

**UNIVERSITY OF NAIROBI  
INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES**

**THE IMPACT OF NON-TARIFF BARRIERS ON TRADE IN THE EAST AFRICAN  
COMMUNITY: A CASE OF KENYAN EXPORTERS TO TANZANIA**

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**OCTOBER, 2018**

## DECLARATION

I declare that this project is my original work and has not been presented for another academic award in any other University or Institution.

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## **DEDICATION**

This project is dedicated to my late Dad Johnner Kibowen and Mum Margaret. Also to my husband Edward and my daughters Brigid and Matilda for their moral support and encouragement during the entire period of my course. Dad I wish you were alive to share this achievement.

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## **ABSTRACT**

Globally, economic integration has been facilitated by economic growth via free trade. Countries have adopted regional trading blocs as a strategy to increase global competitiveness. In the East African Community (EAC), Kenya and Tanzania are trading partners in the manufacturing and agricultural sector. The Kenyan exporters to Tanzania however, face a number of barriers including the non-tariff barriers. The study was aimed at assessing the impact of non-Tariff Barriers on the East Africa Trade: The case study of Kenya and Tanzania. A descriptive research design was utilized. 2,654 respondents was the target populous of the study. However, by using the Yamane's formula, a sample of 348 respondents was established. The data was analyzed via descriptive and content analysis for the quantitative and qualitative data gathered. From the analysis the study identified that there exist a number of non-tariff barriers that hindered trade with Tanzania with regards to Kenyan exporters. The non-tariff barriers identified for the study were Lack of harmonization in working hours; delays at weighbridges; multiple police road blocks and mobile control; license for goods in transit; entrance fees and grace periods; poor trade information dissemination; and Corrupt police and border officials. The study also confirmed that the Tanzania trade policy supported foreign companies, therein Kenyan exporters to Tanzania. The revealed that the non-tariff trade barriers affected Kenyan exporters since they resulted in corruption; delays of trade; uneven competition; and entry of illegal products into Tanzania. The study was not comprehensive since it only covered the trade between Kenya and Tanzania. The study recommends that non-tariff trade barriers should be abolished. Additionally, more studies need to be carried out on the trade evident between other countries in the East African Community.

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## Abbreviations

ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
BCI	Business Climatic Index
BRELA	Business Registration and Licensing Agency
BRN	Big Results Now
COMESA	Common Market for Eastern and Southern Africa
EABC	East African Business Council
EAC	East African Community
EACU	East African Custom Union
EPZA	Export Processing Zone Authority
EU	European Union
FCC	Fair Competitive Commission
FDI	Foreign Direct Investment
FR	Frequency Ratio
GATT	General Agreement on Trade and Tarff
GDP	Gross Domestic Product
GSP	Generalized System Preference
IC	Import Coverage
IMF	International Monetary Fund
LCD	Less Developing Countries
NTB	Non-Tariff Barriers
NTM	Non Tariff Measures
OECD	Organization for Economic Cooperation and Development
REC	Regional Economic Community
SEZ	Special Export Zone
SIMBA	Similarity Based Complex Analysis Syetem
SPS	Sanitary and Phytosanitary
SPSS	Statistical Package for Social Science

TBT	Technical Barriers of Trade
TIC	Tanzania Investment Center
TRA	Tanzania Revenue Authority
TRQ	Tariff Rate Quotas
WTO	World Trade Organization

## CHAPTER ONE

### INTRODUCTION AND BACKGROUND OF THE STUDY

#### 1.1 Introduction

This section discusses the study background, research problem and the study justification. The research aims and the study questions that guided the research were also discussed here. It also covers the literature review on the impact of NTBs on the East Africa Trade based on the Kenya and Tanzania case and highlights the literature gaps that justified this research. Finally, it looks at the conceptual framework and research methodology that were used to carry out this study.

#### 1.2 Background of the study

Globally, integration of economic activities has been facilitated by the fast dynamic changes in free trade. Countries have adopted regional trading blocs as a strategy to increase global competitiveness. Globally, all continents have adopted different regional integration strategies to increase their bargaining power with other regional trading blocs. One of the most successful economic trading blocs is the East African Community (EAC). As a component of the way toward acknowledging full advantages of monetary incorporation, the EAC in 2005 turned into a Customs Union, a facilitated commerce territory with basic external taxes that enabled member nations to utilize distinctive import portions. The primary instrument for liberalization of trade under the Customs Union is the end of NTB, including the nations partnering with the end goal to improve the efficiency of the economy and make political and socio-cultural connections among the partnering nations.<sup>1</sup>

