within the East African region in addition to explaining the generation of opportunities within the EAC and indicators that show that Tanzania is yet to fully exploit some of the opportunities available in the organization.

Neofunctionalism essentially proposes that regional integration in specific sectors of governance create a ‘spillover’ effect in other sectors<sup>22</sup>. Proponents of the theory such as Ernest Haas and Leon Lindberg explain that increased integration in various sectors, especially those relating to economics and politics, has created the need for regional organizations that perform oversight duties and moderate interactions between states<sup>23</sup>. The theory states that the process of regional integration is contingent on the nature of interaction between three factors. According to the proponents, the interaction between growth of

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<sup>22</sup> Haas, Ernst B. International integration. *The European and the Universal process, International Organization* 15 (3): 366-92.

<sup>23</sup> Rosamond B., *Theories of European Integration and Supranational Governance*. Oxford, NY: Oxford University Press, 2000. p.67

economic interdependence, creation of supranational market rules and the organizational capacity to build international legal platforms for dispute resolution dictates the pace and quality of regional integration<sup>24</sup>.

The formulation of the theory was resultant of the need to understand and explain the creation of regional organizations in Europe<sup>25</sup>. Theorists were especially keen in explaining the formation and functionality of the European Union (EU), in addition to predicting its development<sup>26</sup>. The European Union is currently one of the strongest RIOs in the world and the probable reason for the desire to create a similar organization within Africa. The creation of smaller RIOs specific to geographical locations of countries in Africa currently serves as a stepping-stone to the creation of an REC with political power and the eventual realization of a federal form of governance through the African Union<sup>27</sup>. This study uses the theory to create a connection between the economic interdependence of Tanzania and other countries in the EAC, market rules within the REC and legal platforms within the organization. The goal is to highlight opportunities such a connection creates, which Tanzania is yet to exploit optimally.

Neofunctionalism also proposes that increased interactions between states within a particular region resultant of a positive spillover effect create organizations that do not rely on the political mandate of the member states to operate. The European Union provides a good example of the political might RECs can amass from increased social and economic

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<sup>24</sup> Ibid

<sup>25</sup> Mitrany, David (1976) *The Functional Theory of politics*. New York, London: Robertson.

<sup>26</sup> Ibid

<sup>27</sup> See note 16, p.69

interactions<sup>28</sup>. The organization formulates regulations that become operational with immediate effect and take precedence over national laws in every member state. The amount of political power the EU wields creates a platform for the generation of political policies that govern trade within the region. The creation of a common currency is one of the ways through which the power of an REC is evident.

The theory, when applied as a strategy within an REC provides various advantages, among them uniformity in application of economic policies, which aid in the expansion of national markets. However, the strategy presents disadvantages, key among them being the clash of sovereignty between RECs and individual nations. According to Rosamond, the theory operates on the premise that the development of political power for the REC is a natural outcome of increased interactions between states. However, lack of proper procedure limiting the development and use of such power may sometimes sideline the achievement of national objectives for individual nations, causing conflict and sometimes withdrawal from the organization as evidenced in BREXIT<sup>29</sup>.

Applying the theory to the EAC, particularly with respect to impediments to the achievement of optimal gains for Tanzania makes it possible to understand the existence of conflict between some of the country's trade policies and those of the EAC<sup>30</sup>. For instance, the theory explains the conflict between the EAC's need for a regional Free Trade Area and Tanzania's need to limit movement of foreigners within its borders. Tanzania has severally imposed bans

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<sup>28</sup> Rosamond B., *Theories of European Integration and Supranational Governance*. Oxford, NY: Oxford University Press, 2000. p.67

<sup>29</sup> Ibid

<sup>30</sup> Fugazza, Marco (2008) "Globalization and Developing Countries," in Pompeo Della Posta, Milicia Uvalic and Amy Verdun (eds.) *Gloalization, Development and Integration. A European perspective*, Eastourne: Palgrave

on exports, the most prominent ones being sugar and wheat. Although the strategies protect the country's current economy from deterioration, it limits the country's populace from exploiting trade opportunities within other countries. The move also makes it difficult for other countries to reach a consensus regarding tariffs applicable across borders.

Another prominent premise in the theory is that increased interactions between states creates increased allegiance to the organization and diminishes national or state allegiance by governments. Increased opportunities within the organization create an incentive for the development of regional policies over national policies for government, further explaining the development of political power within RECs. Although member states within the EAC still maintain control over national policies, the increased influence of the organization in national matters such as the attainment of peace in South Sudan is undeniable. Despite the significance of the neofunctional theory in explaining the formation and development of RECs, some critics have opposed the premise that increased interactions contribute to the creation of political power within RIOs.

### **1.10 Research Methodology**

In order to adequately address the scope of work, the methodology adopted for the project and therefore preparation of this paper was the collection and analysis of both primary and secondary data.

#### *1. Primary data*

One of the methods of collecting data applied in this research was through observation of the general trends of the Tanzanian people and other East African citizens. The observation was unstructured and non-participatory for the data collector

Data was also collected in both structured surveys by the use of a questionnaire to gather information for this study from randomly selected people within East Africa but mainly Tanzanians. There was one questionnaire applied in this survey. An online version of the questionnaire was shared to collect information from people who could not be met physically. The online approach was the best option as it allowed collection of data from a wide geographical region within a short period without compromising on the quality of information collected or increasing expenditure costs for the exercise. The structured nature of the questionnaire ensured that the occurrence of bias and personal prejudices from respondents was as low as possible.

The questionnaire was administered to more Tanzanians than other East Africans. The goal was to gauge the knowledge of citizens concerning the mandate of the EAC and participation of Tanzania in the organization in addition to collecting opinions on the interactions between the two entities. Physical distribution of the questionnaires was necessary, hence the need to develop a strategy that saved on time and resources while achieving the objective. After informing the local authorities on the survey exercise, the data collectors stationed at different points round Arusha, Tanzania, filled in the questionnaires. However, it is important to ensure that every respondent was above 18 years and a willing participant. The exercise was restricted to 200 respondents with 140 of them being Tanzanians. The number was determined after considering the total population of the country, time restrictions for the survey and the possibility of data saturation.

## *2. Secondary data*

Collection of secondary data involved further collection and analysing of literary work in existence regarding the East African community and more specifically impediments limiting the attainment of optimal gains for Tanzania, in its participation within the organization. The

literary resources included articles from peer-reviewed journals, online publications, books and relevant websites where necessary.

### **1.11 Research Tools**

The main research tool applied in the collection of primary data for this case study was a questionnaire. The physical data collection method focused on both Kenyan and some Tanzanian citizens while the online survey was open to residents within the EAC and those who could not be met physically in Kenya and Tanzania. The questions were mostly open ended to ensure that each respondent provided as much information as possible relevant to the survey. Annexed is the questionnaire that was used

### **1.12 Ethical Considerations**

The conduct of this research was keen on objectivity, credibility of information and viability of findings, hence the necessity for ethical considerations. Research ethics entail the requirements during the data collection process, analysis of findings and reporting that serve to protect the dignity and privacy of respondents and ensure the integrity of information produced from the research without compromising on the applicability of such information by the private or public institutions intended<sup>31</sup>. The core objective of research was the generation of literary sources whose application is valuable to individuals, private institutions and sometimes governments<sup>32</sup>. It was therefore crucial to consider several ethical factors during the data collection, analysis and reporting processes for this particular research.

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<sup>31</sup> Oliver, P. *The Student's Guide to Research Ethics* (2<sup>nd</sup> Ed.). London: Open University Press, 2010. p.10

<sup>32</sup> Ibid



A major ethical factor for this study was the protection of privacy for respondents participating in the surveys. According to Oliver<sup>33</sup>, respondents in any survey are likely to provide information with higher accuracy when they are assured of the protection of their private information. Such information includes their full names, their residential addresses, private contact information, medical history and criminal history. Since this particular case study survey did not require the inclusion of personal information, all that was necessary was a guarantee that any personal information involuntarily included would be omitted during the reporting phase.

Another ethical factor considered during the conduct of the survey was the legality of the exercise. Usually, it is important to ensure that any exercise requiring collection of data within a specific location occurs with permission from the local authority. No permit was needed for the online survey.

Lastly, the study ensured adherence with intellectual property rights when using secondary data through incorporation of appropriate referencing of data from secondary sources. It is understood that the use of information from secondary sources without referencing amounts to plagiarism, an offence that would negate the integrity of the research findings and the overall value of the research.

### **1.13 Chapter Outline**

This study is composed of five chapters as outlined below.

Chapter One is made up of the background and introduction. This chapter discusses the background and has a brief introduction of the study. The section discusses the statement of

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<sup>33</sup> Ibid

the problem, the research objectives and questions, theoretical framework as well as the academic justification of the study.

Chapter Two looks at the history behind Tanzania's participation within the EAC. It includes a general historical overview of Tanzania including the effects of ujamaa concept and Tanzania's post-colonial era. It also looks at the unexploited opportunities that the country has failed to see over the years in comparison with Kenya as another member state of the EAC.

Chapter Three reviews Tanzania's opportunities like its vast geographical size and high population within the regional bloc, its strategic location with the biggest coast line and Dar-es-Salaam port and its various resources like tourism with an aim of how the country can take advantage of these opportunities in order to gain optimally from the EAC

Chapter Four focuses on what the necessary next steps of Tanzania would be in order for the country to gain optimally from its integration with other East African countries in the EAC. It provides an insight on some of the policies and strategies like free movement of labor that have been successfully used in other countries and strong RECs like the EU

Chapter Five has the summary, conclusions and recommendations. It is a culmination of the study and therefore aims to suggest the necessary steps that would be great for Tanzania to consider in order to gain optimally from the EAC. The discussion indicates whether the results confirm in partial or total what the study intended to achieve.