EAC, with a plan of achieving the unity with respect to social political and financial aspects, is an intergovernmental territorial body containing five nations namely; Kenya, Tanzania, Burundi, Uganda, and Rwanda<sup>2</sup>; with an aggregate populace of around 141.1M individuals (estimates of December 2013) and a consolidated Gross Domestic Product of over US\$99.8

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<sup>1</sup> East African Community Secretariat , Protocol on the establishment of the East African Community Customs Union , Arusha 2004

<sup>2</sup> Magaga. A. and Margrit M, East African Integration- the rise and rise of the East African Community, 2010

billion..<sup>3</sup>This gives a major market chance to the nations of Eastern African area to trade services and products which are delivered in their nations in order to upscale local development and in reducing poverty levels.<sup>4</sup> The exploitation of this market however is affected by the Non- Tariff Barriers imposed by respective partner states especially on Kenya which is the key trader in the Market. Tanzania has been one of the countries that has imposed non-tariff barriers on other EAC member nations. This has reduced the trading between Tanzania and other countries like Kenya, Uganda and Rwanda.

The major issue concerning the non-tariff barriers (NTB) is its own definition. Hillman characterizes NTBs as all limitations, other than customary traditions obligations, that mutilate trade. Exactly, he characterizes NTB as measures by the government, other than duties and taxes, which confine or misshape global trade among local and imported merchandise and services.<sup>5</sup>As per Carbaugh, most meanings of NTBs incorporate market-particular exchange and policies within a country, for example, import quotas, restrains on voluntary exports, prohibitive nation trading intercessions, export endowments, countervailing obligations, technical trade barriers, policies that are sterile and Phytosanitary, origin rules, and local substance necessity plans.<sup>6</sup> Bureau and Beghin characterize NTBs to be any approach by a government or practice except a tariff which specifically obstructs the passage of imported products and services into a nation and which oppresses imports without making a difference with equivalent power on local distribution or production.<sup>7</sup>The EAC has received an expansive rule to characterize NTBs as quantitative confinements and particular impediments that go about as hindrances to trade.<sup>8</sup> This study adopted the definition of EAC.

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<sup>3</sup> East African Community Secretariat Facts and figures July 2013 , Arusha Tanzania PP3

<sup>4</sup> Monica A. Hangi, The Non-Tariff Barriers in Trading Within the East African Community, Economic and Social Research Foundation 2010 PP1

<sup>5</sup> Hillman, J.S. Non-tariff agricultural trade barriers revisited. IATRC, Working Paper #96-2. March 1996. 54p

<sup>6</sup> Carbaugh, J.R. 2004. International Economics, 9th edition. South-Western College Publishing International

<sup>7</sup> Beghin, J.C. and B.J. Christophe, (2001), Quantification of Sanitary, Phytosanitary and Technical Barriers to Trade Policy Analysis, Working Paper 01-WP 291

<sup>8</sup> East African Community Secretariat: Protocol on the EAC customs Union. Arusha 2005

### 1.3 Problem Statement

Financial experts by and large concur that NTBs are impeding territorial exchange. NTBs lessen the potential advantages that could be gotten from the exchange inclinations offered through territorial trading game plans. These trade inclination benefits incorporate better access to accomplice nation markets, increase in prices and volume of exports, enhanced financial welfare, increased employment opportunities, and achievement of higher fast monetary development. Besides, NTBs are a genuine obstruction to the development of intra-provincial exchange and the related advantages.<sup>9</sup> The East African Business Council (EABC) 2005 examination identified that a few of NTBs that exist and limit exchange among member nations. As indicated by the EABC documentation, NTBs were generally common among business ventures within departments of the government and regions in all the EAC nations. NTBs and different business climatic elements that go about as obstructions towards the acknowledgment of smooth exchange (and speculation) in the locale is the appearance of the nonattendance of free trade condition in the EAC locale, despite the presence of Custom Union conventions marked by member nations.<sup>10</sup>

EAC in understanding the impacts of the boundaries has endeavored to expel NTBs; in any case, as Okumu<sup>11</sup> noted there are different NTBs that exist in EAC include: weighbridges that are un-standardized, absence of acknowledgment of individual nation's benchmarks, several road blocks, and the presence of a few standards that are un-harmonized.

As indicated by the International Monetary Fund (IMF)<sup>12</sup>, foreign trade policies are among the more essential variables advancing financial development and union in developing nations. Nations with “outer oriented” policies perform better in financial growth.<sup>13</sup> As indicated by

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<sup>9</sup> Karugia, J., Wanjiku, J., Nzuma, J., Gbegbelegbe, S., Macharia, E., Massawe, S., Freeman, A., Waithaka, M. and Kaitibie, S. (2009). The Impact of Non-tariff Barriers on Maize and Beef Trade in East. Working Paper No. 29. Regional Strategic Analysis and Knowledge Support System, East and Central Africa. 32pp.

<sup>10</sup> Hangi, M. (2010). The Non-Tariff Barriers in Trading with the East African Community. Consumer and Trust Unit/Economic and Social Research Foundation Research, Dar es Salaam, Tanzania. 34pp.

<sup>11</sup> Okumu, L. O. and Nyankori, J. C. (2010). Non-tariff Barriers in EAC Customs Union: Implications for Trade between Uganda and Other EAC Countries. Economic Policy Research Centre, Uganda. 54pp.

<sup>12</sup> International Monetary Fund, *World Economic Outlook* (Washington: Oxford University Press, 1997).

<sup>13</sup> Anne Krueger, "Why Trade Liberalization Is Good For Growth", *The Economic Journal* 108, no. 450 (2008): 1513-1522.

Stiglitz<sup>14</sup>, most details of exact development relapses indicate that some marker of outer transparency whether trade proportions or records or value contortions or normal tax level-is unequivocally connected with growth of per-capita income. However, despite these assertions, the benefits of economic integration in Africa is yet to realized, despite having numerous economic integration across the continent. The continent continues experience trade imbalance as it imports more than it exports. The trade is in favour of other giants like the European Union and the United States of America. Others are China and other emerging economies.

Success of EAC integration is vital in the list of main concerns of the member states governments'. This is because on one side it helps in strengthening economies and political structures of the members states and on the other it reduces both tariff and NTBs which reduce trade within the common market. Business analysts for the most part concur that NTBs are dangerous to territorial exchange. These obstructions decrease the potential advantages of preferences of trade. In addition, NTBs are a genuine obstacle to the development of intraregional exchange and their related advantages. The presence of NTBs hinders working together, which at last prompts immense welfare misfortunes (EABC 2005). Be that as it may, the NTBs costs and their exchange and welfare consequences inside the EAC are not understood well by many. Researchers link strong ties with lesser barriers to trade. However, local companies have experienced cases of NTBs to trade by countries like Tanzania and Kenya. The question is: what impact does the non-tariff policy have on the trade between Tanzanian and Kenyan companies?

#### **1.4 Research questions**

- i. What are the non-tariff barriers to trade facing Kenyan exporters to Tanzania?
- ii. What are the trade policies by Tanzania on foreign companies?
- iii. Do the non-tariff policies impact on trade of Kenyan exporters to Tanzania?

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<sup>14</sup>Joseph Stiglitz, "Towards A New Paradigm For Development: Strategies, Policies, And Processes", 2008.

## **1.5 Research objectives**

The study seeks to assess the impact of non-Tariff Barriers on the East Africa Trade: The case study of Kenyan exporters to Tanzania.

### **1.5.1 Specific objectives**

- i. To establish the non-tariff barriers to trade facing Kenyan exporters to Tanzania.
- ii. To examine the trade policies by the Tanzanian government on foreign companies.
- iii. To examine whether the non-tariff policies impact on the trade of Kenyan exporters to Tanzania.

## **1.6 Justification of the Study**

### **1.6.1 Academic justification**

Other researchers will be able to assess how the past research would have dealt with the problem and be able to come up with new dimensions that they can research on. Scholars would also benefit in that they will get literature relating to Non-tariff barriers and trade.

### **1.6.2 Policy justification**

Policy makers will be enlightened on the trade barriers existing within Tanzania and are in a position to get solutions to the issues raised. They will also be able to understand and employ the measures suggested to facilitate exportation within the East African Community. This will enable them to come up with policies that will increase trade between Kenya and Tanzania through NTBs.

Exporters and importers in East Africa will be in a position to understand the trade barriers affecting their trade and are in a position to devise ways to counter the issues affecting their business. They will also be able to understand what measures they can undertake to help the situation. Upcoming exporters and importers will be able to understand the business with members like Kenya and Tanzania and know what to expect even before they indulge in the same. They will be enlightened on the trade barriers they should expect as they embark on exportation or importation with Tanzania or Kenya.