## **CHAPTER TWO: Tanzania's History in Relation to the EAC**

### **Introduction**

In this chapter, a general historical overview is reviewed with the intentions of unveiling the possible reasons that may have made Tanzania at a disadvantage from benefitting within the EAC, especially in comparison to Kenya as the leading benefactor. A brief analysis on Tanzania's infamous Ujamaa and its effects to the country's active participation in the EAC is presented as well as Tanzania's post-independence dynamics

### **2.1. Tanzania's unexploited Opportunities within the EAC**

Tanzania has recorded political stability since its independence in 1961. Most of the members within the EAC have experienced political turmoil at one point within the past few decades. Examples include the Rwandan genocide in 1994, the Burundian civil war that went on up to 2003, and the coup of Uganda during Idi Amin's time and the post-election violence of Kenya of 2007 and 2008. All the other EAC member states have had some recorded instability in their timeline since independence except for Tanzania<sup>34</sup>. This was also pointed out by 80% of the respondents who took the survey as one of the key features that make Tanzania an ideal country to visit and stay in.

In terms of Agriculture, the country has vast areas of arable land that can be used as a food basket to the other EAC countries as well as beyond EAC. Statistics indicate that the country has more arable land compared to Kenya, for instance, yet Kenya tends to do much better. For example, Kenya is better off than Tanzania in the horticulture industry because of the infrastructural rigidities inherent in Tanzania's export system<sup>35</sup>. Tanzania produces much

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<sup>34</sup> Data for 2005 and 2006 are updated from EAC Trade Report 2006, pp 28-52.

<sup>35</sup> Data updated from Tanzania Revenue Authority (TRA)

more horticulture produce than Kenya but sells very little overseas. Compared to Kenya, Tanzanian farmers have been growing the produce on a small scale and lack network to enable them combine their harvest at lower costs when exporting.

Tanzania, under vision 2025, identified its' key objectives as achieving macroeconomic stability, attaining high levels of domestic saving and investments, broad-based human-resource development, and sustainable economic growth. It is also implementing its Poverty Reduction strategy, which is aligned with the Millennium Development Goals (MDG) of the United Nations<sup>36</sup>.

Some of the respondents pointed out the fact that the EAC headquarters is a functional office in Arusha reflected some level of cooperation from both Tanzania and her citizens towards the EAC. Arguably, the location of the organization's headquarters in Tanzania presents easier access for the creation of diplomatic agreements that enhance Tanzania's economic, political and social growth with each member within the East African region. It is also possible for the country to apply strategies in public diplomacy to boost the image of the country as a viable hub for developmental plans within the region to the international community worldwide. These are so many attributes that can be considered clear advantages for Tanzania to play a critical role in the EAC and beyond.

## **2.2. Historical influences to Tanzania's participation in the EAC**

East Africa's regional cooperation dates back to the pre-colonial era where complex trading mechanisms by political states and tribes was eminent. The initial move was in early 1919<sup>37</sup>. The initiative was by colonial governments of Tanganyika, Uganda and Kenya who came up

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<sup>36</sup> East African Community Trade Report 2005, the East African Community Secretariat, Arusha, Tanzania, (2007). 22.

<sup>37</sup> FONDAD. Regionalism and the Global Economy: The Case of Africa FONDAD, The Hague, (1996).pp29.

with a customs union for trade and commerce facilitation. The economic ties were then strengthened in the 1948 after the founding of the East African High Commission. After the lapse of the colonial era (in 1960s), promotional of regional integration in East Africa was worked on by to particular organizations. The EACS was succeeded by the EACSO (The East African Common Service Organization). In the year 1967, the first EAC was founded. Then, it was a success. Nonetheless, in 1977, the project collapsed. This first failure has been attributed to a couple of factors. To begin with , there was absence of a clear directive and steering functions. Also, anticipated benefits by the member states were unequal. The third reason was attributed to the pure nature of the intergovernmental structure. Finally, there were irreconcilable opinion related differences amongst the leading players (Uganda and Tanzania). It was clear by the time of the EAC disbanded that, there were economic and political philosophies that bore unsustainable and divergent philosophies<sup>38</sup>.

### **2.3. The Ujamaa Concept**

The most salient historical factor shaping Tanzania's participation in the EAC is the prevalence of the socialist concept, 'Ujamaa', that the government continues to implement as a national strategy in various areas of the country's economy<sup>39</sup>. Shortly after independence, Tanganyika and Zanzibar merged to form the nation of Tanzania in 1964. The agreement for the unification of the two states was signed by the first president of Tanganyika, the late Mwalimu Julius Kabarange Nyerere, and the first Zanzibar president, the late Sheikh Abeid Amani Karume, on 22 April, 1964, in Zanzibar<sup>40</sup>. Tanzania's first president was Julius

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<sup>38</sup> Mistry, S. Percy. Africa's Record of Regional Cooperation and Integration, African Affairs, (2000). 13-17.

<sup>39</sup> Sheikheldin, Gussai H. Ujamaa: Planning and Managing Development Schemes in Africa, Tanzania as a case Study. *Journal of Pan African Studies* 8(1), 2015. P.2

<sup>40</sup> Ibid

Nyerere, who led a one-party state that nationalized key industries and created ujamaa, a rural, collective village-based movement of “African Socialism” and “self-reliance.”

Ujamaa faced increasing popular dissatisfaction, and was slowly abandoned in the 1970s and 1980s. He was succeeded by the president of Zanzibar, Ali Mwinyi, who oversaw political reforms and a gradual transition to a capitalist economy, in part due to the economic collapse caused by ujamaa and centralized economic management<sup>41</sup>. The single party rule ended in 1995 with the first democratic elections held in the country since independence. The effects of the ‘Ujamaa’ movement continue to affect the strategic implementation of national economic policies, often limiting the country’s ability to participate fully within the EAC, especially in relation to exploitation of economic opportunities, by creating challenges in resource utilization and distribution<sup>42</sup>.

#### **2.4. Tanzania’s Post-Colonial Era**

Right from the East Africa’s political independence in the 1960’s, there ensued a debate on the strategies for African unity. Despite this fact however, the issue triggered major preoccupations that have been subject to conflicts and controversies. There is a revelation that the collapse evidenced in the previous co-operations and the East African regional integrations may have been due to ambiguous objectives and conflicts arising from national sovereignty and interest issues. For instance, the EAC collapse of the 1977 emanated from unclear strategies that made Tanzania to pursue self-national interests at the expense of the

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<sup>41</sup> Ibid

<sup>42</sup> Yang, Yongzheng and Gupta, Sanjeev. Regional Trade Arrangements in Africa: Past Performance and the Way Forward, IMF Working Paper WP/05/36, (2005). 41-56.

community<sup>43</sup>. The co-operation's pertinent issues were not addressed. From this experience and the threat that followed the Amin's and Nyerere's coup, it is imperative that all the neighbouring states' public be actively involved in all the stages of the co-operation.

After President Nyerere's demise, there were a couple of political transitions in Tanzania. As of late 1990s, the country transitioned into an economic mess with the inflation rate approaching 37.1% by 1994. The corruption rates and political patronage became entrenched while the state coffers were rendered empty. The symptoms were characteristic of an economy trying to overcome the hangover of single party system left by Nyerere. This transition witnessed the conversion of the CCM single party system into a liberal democracy which hasn't been without its challenges<sup>44</sup>. There has been restlessness in the young generation keen to explore more opportunities compared to their older generation. There however, has been a trace of the old generation whose belief is in the static approach. Some researchers have attributed the slow embrace of the EAC by Tanzania to this phenomenon<sup>45</sup>.

Tanzania, after the reign of president Nyerere, has negatively treated other East African citizens. Previous researchers have observed that for effective regional co-existence, an integrated approach by the E.A.C member states is imperative. In 2013 (July 25<sup>th</sup>) for instance, an executive order was issued by the then President Jakaya Kikwete where close to 35,000 individuals from Uganda, Burundi, Kenya and Rwanda were advised to have leave Tanzania by 11<sup>th</sup> August or otherwise, they would be forcefully evicted. These were termed as 'illegal immigrants', 'criminals', 'irregular immigrants', who 'were on a mission to

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<sup>43</sup> Yang, Yongzheng and Gupta, Sanjeev. Regional Trade Arrangements in Africa: Past Performance and the Way Forward, IMF Working Paper WP/05/36, (2005). 54-56.

<sup>44</sup> ICR on Primary Education Development Program in Tanzania, World Bank, May 17, 2005.

<sup>45</sup> Yang, Yongzheng and Gupta, Sanjeev. Regional Trade Arrangements in Africa: Past Performance and the Way Forward, IMF Working Paper WP/05/36, (2005). 64

destabilize the country'. Consequently, most of those evictees fled causing a humanitarian crisis at the borders of Uganda and Rwanda. Families split since 'immigrant mothers' were evicted whilst their children were considered to be bonafide Tanzania citizens<sup>46</sup>. This occurrence has been attributed to by analysts, as one of the contributors to Tanzania's isolation from the Coalition of the willing (CoW) in the spearheading of the East African Integration.

Such a historical injustice has seen the uniting of Rwanda, Kenya, and Uganda for the course; who use the narrative of focusing on Northern corridor rather than being termed to as the CoW for the sake of the regional bloc. The 'network meta-governance' initiative by the EAC member countries in the past has seemed to be more of a 'public-public' type of arrangement. A good number of the undertaken projects are collaborations between governments with a low level of private sector participation at regional levels. The allocated funds are thus by public or government means. However, this concept hasn't been well handled in some cases leading to misdirection and delay of the implementation of some policies and projects<sup>47</sup>.