## 1.7 Literature Review

Non-tariff measures (NTMs) are broadly accepted to take part in an undeniably essential job in deciding global exchange, particularly among developing and developed nations.<sup>15</sup> NTMs are utilized for an assortment of reasons, such as data asymmetries correction and other market disappointments, yet in addition perhaps purposes of protection. The pertinence of these vary crosswise over items. In a few items just a couple of NTMs might be found, while different items may have an expansion of NTMs.<sup>16</sup> Such contrasts may likewise infer contrasts in potential exchange contacts between nations.

The main features of NTBs were that they generally discriminate against foreign competitors in favour of domestic industries; they had the ability to rise the costs of imports and cross-border trade transactions thus affecting goods and services supply and demand, operational efficiencies and consumers' welfare; unlike tariffs, the impact of NTBs on prices and quantity was difficult to discern; and that not all NTBs were necessarily illegal since some of them were justified for purposes for which they were meant to achieve namely; animal, and plants safety and security, health and humans or environmental protection. For such cases, rules and guidelines were necessary to define the conditions under which such trade-restrictive measures were allowed. An important observation to note was that NTBs were frequent and often found in different forms all over the world.<sup>17</sup>

Numerous NTBs are regularly advocated on four fundamental reasons: defending wellbeing, safety and security of individuals, plants and animals, and against natural contamination; shielding national security; protecting losses of revenue and protection of home enterprises and shoppers.<sup>18</sup> The preparatory guideline has as of late been recommended as an avocation for government confinements on exchange following the setting of wellbeing and environment

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<sup>15</sup>Sugema, I. (2005), The determinants of trade balance and adjustment to the crisis in Indonesia: Centre for international economics studies. Paper for University of Adelaide No.0508

<sup>16</sup> Rodriguez, F., Rodrik, D., (2001). Trade policy and economic growth: a skeptic's guide to the cross-national evidence. In: Bernanke, B.S., Rogoff, K. (Eds.), NBER Macroeconomics Annual 2000. MIT Press, Cambridge.

<sup>17</sup>MUSEBE, IRENE NAMBUYA. "SCHOOL OF DIPLOMACY AND INTERNATIONAL STUDIES." PhD diss., UNIVERSITY OF NAIROBI, 2013.

<sup>18</sup>Seetanah, B., Sannasee, R., Tandrayen, V. and Lamport, M. (2013). Non Tariff Barriers within the COMESA Region: The Possibility of a Penalty System. Thesis for University of Mauritius.

concerns, regularly paying little respect to cost or logical proof. These measures just turned out to be bona fide NTBs when they are executed in such a way as not to pointlessly add to expenses of or repress exchange or are connected in an ill-conceived way.<sup>19</sup>

Regardless of these troubles in estimation, most gauges of the exchange effects of NTBs propose that they can be considerable. Kee et al<sup>20</sup> contends that for a greater part of lines of tariff the advertisement valorem likeness the NTBs in their sample of 78 nations is higher than the genuine tariff. He further explains that the mechanism by which NTBs impact trade can be subtle. Another school of thought is by Staiger and Wolak who argues for instance that, the mere filling of United States antidumping cases can altogether diminish exchange inflows amid the time of examination of these cases, despite the fact that no antidumping obligations are set up over the time of examination and regardless of whether the activity closes in a finding of no dumping and no obligations are ever forced.<sup>21</sup>

NTBs are utilized to balance the effect of General Agreement on Trade and Tariffs (GATT). Given the requirements, makers of policies are open to react to protectionists' requests were compelled to utilize NTBs gadgets. In this manner, the NTBs were basically a tariffs substitute. Ray, expresses that NTBs have been utilized to turn around the impacts of multilateral duty decreases consulted under GATT. Deardorff proposes that nontariff hindrances are favored in light of the fact that makers of policies and demanders of security trust that impacts of tariffs are less sure. This recognition could be because of different reasons. For instance, it might be a lot less demanding to see that a quantity of 1M breaking points engine vehicle imports by 1M that to show definitively that a duty of say KES. 30,000 for every vehicle would result in imports of just 1M vehicles.<sup>22</sup>

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<sup>19</sup> Beghin, J.C. and B.J. Christophe, (2001), Quantification of Sanitary, Phytosanitary and Technical Barriers to Trade Policy Analysis, Working Paper 01-WP 291

<sup>20</sup>Kee HL, Nicita A, Olarreaga M. 2009, Estimating Trade Restrictiveness Indices. The Economic Journal 119

<sup>21</sup> ibid

<sup>22</sup>Deardorff. A. V. and R. M. Stern (1998). Measurement of Non Tariff Barriers: Studies in International Economics, Ann Arbor MI: University of Michigan Press

### 1.7.1 Global Perspective on Non-Tariff Barriers and trade

Universally, tariffs have been going down because of multilateral, provincial and reciprocal trade advancement. In the meantime however, numerous nations have organized alternative protectionist systems, NTBs, that are consistently changing and are compromising universal free stream of services and merchandise.<sup>23</sup> As barriers of tariffs keep on diminishing for example at the multilateral dimension through different rounds of negotiations in trade; and at the local and bi-lateral dimensions through different exchange game plans, the issue of NTM turns out to be more vital in market access. The World Trade Organization (WTO) General Agreement on tariffs and trade under Article 20, enables individuals to actualize measures to ensure human, creature or vegetation or wellbeing, without practising discrimination.<sup>24</sup>

Likewise, WTO understandings of Sanitary and Phytosanitary measures (SPS) and TBT manage safety of food and creature and plant wellbeing and security, and also standards of products. The significance of these measures can't be underscored, since they are important for inclusion of protection of the environment, health, and national security to purchasers.<sup>25</sup> However, with an assortment of such estimates forced by nations, getting to business sectors of intrigue has turned out to be testing and exorbitant for exporters and producers. In numerous occasions the measures are hard to track and adjust to given their decent variety, consequently the need to dissect these issues and guide out conceivable answers to address the difficulties they present in getting to business sectors of intrigue.<sup>26</sup>

Different examinations focusing on NTBs and trade have been done globally. For instance, Disdier, Fontagné, and Mimouni<sup>27</sup> in their examination gauge the trade impact of NTM standards on 690 agri-products (HS6-digit level). Their information cover the respective exchange between the OECD as nations that import and 114 others as nations that export in

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<sup>23</sup> Beghin, J. (2006). Non-Tariff Barrier. Ames, Iowa: Center for Agricultural and Rural Development, Iowa State University.

<sup>24</sup> Ibid

<sup>25</sup> Mold, Andrew. 2005. "Non-Tariff Barriers—Their Prevalence and Relevance for African Countries." ATPC Work in Progress No. 25, Economic Commission for Africa, Addis Ababa

<sup>26</sup> Nzuma, J.M. 2007. An Economic analysis of the impacts of trade liberalization on Kenya's maize sector. University of Guelph, Canada, Unpublished PhD Thesis.

<sup>27</sup> Anne-Célia Disdier, Frank van Tongeren, "Non-Tariff Measures in Agri-Food Trade: What Does the Data Tell Us?" *Evidence from a Cluster Analysis on OECD Imports*. INRA, UMR Economie Publique.

2004. Through the consideration of meetings of trading nations, they postulate that exporters of OECD are not altogether impacted by TBT with regards to exports to other nations partnering with the OECD, while the developing nations exporters and Less Developing Countries (LDCs) are contrarily and essentially impacted.

Ur<sup>28</sup> carried out a review on whether Tariff Rate Quotas (TRQ) result into free trade of NTB in Norway where around 10% of the 183 organizations examined reacted. Through both the study and the usage information the examination uncovers that the exchange expenses of using the TRQs are fluctuating over the diverse grouping of seafoods. Pelagic fish and shrimp that are processed encounter the most serious obstructions with little TRQs and high out-of-quota tariffs. Generally the exchange costs end up being unobtrusive. This was likewise affirmed by the data utilized. Four organizations announced minor costs identified with the documentation of beginning using the remuneration TRQs and two organizations gave an account of various alterations attempting to achieve the TRQ in time.

### **1.7.2 Non-tariff Barriers and Developing Nations**

There are a number of studies recording that developing nations have a vital agenda in accessing the market because of many tariffs advancement attempted by developing and developed nations.<sup>29</sup> Fliess revealed that, exchange with developed nations, traditions and authoritative techniques and TBTs rise as the main NTBs of worry to nations that are still developing.<sup>30</sup>

Trading in developing nations, TB are less noticeably announced. Although, traditions and regulatory techniques additionally are highly ranked among detailed worries in the 4 analysis components. Problems recognized in this classification of measures incorporate challenges identifying with import permitting systems and principles of inception and for the most part

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<sup>28</sup> Ur, L. N. (2014). Tariff Rate Quotas: Free Trade or Non-Tariff Barriers? The Case of Norwegian Seafood Exports to the EU. PhD Thesis of University of Oslo.

<sup>29</sup> OECD. Analysis of Non-Tariff Barriers of Concern to Developing Countries. Trade Policy Papers No. 16. Organization for Economic Co-operation and Development, Paris. 2005. 84pp.