Consider for instance, the policy requiring use of IDs by citizens for regional travelling as was slated to kick off from 1<sup>st</sup> January 2014<sup>48</sup>. The outcome of this agreement was lack of cooperation by some of the member states as far as the implementation was concerned. A good example was the Burundi-Tanzania border when compared to the Kenya-Rwanda-Uganda border. Kenya has been swift in the implementation of such policies when compared to Tanzania and this is one of the main reasons why her participation has been comparatively

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<sup>46</sup> President Kikwete on illegal immigrants repatriation from Tanzania (2013)

<https://www.youtube.com/watch?v=Pxsbyi82uxM>

<sup>47</sup>ICR on Primary Education Development Program in Tanzania, World Bank, May 17, 2005. 32

<sup>48</sup>URT. 'National Trade Policy for Competitive Economy and Export-Led Growth', *MIT, Dar es Salaam*. Pp34. 2003



better. The level of participation from the Kenyan citizens when compared to Tanzania's, depicts higher enthusiasm.

## **2.5. Kenya's participation in the EAC**

Kenya's economy is the largest and the most advanced in the whole of the East and Central Africa. This is despite the inefficiencies and the mismanagement aspects associated with the economy occasionally. Kenya is a developing economy with a Human Development Index (HDI) of 0.519. With the sole strength of the economy being the productive lands coupled with the country's temperate climate. The country's service sector has also seen considerable growths in the recent past with the tourism and the telecommunication sectors doing superb. The chart below gives a comparative illustration according to World Bank data<sup>49</sup>. The compounded rate of interest for the country's service sector between 2000 and 2008 was 15 per cent. This understanding of Kenya as the EAC member state that is most prosperous within the regional body was also reflected on over half of the responses

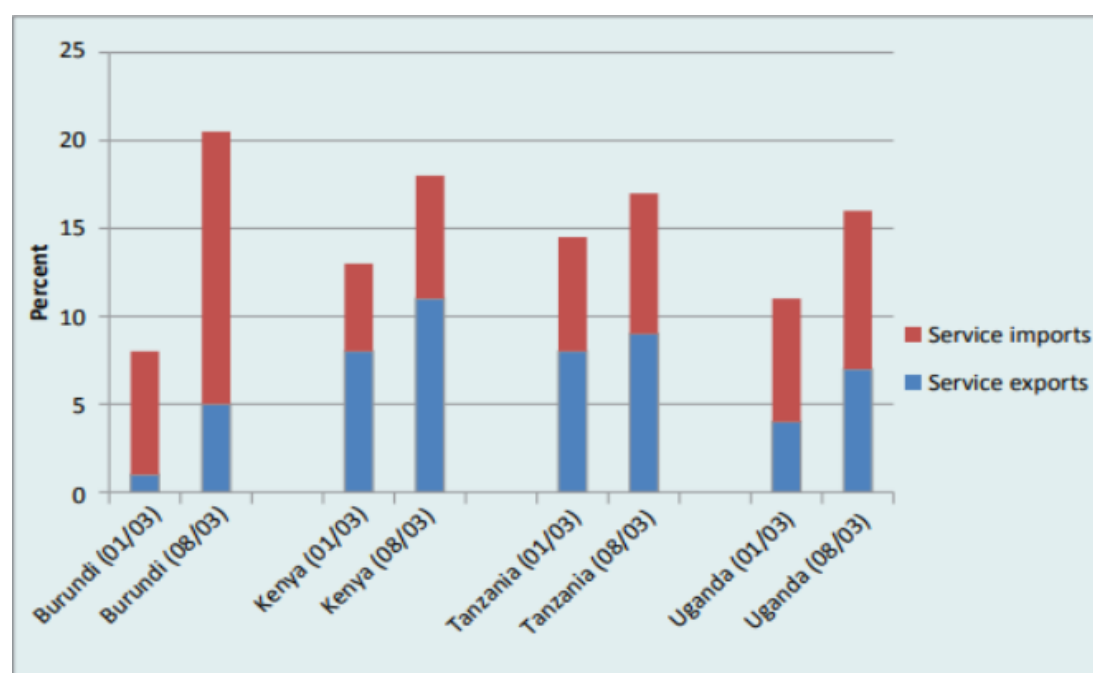
Kenya has maintained an increasing balance of its service industry exports over the past decades when compared to the other EAC members. Unlike it is with the other member states, Kenya has diversified from the traditional reliance on the agricultural sector hence gains a competitive edge. The political will of the economy has also significantly contributed to the country's thriving in the EAC when compared to Tanzania<sup>50</sup>.

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<sup>49</sup> Background note on Tanzania for the Policy Workshop on Knowledge for Development, ESRF, 2002.

<sup>50</sup> Hazlewood, A. "The End of the East African Community: What are the lessons for regional integration schemes?" *Journal of Common Market Studies*, Vol. XVIII, No. 1. (1979). pp. 40-58.

**Figure 1: Service Exports increased in all the countries but Kenya's were specifically the highest**



*Source: World Bank analysis based on IMF BOP and WDI 2012 Data*

In the recent past, the country has been the hub from which service expansion has been attained to the region especially by multinational service institutions like banks. Examples include the Commercial Bank of Africa (CBA) and the Barclays bank. The banks have opened 63 branches in total in the neighbouring countries. The banks have however cited a couple of impediments which include different tax regimes and high resistance from the bank supervisors in Uganda and Tanzania. This perhaps explains why they have favoured Kenya as the hub since the business environment is ample. The Kenyan companies have embraced the EAC community as evidenced by the expansion of Kenyan firms into the region. The table below for instance hints on the number of Kenyan supermarkets within the region.

## **CHAPTER THREE: Tanzania's Opportunities for Optimal Growth in the EAC**

### **Introduction**

In this chapter, a review of Tanzania's area, population, resources and economic activities in relation to the other EAC member states is conducted. This is with the aim of providing an in depth analysis as to how the country can take advantage of the opportunities it has to gain much more within the EAC.

### **3.1. Geographical Area and Population**

United Republic of Tanzania is the largest country with the East Africa community bordered by eight countries. The countries include Mozambique, Zambia and Malawi in the south, Uganda and Kenya in the north, and Democratic Republic of Congo, Burundi and Rwanda to the west. It consists of two semi-autonomous states, Zanzibar and Tanganyika<sup>51</sup>. The borders to other country provide an advantage of becoming strategic hub for transport and logistics.

In terms of the area in square kilometres, the country has a total area of 947,300 km<sup>2</sup>, which is 885,800 km<sup>2</sup> and the rest being water bodies. This is in comparison to other EAC members' states Kenya, Uganda, Burundi, Rwanda and South Sudan with a total area of 581,309 km<sup>2</sup>, 241,038 km<sup>2</sup>, 27,834 km<sup>2</sup>, 26,338 km<sup>2</sup> and 619,745 km<sup>2</sup> respectively. In addition, Tanzania has a coastline of up to 1 420 km which is almost three times the Kenyan coastline which is the only other EAC country that is not landlocked<sup>52</sup>. Additionally Tanzania has the largest population out of the almost 180 million people in the East Africa Community

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<sup>51</sup> Wade, Derek J., Balekebabjobege C. Mwasaga, and Paul FJ Eagles. "A history and market analysis of tourism in Tanzania." *Tourism Management* 22, no. 1 (2001): 93-101.

<sup>52</sup> <https://www.eac.int/eac-partner-states/tanzania>

member states. The EAC member states population, GDP are summarized in the table below<sup>53</sup>. Tanzania's vast geographical space, most of which is arable and its huge population are key economic opportunities that were pointed out by 72 percent of the respondents who undertook this study.

**Table 3-1: EAC member states: Size, Population and GDP estimates, 2014**

	Surface area (‘000 sq kms)	Percent	Population (millions) 2014	Percent	Population density (per sq km)
<b>Tanzania</b>	947.3	52.0	47.2	32.4	50
<b>Kenya</b>	580.4	31.8	43.0	30.0	74
<b>Uganda</b>	241.6	13.2	34.7	23.8	144
<b>Rwanda</b>	26.3	1.5	10.9	7.5	414
<b>Burundi</b>	27.8	1.5	9.7	6.6	349
<b>Total</b>	<b>1,823.4</b>	<b>100.0</b>	<b>145.5</b>	<b>100.0</b>	<b>80</b>

*Source: East African Community Facts and Figures, September 2015*

Studies have shown that there is a relationship between economic growth and population. According to Simon, in economies where there is high population, new technology is found to overcompensate more for the depletion of resources that results from the large number of people. In this case, the technological advancement together with capital and labor have a direct or indirect influence to the levels of production with a given jurisdiction<sup>54</sup>. This can be explained by the fact that higher populations provide greater opportunities in terms of market size and do provide challenges to the population in ensuring survival and this triggering innovation. In this respect, the high population within Tanzania should trigger innovation with the regional integration providing a greater opportunity for technological transfer to the other member states.

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<sup>53</sup> UNICEF (2016). Statistics-Tanzania, United Republic of.

[www.unicef.org/infobycountry/tanzania\\_statistics.html](http://www.unicef.org/infobycountry/tanzania_statistics.html)

<sup>54</sup> Simon, Julian Lincoln. "Theory of population and economic growth." (1986).

The economic stimulations as a result of high human capital is further advanced by the Endogenous Theory. The theory holds that investment in innovation, human capital and knowledge are key towards economic development. According to endogenous growth theory, exports, FDI and imports affect economic growth through three main channels. First, exports, FDI and imports increase capital accumulation by introducing new inputs and technologies; Secondly, they advance the level of knowledge and skills through labor and management training; and thirdly, they increase competition in the host country's industry by overcoming entry barriers and reducing the autonomy of existing firms<sup>55</sup>. Clearly, Tanzania can develop its population to realize greater benefits in the regional market created by the EAC. With the removal of the movement barriers the workforce can not only take advantage of the people with their country but also the neighboring countries.

A detailed scored on the EAC compliance with the EAC protocol on movement of goods, services and capital concludes that the progress on the same has been slow. From the results Tanzania is the slowest in most of the key indicators. The ranking also looked at the existence of laws and regulations that make it easy for the movement of capital across the EAC member states. Kenyan laws and regulations are found to be the most facilitative for movement of capital across the borders. Burundi and Tanzania have the rules that make it the hardest to move across the borders. Rwanda and Kenya are the most opened up countries<sup>56</sup>.

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<sup>55</sup>Abu-Eideh, Omar Mahmoud. "Factors of economic growth in Palestine: an empirical Analysis during the period of (1994-2013)." *International Journal of Business and Economic Development (IJBED)* 2, no. 2 (2014).

<sup>56</sup>Adero, Nashon, and Eric Aligula. "Challenges Facing Transport Infrastructure in the East African Community."

**Table 3-2: Restrictions on the free movement of capital in the EAC**

<b>Nature of capital transaction</b>	<b>BRI</b>	<b>TNZ</b>	<b>KYA</b>	<b>RWA</b>	<b>UGA</b>
Purchase by residents of foreign shares or other securities					
Local purchase by non-residents of shares and other securities					
Participation of residents in IPOs in foreign capital markets					
Local sale by non-residents of foreign shares or other securities					
Foreign sale by residents of shares or other securities					
Local purchase of bonds and other debt instruments by non-residents					
Local sale of bonds and other debt instruments by non-residents					
Sale of bonds and other debt instruments abroad by residents					
Local purchase or sale of money market instruments by non-residents					
Foreign purchase or sale of money market instruments by residents					
Local purchase by non-residents of collective purchase schemes					
Local sale or issue by non-residents of collective investment schemes					
External borrowing by residents					
Lending abroad by residents					
Inward direct investments					
Outward direct investments					
Repatriation of proceeds from the sale of assets					
Personal capital transactions					
Open, no restrictions (percent)	22	22	94	83	83
<b>Number of NTBs reported and resolved (2008- 2013)</b>	<b>3 2</b>	<b>18 13</b>	<b>16 9</b>	<b>5 2</b>	<b>9 4</b>

Source: Adapted from World Bank, EAC Secretariat 2014

Colour code: **Restricted**; **open**; **No regulatory framework**

In regards to freedom movement of goods Article 5 paragraph 1 of the East African common market protocol states the Partner States agree to: (a) eliminate tariff, non-tariff and technical barriers to trade; harmonise and mutually recognize standards and implement a common trade policy for the Community; <sup>57</sup>

However All Partner States still apply non-tariffs barriers, with most related to phytosanitary and sanitary measures, additional taxes and charges, rules of origin, and technical barriers to trade. Partners ‘are all members of multiple free trade areas’ meaning that they ‘apply different tariffs to extra-regional trade partners’

<sup>57</sup> EAC (2012). *Protocol on the Establishment of the East African Community Common Market* page

Kenya and Tanzania are identified as the main creators and eliminators of NTBs. The World Bank/EAC report indicates the Tanzanian government as the least committed in promoting integration. This is despite having the highest human resource<sup>58</sup>. Table 3-3 provides a comparison on the performance of the member states in which Tanzania still scores relatively poor.

**Table 3-3: Africa Regional Integration Index 2016 EAC performance**

	<b>Trade integration</b>	<b>Regional infrastructure</b>	<b>Productive integration</b>	<b>Free movement of people</b>	<b>Financial &amp; macro- economic integration</b>	<b>Global classification</b>
<b>Kenya</b>	1.0	.44	.84	.80	0.20	.66
<b>Uganda</b>	.94	.48	.73	.70	0.05	.58
<b>Rwanda</b>	.69	.37	.41	.80	0.50	.55
<b>Burundi</b>	.5	.84	.33	.70	0.03	.48
<b>Tanzania</b>	.78	.36	.45	.58	0.00	.43
<b>Average</b>	<b>.78</b>	<b>.50</b>	<b>.55</b>	<b>.72</b>	<b>.16</b>	<b>.54</b>

Source: African Union, ADB Group and Economic Commission for Africa 2016. 'Africa Regional Integration Index Report 2016.' [http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/ARII-Report2016\\_EN\\_web.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/ARII-Report2016_EN_web.pdf).

In the EAC standards, Tanzania as a country is an average performer for trade integration and performs below most of the other counties in terms free movement of people despite having the highest population.

### **3.2. Tanzania's status on logistics and trade**

The central mandate of the EAC is to facilitate movement of people, capital, goods and services across the national borders. This is to primarily stimulate economic growth among the member countries while at the same time creating jobs with an aim of reducing poverty. Mombasa and Dar es Salaam are used for handling logistics for goods imported and exported to the East Africa Community.

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<sup>58</sup> EAC Secretariat. 2014a. East African Community Facts and Figures -2014. Arusha: EAC Secretariat., pp 2

At the moment, Kenya and Rwanda are found to outperform Burundi and Tanzania in efficiencies associated with logistics. Tanzania is in the 86<sup>th</sup> percentile globally despite having the longest coastline. Mombasa port in Kenya outperforms the Dar es Salaam port as it scores higher in the global “logistics competence” and ‘international shipment’. According to the World Bank, inefficiencies in the Dar port are equivalent to 22 percent tariff on containers and almost 5 percent on the bulk imports. Similarly, raising the efficiency of the Dar port to that of Mombasa standards is approximated to save the regional member states up to US\$2.6 billion a year<sup>59</sup>.

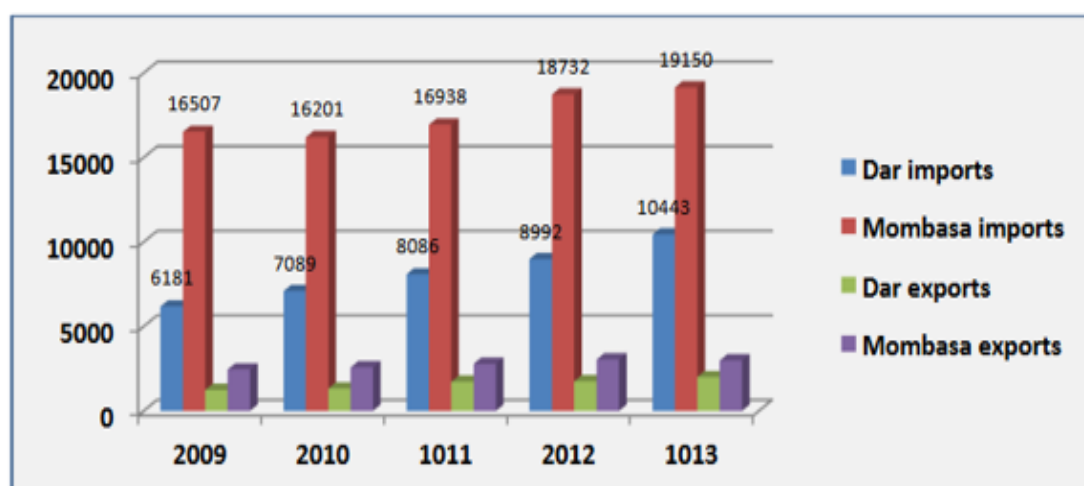
Figure 3-1 shows the trends in the port traffic up to the year 2013. In the statistics the Mombasa port accounted for almost three-quarters of the trade handled by the two entry points in 2009, but only two-thirds of the same in 2013. The results indicate that the recent efforts to enhance the Dar port handling capacity have borne fruits and thus illustrate the ports potential of becoming the leading regional hub. According to the Tanzania Port Authority (TPA) dwell times for containers imported through the port have been cut including making the port operations run for 24-hours a day.

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<sup>59</sup> Two-thirds of this sum (US\$1.7 billion) is losses to the Tanzanian economy, the remaining US\$900 million are losses to the rest of the region. Dar port moved 10.4 million tonnes of cargo in 2011, Mombasa moved 22 million tonnes in 2012 (Morisset, Moret, and Regolo 2012:59; Christabel Ligami 2014. ‘Transport costs to come down, delays in clearance of goods minimised’, East African, 28 June).



**Figure 2: Trade through Dar and Mombasa ports 2009-13 ('000 tonnes)**



Source: Hoffman and Kidenda 2014:6

The same is enhanced by the fact that the country borders more landlocked countries compared to Kenya. For instance, Tanzania borders Uganda, Malawi, Zambia, Congo, Rwanda and Burundi while Kenya borders Uganda, Southern Sudan and Ethiopia. Clearly, integration of the region removing the trade barriers then enhances the position of Tanzania in becoming a logistics hub. Table 3-4 ranks EAC members states on the World Bank's Logistics Performance Index.

**Table 3-4: Logistics Performance Index 2014**

Country	Rank (/160)	Score (/5)	Customs	Infrast- ructure	International shipments	Logistics competence	Tracking & tracing	Time- liness
Kenya	74	2.81	1.96	2.40	3.15	2.65	3.03	3.58
Rwanda	80	2.76	2.50	2.32	2.78	2.64	2.94	3.34
Burundi	107	2.57	2.60	2.40	2.60	2.51	2.51	2.76
Tanzania	138	2.33	2.19	2.32	2.32	2.18	2.11	2.89

Source: [www.lpi.worldbank.org/international/global/2014](http://www.lpi.worldbank.org/international/global/2014)

Despite the notable advantage, efforts to increase investments in container handling capacity have been meet with resistance. This includes allowing more private sector participation through TPA becoming a landlord other than actual operator in the port. Tanzanian freight

companies initially resisted the setting up of a Single Customs Territory (STC) arguing that the initiative will lead to the deployment of officers from the revenue authorities in the landlocked countries at the port. In their view, the deployment may result in importation of dangerous goods through the port. The conservative nature of the Tanzanian citizens in deployment of such new ideas and fear of competition has made it hard for the country to take full advantage of the vast coastline.

### **3.3. Tourism**

All the EAC member states consider tourism development as one of the key pillar towards national development including providing mechanisms for generating revenue for government,<sup>60</sup> generate foreign revenue and contributing to conservation efforts. In realizing these objectives, it is clear the countries are faced with challenges of political instability and governance, service standards and human capacity of which some are to be solved through regional integration<sup>61</sup>.

The tourism industry in Tanzania has been a success story rivalling Kenya as a leading tourist destination in the EAC region. 80% of the respondents pointed out that tourism is one sectors that Tanzania stands to gain from the most. For instance, between January to October, 2016 a total 1,020,816 tourists were received in the country as opposed to a total of 1.1 million tourists received for 12 months in the year 2013. Among the leading tourism sites in Tanzania include the Serengeti National Park that has the “big five” (leopard, lion, elephant, rhino and leopard), Mount Kilimanjaro-a snow capped mountain with wildlife, Zanzibar beaches among others.

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<sup>60</sup> Kirkpatrick, C. and Watanabe, M. "Regional Trade in Sub-Saharan Africa: An analysis of East African Trade Cooperation, 1970-2001." The Manchester School, Vol. 73, No. 2, (2005), pp 141-164.

<sup>61</sup> Okello, Moses M., and Marina Novelli. "Tourism in the East African Community (EAC): Challenges, opportunities, and ways forward." *Tourism and Hospitality Research* 14, no. 1-2 (2014): 53-66.

In 2016, travel and tourism's contribution to the country's gross domestic product was set at 4.7%. This is higher compared to other EAC member states. Table 3-4 below provides a summary of the ranking of travel and tourism's contribution to GDP for countries in the sub-Saharan Africa. Also, a summary of direct investment into the countries to travel and tourism is shown<sup>62</sup>.

**Table 3-5: Tourism contribution to GDP in 2016 and overall investment in Tourism in 2017**

TRAVEL & TOURISM INVESTMENT		2017 % growth
17	Republic of Congo	8.2
41	Kenya	6.6
59	Namibia	5.8
65	Senegal	5.5
71	Uganda	5.2
79	Gambia	4.9
91	Tanzania	4.1
	World	4.1
156	Botswana	0.8
	Sub-Saharan Africa	0.7
158	South Africa	0.6
184	Swaziland	-7.24

TRAVEL & TOURISM'S DIRECT CONTRIBUTION TO GDP		2016 % share
27	Gambia	9.0
59	Senegal	4.8
62	Tanzania	4.7
83	Botswana	3.9
86	Kenya	3.7
	World	3.1
116	South Africa	3.0
121	Swaziland	2.8
124	Namibia	2.8
	Sub-Saharan Africa	2.6
129	Uganda	2.6
181	Republic of Congo	1.1

*Source: Travel & Tourism Economic Impact 2017 Report, Tanzania*

From the figures, despite higher growth in the contribution of tourism to the overall GDP of Tanzania being at 4.7% compared Kenya's 3.7%, the actual prioritization in direct investments in Kenya is higher at 6.6% compared to Tanzania's 4.1%<sup>63</sup>. This should not be the case considering that tourism plays a more pivotal role in the Tanzania's economy compared to Kenya and the country can benefit by encouraging domestic tourism from the EAC member states.

Despite this growth effort to ensure integration of the game park tourism sector through the EAC protocol there has been notable opposition from the Tanzanian nationals arguing that

<sup>62</sup> World Travel & Tourism Council, Travel & Tourism Economic Impact 2017 Report, Tanzania

<sup>63</sup> UNECA. *Transforming "Africa's Economies: Overview, Addis Ababa"*: Economic Commission for Africa. (2001). 33

opening up of the Bologonja gate is set to boost the Kenyan tourist arrivals through facilitation access to the Serengeti. For instance, the hoteliers and the country's tour operators have stoutly resisted the EAC protocol on tourism arguing that this could lead to loss of business. In the past, non-Tanzanian tour operators have complained of: 'continued denial of entry of their tourist vehicles that are already registered in other partner states, disparities in fees charged, harassment of drive guides when crossing the border and also lack of cooperation by Tanzanian authorities in addressing some of concerns raised<sup>64</sup>. The non-cooperation by the authorities indicates support of protectionist measures that were to be done away with in the EAC protocol. This is despite other countries doing away such measures.

Table 3-5 illustrates the travel and tourism competitiveness of the EAC member states. It is clear that despite Tanzania being a protectionist country, Kenya and Rwanda continue to do better. Despite the country ranking better in natural resources, it ranks poorly in terms of regulatory framework and infrastructure thus affecting the overall ranking.

**Table 3-6: Travel & Tourism Competitiveness Index 2013,EAC states**

	Overall rank /140	Score /10	Regulatory framework	Score	Business environment & infrastructure	Score	Human, cultural & natural resources	Score
<b>Kenya</b>	<b>96</b>	<b>3.66</b>	108	3.98	105	2.98	60	4.01
<b>Rwanda</b>	<b>105</b>	<b>3.56</b>	78	4.46	117	2.74	104	3.49
<b>Tanzania</b>	<b>109</b>	<b>3.46</b>	118	3.67	125	2.68	59	4.02
<b>Uganda</b>	<b>116</b>	<b>3.39</b>	116	3.71	121	2.70	79	3.76
<b>Burundi</b>	<b>138</b>	<b>2.82</b>	130	3.40	139	2.33	138	2.73

Source: WEF 2014. [http://www3.weforum.org/docs/TTCR/2013/TTCR\\_OverallRankings\\_2013.pdf](http://www3.weforum.org/docs/TTCR/2013/TTCR_OverallRankings_2013.pdf)

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<sup>64</sup> Okello, Moses M., and Marina Novelli. "Tourism in the East African Community (EAC): Challenges, opportunities, and ways forward." *Tourism and Hospitality Research* 14, no. 1-2 (2014): 53-66.

Poor tax policies and poor regulatory hinder the growth in Tanzania's tourism sector, particularly for small businesses. The players are always in loggerheads with the government on fairness, legality and conformity to the existing standards. For instance, in December 2012, the Hoteliers Association of Tanzania (HAT) took the government to court opposing hiking of the national park fees<sup>65</sup>. The lack of consultation on such issues does impact negatively to the sector and thus hindering its progress.

50 percent of the respondents pointed out that the country needs to make deliberate steps in promoting the tourism sector by leveraging on the human cultural and natural resources to take lead role in the tourism sector within the EAC member states. The protectionist policies are an indicator of failure to promote the tourism sector through prudent tax and regulatory regimes. Arguably, the million tourist target could have been realized early by introducing single visa system and also opening up for competition from other service providers within the member states. This could also be enhanced further by investing more in infrastructure as it is a key enabler in realizing growth.

### **3.4. Infrastructure**

The integration at political or economic levels is dependent on a number of factors key among them being the transport, power and communication infrastructure. Transport infrastructure for instance is critical in enhancing the competitiveness of cities and regions in the global marketplace <sup>66</sup>. The sector provides services that are critical inputs in manufacturing, transportation, and commerce, and important contributors to household welfare. They also provide services that are essential to boosting economic activity and

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<sup>65</sup> Katrina Manson 2012. 'Investors form a tentative queue', Financial Times, London, 7 December. The tour operators won the case.

<sup>66</sup> Kessides, Ioannis N. "Regionalising infrastructure for deepening market integration: the case of east Africa." *Journal of Infrastructure Development* 4, no. 2 (2012): 115-138.

increasing competition through the expansion of product lines and geographic spheres of distribution. Therefore, inadequate or poorly performing infrastructure can be a serious burden on the economy—it can undermine national competitiveness, cause economic stagnation and seriously undermine the evolution of competitive markets

It is upon this realization that the EAC treaty identifies infrastructure as key in making progress towards regional integration. The treaty emphasizes on a coordinated, harmonized and complimentary development of transport and communication policies, enhancing the existing transport links and also developing new ones<sup>67</sup>. The main objective is to further physical cohesion and at the same time facilitate intra-regional commerce while at the same time ensuring global connectivity. In addition, the treaty also has specific provisions that promote railway development. Article 91 provides for the establishment and maintenance of a coordinated railway services that are to connect all the member states<sup>68</sup>.

EAC transport network is made of two transport corridors: the central and northern transport corridors. The Central Corridor goes through Dar es Salam port through Burundi, Rwanda and Democratic Republic of Congo. On the other hand, the northern corridor goes through Mombasa Kenya to Uganda, Rwanda and ends in Bujumbura Rwanda<sup>69</sup>. The advantage of the Central Corridor over the northern corridor is it goes through two separate routes; one that runs through Burundi going through key cities/towns and the other one through the capital

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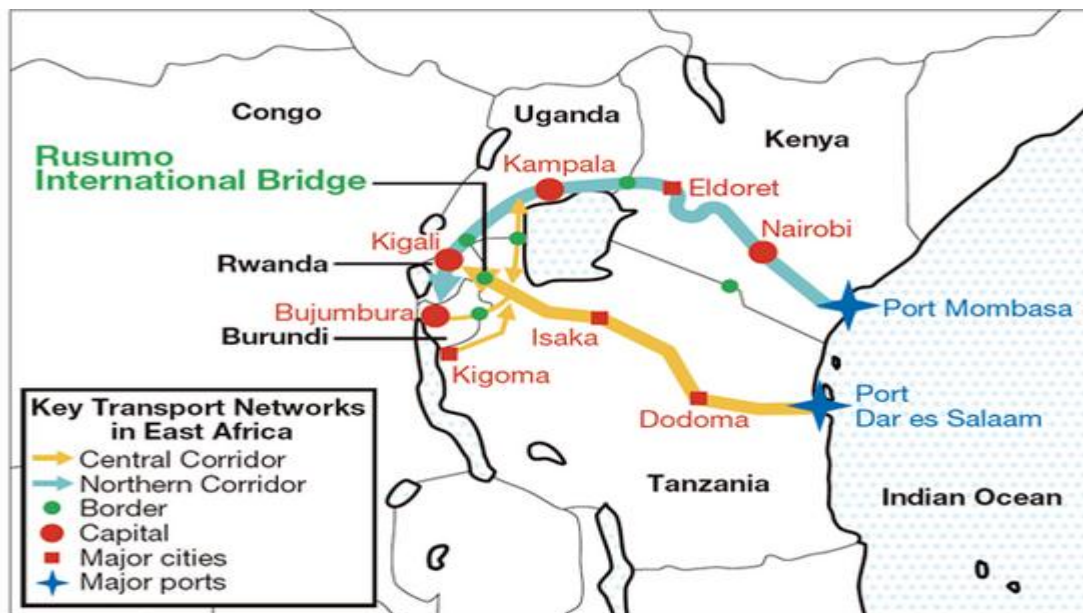
<sup>67</sup> Vamvakidis, A. “*Regional Trade Agreements or Broad Liberalization: Which Path Leads to Faster Growth?*” IMF Staff Papers. (1999). 46:42-68.

<sup>68</sup> EAC Secretariat.. EAC Customs Union Protocol. Arusha: EAC Secretariat. 2004a, pg. 25

<sup>69</sup> Ndulu, Benno J. "Infrastructure, regional integration and growth in sub-Saharan Africa: dealing with the disadvantages of geography and sovereign fragmentation." *Journal of African Economies* 15, no. suppl\_2 (2006): 212-244.

city of Rwanda, Kigali<sup>70</sup>. The figure below illustrates the two corridors and the key towns they go through.

**Figure 3: Northern and Central Corridors; major roadways for transport of goods from the Indian ocean to inland areas in East Africa**



*Source: Japans contribution to Africa's tomorrow: Improving East Africa inland logistics*

The expansion in the infrastructural as provided by the EAC treaty has been faced by a number of challenges with Tanzania holding a 'wait and see' attitude. This was witnessed in the development of a major oil pipeline and rail line that was meant to open up the region. Initially, Tanzania pulled out leading to the formation of what was popularly referred to as 'coalition of the willing'. This led to the development of a tentative agreement between Kenya and Uganda on the development of a pipeline with the deal not going through after

<sup>70</sup> Society for International Development (2012), Report, <http://www.sidint.net/content/state-east-africa-2012-deepening-integration-intensifying-challenges/htm>, 7th November 2017

Uganda pulled out to join efforts again with Tanzania. At the same time, Rwanda decided to pull out of the standard gauge railway that was to integrate Kenya, Uganda and Rwanda<sup>71</sup>.

The slow paced growth in the Central Corridor is evidence by the commission of the first phase of the SGR in Kenya in July 2017 while Tanzania is still in the planning phase of its own in April 2017<sup>72</sup>. It is also evident that Tanzania's energy sector is still bundled thus making it a challenge in realizing the integration of the electric power system<sup>73</sup>.

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<sup>71</sup>East African Newspaper: <https://qz.com/687870/east-africas-economic-coalition-of-the-willing-is-falling-apart/> Accessed on 7<sup>th</sup> November, 2017

<sup>72</sup>All Africa: <http://allafrica.com/stories/201704130089.html> accessed 7th November, 2017

<sup>73</sup>Abdulganiyu, I. O. (2017). Possibilities and barriers for increasing renewable power generation in Kenya and Tanzania.



## **CHAPTER FOUR: Steps to Realise Optimal Gains for Tanzania in the EAC**

### **Introduction**

The EAC common Market Protocol established on 1<sup>st</sup> July, 2010 and ratified by the Partner States provides a platform for “Common Market” by integrating Partner States’ Market one market. The Common Market protocol allows for free movement of persons, goods, services, labour and capital. It includes a right to establishment and resident<sup>74</sup>. The overall objective being to promote trade, tourism and manufacturing among the member states; thereby addressing underdevelopment, poverty and external dependency challenges. These includes other protocols on drug trafficking, utilization of natural resources like Lake Victoria, security, tourism and wildlife, ICT among others<sup>75</sup>. While the course is noble and most protocols are comparable to other common markets, the individual country policies are not aligned. In addition, some of the members have protectionists policies to protect their citizens. The section below provides an insight into some of the policies that can be adopted by Tanzania to optimize on the benefits of being part of the EAC. This is by taking advantage of the natural and human resources in the country as highlighted in the previous two chapters.

### **4.1. Free Movement of Labour**

Labour mobility affects both the supply and demand side of the labour market of the receiving country. On the supply side, free movement of labour increases the supply of workers in the receiving country. In the short-run, this increase in the supply of a particular

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<sup>74</sup> Hartzenberg, Trudi. "Regional integration in Africa." (2011).pg.8

<sup>75</sup>Law Reform Commission of Tanzania: ” <http://www.lrc.tz/east-africa-laws/eac-protocols-and-annexes/>. Accessed on 8<sup>th</sup> November, 2017

type of labour will lead to a fall in its wage, which will in turn reduce the cost of production of the goods and services using that kind of labour. As a result of reduced cost of production, the affected firms and industries will increase their output of goods and services as well as adopt technologies that use the labour more intensively. The prices of goods and services may also fall thereby benefiting the final consumers through increased affordability of goods and services<sup>76</sup>. For the markets with relatively inelastic supply, such as the real estate markets, prices may rise as a result of higher demand originating from an increase in the population. On the demand side, an influx of workers from neighboring countries will lead to an increase in the demand for goods and services.

Majority of workers migrating from other countries in search of employment opportunities tend to be absorbed in sectors or industries in which there is shortage of skills (sector considered low profile by natives). Therefore, rather than displace the resident workers (which is usually the most commonly cited justification against promoting labour mobility), migrant workers help in promoting the growth of the sectors in question<sup>77</sup>. Tanzania has the highest population and a comparatively bigger natural resources base among the EAC member states. It therefore follows that the country can serve as either a source of a well skilled workforce or provide demand for knowledge transfer into the country for development of the existing resources. This is by ensuring that the country's academic certificates and qualifications including skills and experiences are equivalent or better than those issued in other countries. For instance, a law degree from the University of Dar es Salam should either be comparable to that of Makerere University in Uganda or even better. The initiative would make the human resource in the country take advantage of expanded labour market as a result

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<sup>76</sup>Cahuc, Pierre, Stéphane Carcillo, and André Zylberberg. *Labor economics*. MIT press, 2014.pg.2

<sup>77</sup> Betcherman, Gordon. "Labor market regulations: what do we know about their impacts in developing countries?." *The World Bank Research Observer* 30, no. 1 (2014): 124-153.

of the EAC integration. Also, this will do away with the need to undertake training programs for nationals of other member states wishing to work within the country which translates into additional costs to the employers and to production cost.

The EU offers a study of how the free movement of labour and persons privileges can impact on the economies of both the sending and receiving countries. This is so particularly given the events that have been unfolding in the region's labour market following the accession of the A8 Member States from Central and Eastern Europe (namely Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Latvia, Lithuania and Estonia) in 2004 as well as the most recent accession of Romania and Bulgaria in 2007. Free movement of labour offers significant opportunities as well as insurmountable challenges to both the migrant and resident workers<sup>78</sup>.

Also, Article 10(10) of the protocol that states, "the provisions of this Article shall not apply to employment in the public sector..." should be reviewed. This is considering that in its current state free movement of workers is only being promoted into the private sector in the partner states. Where specific skills and professionals are lacking in the public sector of the partner states and the national labour policy restricts employment of foreigners in the public sector, then this provision might starve the public sector of the right mix of skills<sup>79</sup>. This includes Article 10(11) of the CMP states, "the free movement of workers shall be subject to limitations imposed by the host partner state on grounds of public policy, public security or public health"<sup>80</sup>. The clause gives discretion to member countries to restrict movement at will

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<sup>78</sup> Ritzen, Jo, and Martin Kahanec. "EU Mobility." In *A Second Chance for Europe*, pp. 135-153. Springer International Publishing, 2017.

<sup>79</sup> UNCTAD. 'Investment Policy Review: The United Republic of Tanzania'. United Nations Publication, (2002).24

<sup>80</sup> Betcherman, Gordon. "Labor market regulations: what do we know about their impacts in developing countries?." *The World Bank Research Observer* 30, no. 1 (2014): 122

and thus reversing the gains. To do this Tanzania should amend the Immigration Act, 1995 to do away with the requirement of permit for EAC member citizens. The same should be adopted across the other member states.

However, promoting the free movement of persons results in relaxation of border controls. This in turn implies an increase in the porosity of the borders. The main concern resulting from this is the security of the nationals of the receiving country. Human, drug and fire arms trafficking may increase due to porous borders. This concern has been raised by other RECs such as the EU. Some of the EU member states were of the opinion that accepting the new member states to the Union and opening up their labour markets to them would result in an influx in the number of illegal immigrants and rate of crime in their territories. In the EAC region, human trafficking is rampant given that two out of the five member states (Kenya and Uganda) lie in the Horn of Africa region, which suffers from severe droughts and famine, conflicts, high poverty levels, terrorism, political instability and general desperation<sup>81</sup>. Kenya has indeed become an important destination as well as transit point for human trafficking. The situation is further worsened by the influx of refugees from neighboring countries of Somalia, Ethiopia and South Sudan.

As of September 2011, the country hosted more than 452,000 refugees Dadaab camp, the largest refugee camp in the region, and majority of whom were from Somali. The large number of refugees in Kenya is a major hindrance to the free movement of persons and labour in the EAC region because it increases the susceptibility of the nationals of EAC partner states to trafficking, smuggling and other types of abuses. To address this Tanzania together with other EAC member states should work on issuing standardized national

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<sup>81</sup> Winn, Neil, and Alexandra Lewis. "European Union anti-piracy initiatives in the Horn of Africa: linking land-based counter-piracy with maritime security and regional development." *Third World Quarterly* (2017): 1-16.

identification documents managed centrally. A case in hand is the use of Schengen rules in most of the EU countries where visitors to any of the countries are allowed to use a single VISA. Citizens of the countries are free to move using a single document managed centrally<sup>82</sup>.

In addition to the free outflow of labour to other countries, the inflow of labour into Tanzania has the advantage of lowering labour costs and also increasing the participation as compared to that of the natives<sup>83</sup>. This has the potential of improving on the utilization of natural resources in Tanzania and hence promoting the growth in GDP.

Lastly, the use of a single VISA in the EAC countries also has the potential of promoting tourism in the countries. Ease movement of tourists will aid Tanzania benefit from tourists visiting other countries.

#### **4.2. Clear Strategies and Policies**

From the literature expedition above, it emerges that right from the East Africa's political independence in the 1960's, there ensued a debate on the strategies for African unity. Despite this fact however, the issue triggered major preoccupations that have been subject to conflicts and controversies. There is a revelation that the collapse evidenced in the previous co-operations and the East African regional integrations may have been due to ambiguous objectives and conflicts arising from national sovereignty and interest issues. For instance, the EAC collapse of the 1977 emanated from unclear strategies that made Tanzania to pursue self-national interests at the expense of the community. The co-operation's pertinent issues

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<sup>82</sup> Peers, Steve. "Migration, Internal Security and the UK's EU Membership." *The Political Quarterly* 87, no. 2 (2016): 247-253.

<sup>83</sup> Kahanec, Martin, Anzelika Zaiceva, and Klaus F. Zimmermann. "Lessons from migration after EU enlargement." In *EU labor markets after post-enlargement migration*, pp. 3-45. Springer Berlin Heidelberg, 2009.

were not addressed. From this experience and the threat that followed the Amin's and Nyerere's coup, it is imperative that all the neighbouring states' public be actively involved in all the stages of the co-operation.

The need for a co-operation must be driven by the demands and the needs of the integration situation. As revealed out in the preceding chapters above, it also emerged that a couple of the EAC's performance challenges were related to the overall government policies particularly regarding the pursuit of the national interests of Tanzania. The solution to the predicament lies with the respective policy makers. In this regard, the respective policy makers must be able to operate similar or common economic policies and ideological orientations. It is only this way that a common market or services could be created within the region and for the common benefit of all<sup>84</sup>. An arrangement that contradicts this would doubtlessly plunge the venture for regional co-operation into fruitlessness. The policy makers should also strive to assimilate their socialization processes in the bid to luring inter-regional and inter-tribes information and movements.

This may possibly be achieved through adoption of similar education systems. This way, standards for the East African community may be set and will consequently break down any barrier to integration. It is a generalization fallacy to make an assumption that people can socialize naturally. A situation where reception of information is distorted breeds isolation and misunderstanding and this would eventually be detrimental to the co-operation<sup>85</sup>. It is imperative that the member states formulate domestic policies that are in conformity with the

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<sup>84</sup> UNECA. "*Transforming Africa's Economies: Overview, Addis Ababa: Economic Commission for Africa*". (2001). 103-104.

<sup>85</sup> UNECA. "*Transforming Africa's Economies: Overview, Addis Ababa: Economic Commission for Africa*". (2001). 107.

regional policies. The regional relations between the states should also be well stated. Wideness in the policy gaps undermines good neighbourhood policies. This makes it harder for any successful co-operation. This has been the case in the past where the EAC member states have been working to pursue varying domestic development policies and the effects have that, the <sup>86</sup>individual states continued looking into their own different directions while assuming that they were working on a common course. Sadly, this is still the scenario between Tanzania and Kenya at the moment. The former still has fears that the capitalist Kenyans will occupy their land.

The stakeholder engagement will be healthy from planning stage, the implementation stage, to the monitoring and the evaluation stages. The citizens of the participating communities for instance, were given the opportunity to vote for or against ideas through a referendum. The engagement level spanned from collecting their individual perspectives to elections. This individual participation allows for active participation and commitment and this has a minimizing effect of the collapse. It is common knowledge that a three man like minded team is less strong than a collective effort. In my view, joining of the co-operation should be out of free wheel than an obligation. It should come from the masses' urge of co-operating amongst them.

The countries share related colonial experiences which they need to capitalize on for the benefit of the entire community. Such advantages and other related could be explored for viable relations. Particularly speaking, the community at the borders of Luhyia, Masaai, Kuria, Teso, Luo, and Karamojong may be significant spring boards to the identification and

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<sup>86</sup> Venables, A.J. *"Integration Agreements: A Force for Convergence or Divergence?"* Proceedings of World Bank ABCDE Conference. Policy Research Working Paper Series no.2260. World bank, Washington, D.C. (1999). 21.

actualization amongst East African people. Policy makers ought to understand that their decisions regarding national interests must always be arrived at on concrete basis and attainable national advantage. This should be within the confines of prudence than impersonal criteria of law, ideology, and morality. Prudence, in this regard, would be understood to refer to the ability of assessing one's aspirations and needs while balancing them carefully against other's needs and aspirations. The invasion of Tanzania into Uganda in 1979 for instance, was an action retrogressing against a sovereign state as well Uganda's citizens.

The heads of state must avoid power centrality always. Decentralization of power should however be adopted. Power centralization is the source of greed in leaders and suspicion from the masses. Patron-client cleavage kind of relationship must be avoided at all costs for successful regional integration. This would otherwise make co-operation to be geared to the loyal neighbours. Those who could be in opposition would thus be regarded to be inactive members and this would undermine the scheme's good will. Amicable solutions to specific pertinent issues must be arrived at to avoid re-emergence of such issues in future. A good example is the Migingo island dispute between Kenya and Uganda<sup>87</sup>. On another note, historical bearings have proven that Tanzania's national interests have continued to impact on the regional co-operation in both the central and the East Africa. They have dropped their COMESA membership. Further to this, Tanzania has threatened pulling from EAC. There is a lesson to be learned and the lesson is imperative.

One of the most viable solutions applicable by Tanzania in its bid to capitalize on the opportunities membership in the EAC presents is to create flexible economic policies. The

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<sup>87</sup> Yeats, A. *"What Can Be Expected from African Regional Trade Arrangements? Some Empirical Evidence"*, Policy Research Working Paper No. 2004. Washington DC: World Bank. (1998). 77



goal is to allow business owners to create business strategies that will expand the current market for surplus products and resources<sup>88</sup>. One of the ways through which business owners would benefit from the move would be through creation of businesses that turn the country into a hub for provision of services, making it the centre of a distribution cluster throughout the entire region.<sup>89</sup> Although the concept would greatly benefit local firms, an international approach is bound to create opportunities within the country's borders, without necessarily robbing Tanzanian citizens of the few opportunities already available within the country.<sup>90</sup>

The main difference between international firms and domestic firms applying the clusters is the perception of value that clusters create regarding profitability, competition and exploitation of resources. For international firms, the formation of clusters entails creation of connections within a wider area than the domestic firms would ideally consider, albeit with the application of the same concept as the domestic firms (Trunick, 2002, p.129). Therefore, while the domestic firms might consider the utilization of transport facilities within their locality a cheaper option than outsourcing transport services from areas outside their geographical borders, international firms derive similar profits from selling products to end users who are willing to pay more for the same product outside their localities. Further, while domestic firms concentrate on local competitors, international firms consider competitors from a global perspective.

Secondly, it is important for the country to invest in its infrastructure for long-term economic sustainability. Although the cost of infrastructural development is likely to inflate the

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<sup>88</sup> Yeats, A. *"What Can Be Expected from African Regional Trade Arrangements? Some Empirical Evidence"*, Policy Research Working Paper No. 2004. Washington DC: World Bank. (1998). 83.

<sup>89</sup> IMF: Direction of Trade Statistics, accessed 2017-08-11: <http://www.imfstatistics.org/dot/>

<sup>90</sup> Schiff, M. and Winters, L.A. *Regional Integration and Development*, The World Bank and Oxford University Press. (2003). 657

country's expenditure costs in the short-term, the long –term benefits if the strategy will ensure that the country's growth is steady and sustainable. Investments in roads, airports and railway lines will negate the need to import goods from as far as Switzerland, India and China, particularly while the goods are readily available in Kenya, Rwanda, Uganda, South Sudan and Burundi.

Additionally, although the country is reluctant to enact policies that would open up its borders for trade citing protection of opportunities for its people, it is important to recognize that the EAC presents endless opportunities for the country's population in terms of learning new business ideas, embracing new innovations and taking advantage of new market opportunities for its large labour force. It is possible for the Tanzanian government to safeguard ownership of its land without closing up its borders for business out of unsubstantiated fears.

Lastly, the country should adopt a change management strategy to ensure that its transition as it embraces the opportunities the EAC presents is smooth for the people as well as the government. 75% of the respondents participating in the survey indicated uncertainty regarding the implication of the country's participation in the EAC<sup>91</sup>. It is crucial for the Tanzanian government to educate the public on what the citizens stand to gain from free movement and free-trade policies. It is also important to include any changes occurring in national policies in the civic education programs so that the populace is prepared for any eventualities.

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<sup>91</sup> World Bank, “*World Development Indicators Online*, accessed 2009-04-20”: <http://go.worldbank.org/U0FSM7AQ40>

## **CHAPTER FIVE: Conclusion and Recommendations**

### **5.1. Conclusion**

This chapter gives a summarized expedition of the above preceding chapters with the intention of giving a bird's view of the conclusions made visa-vis the study objectives. The chapter further summarizes the recommended policy related issues and other suggested solutions that could boost the performance of Tanzania and its regional members in the East African Market. The East African Union partner states include Kenya, Burundi, Uganda, Rwanda, Tanzania and more recently south Sudan. Despite historical challenges that have made growth of the union slower, there have considerable efforts taken by the respective member states with the bid of taking the regional integration deeper. The roadmap of the integration has seen signatures to common free markets beginning July 2010; to a monetary union and finally, to a political federation. The implementation of a common market protocol was aimed to making movement within the community easier and free. This anticipation's interest is to allow for free movement of labor force, service providers and workers as well as establishment and residence rights. In retrospect, it is imperative to note that at the moment, free movement of the citizens and migration issues is a stone throw from the desired 'smooth' within the East African Community. The significance of free movement as a product of regional integration tags along a number of benefits. Movement of skilled personnel will boost those areas with gaps. Synergies are also booster by labor migrations and this would be a significant step towards poverty alleviation. In the extent of the common market, it's worthy to consider that, whilst there is grant of broad rights by the common market in relation to free movement of workers and residence rights, there is still need for schedules and regulations for a controlled implementation of the movements. This is for justified reasons.

Despite a couple of encountered bottlenecks mentioned in the preceding chapters, the situation is currently encouraging and there is hope for a better community in the future. Delays for a common market have been attributed to a couple of factors. Among these includes lack of a general interest. For instance, as evidenced by the historical review, Tanzania's interests as a country have preceded the interests of the community as a whole. This created an illusion that both communities were reading from the same page when in fact, that was not the case. Researchers have mentioned this as being the primary reason that saw the collapse of the East African Community initiative in the past. Other than this, some blame has also been apportioned to the absence of an all-inclusive stakeholder engagement. Imposition of policies on the respective member citizens may not have augured well with the expectation of support from the members. Need for inclusion of the respective citizens through referendums and consultations as well as representations would suffice to be one of the best solutions to the previous challenges experienced by the community as regards stakeholder support. A structured information sharing platform between the civil society and the government is essential.

As has been pointed out in the chapter two above, Tanzania's contribution to the success of the community cannot be an underestimate. The country has a geographical advantage considering that it is a neighbor to all the other member states. This is an indication that with proper participation, the country has a pivotal kind of role expected for the spear heading of the community's agenda. Critically, this includes in the design and implementation of an efficient transport network that links all the member states. The strategic coastal strips coupled with the country's marine resources are just but a mention of a few of the advantages the country has. In terms of population, this study like many others has revealed that the country's population is the highest among the other five members. 51.8 million is a significant market niche for the community. Tanzania is endowed with beautiful tourist

attraction sceneries and natural resources and a fruitful integration with the neighbours will not only benefit Tanzania as a country but the regional economy as a whole.

In spite of the exploited vantage position that Tanzania has over its neighbours', this study reveals that the country's active participation is still on the want. Comparatively, Kenya has continued to perform better in terms of embracing the East African Community benefits . Kenya has for instance, taken advantage of the East African market niche by expanding a good percentage of her service sectors into the neighbourhood. A couple of multinational banks of Kenyan origin have spread into all the neighbouring communities. A good example cited is the case for the Kenyan supermarkets, and the financial sector. Unlike Kenya and the rest of the neighbours, Tanzania's approach has been from a self-interest point of participation and this has been cited to be largely the cause for the country's poor performance. Other factors cited include the socialism aspect that is historic of the Tanzania people. The Ujamaa tradition is the cause for the previous hostile treatment the country subjected citizens from the neighbouring communities. Historical incidences have also made the country to have a contemptuous view of the integration agenda. Among the suggested solutions to effective participation and optimization of the regional integration benefits, a couple of policy recommendations suggested in the chapters above have been summarized below.

## **5.2. Recommendations**

This segment elaborates the suggested policy options that could be considered in order to realize great expectations. To begin with, effective mobilization of labor is key to effective regional integration. This entails free geographical movement, and job transfer between regions in order to realize an optimized consumption of productive labor. This policy desire is recognized in the EAC's treaty considering that the central mandate of the EAC is to facilitate movement of people, capital, goods and services across the national borders. This is

to primarily stimulate economic growth among the member countries while at the same time creating jobs and hence poverty eradication. Facilitation of the same has however hit a couple of bottlenecks especially in Tanzania. It must be acknowledged however, that implementation of optimal labor movement approaches must also be done within the confines of the social security provisions of the respective jurisdiction. The protocols of the Common Market are however expected to improve the current situation further. A detailed score on the compliance of the member communities with the EAC protocol on movement of goods, services and capital concludes that the progress on the same has been slow. From the results Tanzania is the slowest in most of the key indicators.

The attained integration level by the EAC is commendable and encouraging. Despite the resistance challenges to smoother movement, more efforts ought to be focused towards making this better. This must be encouraged until that time when movement within the regions will only be using national identity cards. The initiative for adoption of EAC passports by the member countries should be duly encouraged for ease of movement by the member citizens. The member countries should establish a transparent and an informed system of labor migration. The system's aims to give response to the measured labor needs that are legitimate while accounting for the domestic concerns also. There will be need for close collaboration between the labor and the immigration departments while using reliable market assessments for reliable labor in consultation with social partners in responding and identifying the emerging current need for workers. It is only a comprehensive migration policy that can edge away smuggling and trafficking.

In order to prevent exploitation of immigrants, labor standards must be enforced in all the sectors of activity. Enactment will be needed in order to clear the minimum workers protection standards. In irregular employment areas like domestic work and agriculture,

inspection and monitoring must be effected in order to minimize exploitation of under-aged and to halt forced labor. It is also imperative in order to uphold decent working conditions.

Policies aimed at preventing xenophobia and discrimination should also be adopted. These two have emerged to be major socio-political challenges of our times. The EAC partner states should in this regard, make sure that there is equal and non-discriminative treatment of all the citizens. The community should strive to apprehend effective implementation of the East African Community Common Market Protocol together with its annexes within which there are very important provisions. After enforcement of this protocol, the issues of immigration within the region will be smoother and better.

The partner states within the EAC, skill development must be enhanced as well as satisfaction of the domestic labor market. This will assist to ensure that surplus exports are developed. The countries should also be engaged from an information point of view. For instance, a detailed study elaborating the anticipated member gains should be done to provide a page through which the respective members will weigh their gains. A proper information sharing platform between the civil society and the governments of the day should be made clear. Additionally, harmonization of the respective regulations and laws like the education system, the traffic laws, and a mutual way of recognizing identification documents like the driving licenses, degree/diploma certificates must be elaborated. It is also good that the harmonization be applied in the respective areas. The governments of the day should promote cross border development projects that will ultimately do away with the historical cross border conflicts. A competition culture could also be encouraged with the intention of developing not just the individual member states but the East African Community as a whole.

Finally, this study recommends that linguistic and cultural integration be encouraged between the neighboring states. This has the advantage of having common people as a single society

that will establish a strong support pillar for the process of integrating the border population. It is anticipated that with the adoption of these strategies, coupled by a strong positive political will, support from the civil societies and the public, the fruits of the East African Community integration would be much better than what is currently evidenced by the individual member states



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## Appendices

### Appendix 1: Questionnaire

My name is Fatuma Matemu. I am a Masters student of international studies at the University of Nairobi carrying out an investigation to find out the factors impeding the realisation of optimal gains from Regional Economic Communities; A case study of Tanzania in the East African community.

You have been selected to fill in this questionnaire as you have experienced Tanzania as a country in one way or the other before and I would really appreciate if you took some few minutes to fill in the following questionnaire as accurately as possible.

Any personal information included in this questionnaire will not be included in the survey report for protection of privacy for respondents. Kindly ensure that your answers are as accurate as possible.

#### **A. Profile**

1. Name: \_\_\_\_\_

2. Age:

- I. 18-24
- II. 25-34
- III. 35-44
- IV. 45-54
- V. 54-65

4. Source of Income:

- I. Employment
- II. Business owner
- III. Unemployed

4. Literacy Level:

- I. Primary school
- II. High school
- III. University graduate
- IV. Post graduate

5. Nationality:

- I. Kenyan
- II. Ugandan
- III. Tanzanian
- IV. Rwandese
- V. Burundian

**B. Tanzania's involvement within the EAC**

1. Have you ever visited any country in East Africa? Yes    No
2. Kindly indicate the name(s) of the country(s) visited
  - I. Tanzania
  - II. Kenya
  - III. Uganda
  - IV. Rwanda
  - V. Burundi
3. Name the country you'd like to visit most or whose visit you enjoyed most, within East Africa
  - I. Tanzania
  - II. Kenya
  - III. Uganda
  - IV. Rwanda
  - V. Burundi
4. Which country do you think is the most prosperous in East Africa?
  - I. Tanzania
  - II. Kenya
  - III. Uganda
  - IV. Rwanda
  - V. Burundi

5. If you had a choice to live in any East African country, which country would you choose?

- I. Tanzania
- II. Kenya
- III. Uganda
- IV. Rwanda
- V. Burundi

6. Kindly give a brief explanation for the answer provided in No. 5 above

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7. What role(s) does the East African Community (EAC) play within East Africa?

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8. Does the East African Community benefit Tanzania in any way? Yes No

9 .Briefly explain your answer for question 5

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7. Should Tanzania participate in the East African community in the future? Yes No

8. Explain your answer for question 7

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9. Name three development challenges currently facing Tanzania

I. 

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II. 

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III. 

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10. Why should Tanzania face the challenges mentioned above alone or involve other countries in the East African Community?

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