<sup>30</sup> Fliess, Barbara, and Carlos Busquets. "The role of trade barriers in SME internationalisation." (2006).

give off an impression of being more unavoidable in exchange with other nations that are developing than with nations that have developed. These two classes document the most noteworthy recurrence of notified obstructions in the Negotiating Group on Market Access for Non-horticultural Products (NAMA) investigation. In the examination of debate conveyed to the WTO, there are an impressive number of cases including issues relating to customs. Interestingly, there is an a lot more modest number of cases relating to TBTs, reflecting maybe the more noteworthy trouble to lawfully test these measures.<sup>31</sup>

### **1.7.3 Quantification of Non-tariff Barriers**

There are a few techniques for evaluating and examining the impact of NTBs and these are clarified underneath;

#### ***1.7.3.1 Frequency-type measures***

The evaluation is established by building an assortment of the recurrence of NTBs measures. These measures may possibly be weighted. The quantity of item classes under NTBs is then communicated as a level of the aggregate number of item classifications in each grouping of a system that is harmonized. This is alluded to as the Frequency Ratio (FR). The Import Coverage Ratios (IC) are computed by deciding the estimation of imports of every merchandise subject to NTBs, conglomerating by appropriate system that is harmonized item 25 gathering, and communicating the estimation of imports secured an aggregate imports percentage in the System that is harmonized group of commodities.<sup>32</sup>

#### ***1.7.3.2 Price-comparison measures***

This includes looking at the domestic charges of the foreign products secured by NTB with its universal cost. Whenever estimated accurately, this wedge could be utilized as a rough proportion of the degree to which household costs would fall if liberalization of trade was

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<sup>31</sup>Fliess, B and Lejarraga, I. Analysis of Non-Tariff Barriers of Concern To Developing Countries OECD Trade Policy. Working Paper No. 16. Organization for Economic Co-operation and Development Publishing, Paris. 2005. 46pp.

<sup>32</sup>Deardorff, Alan, and Robert M. Stern. "Measurement of Nontariff Barriers." (1997).

made. These have been the premise of a significant part of the empirical literature that has been done on evaluating the impacts of NTBs.<sup>33</sup> NTB can be measured as far as its effect on the household cost in contrast with some reference cost.<sup>34</sup> Since the value affect is a NTBs property, such a value correlation can get the net impacts of NTBs that are available within a market, with the lack of infrastructure for the examiner to distinguish what the NTBs.

### ***1.7.3.3 Quantity-impact measures***

The approach of the estimation of the amount impacts of NTBs is conceivable by utilizing either a cross-product or a cross-country relapse model to clarify trade. Targeting at evaluating what exchange would have been without NTBs and to contrast this with the exchange that really occurs. To do as such requires an attractive model of the determinants of exchange, and additionally information covering an adequate assortment of exchanging circumstances. The last is required with the end goal to distinguish a circumstance in which exchange is at any rate roughly free.<sup>35</sup>

### ***1.7.3.4 Risk assessment approaches***

This approach joined with logical information can add to checking a subset of NTBs, particularly wellbeing and SPS measures and controls. These methodologies can add to surveying the welfare impacts and the prospective protectionism of the NTBs.<sup>36</sup>

### ***1.7.3.5 Cost and benefit analysis***

Since NTBs/NTMs don't really encapsulate the financial inefficiencies aspects that are related with traditional exchange hindrances, it isn't generally the situation that the exchange effects of controls are wasteful, or that evacuation of related NTB/NTM that influence exchange would accomplish proficiency advantages that would surpass the misfortunes from weaker

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<sup>33</sup> Pacific Economic Cooperation Council. *Non-Tariff Measures in Goods and Services Trade*. The PECC International Secretariat, Singapore. 2000, 44pp.

<sup>34</sup> Ibid, Deardorff, (1997)

<sup>35</sup> Mkuna, Eliaza. "East Africa Community (EAC) non-tariff barriers and their effects on Tanzanian small and medium agro enterprises cross border trade." PhD diss., Sokoine University of Agriculture, 2014.

<sup>36</sup> Beghin, John C., and Helen H. Jensen. "Farm policies and added sugars in US diets." *Food Policy* 33, no. 6 (2008): 480-488.

guidelines. Therefore, particular NTMs/NTBs are frequently examined in a framework of cost-benefit. Practically, the customary the framework of cost-benefit grows the investigation to address not just one expense or advantage related to the nearness of the NTMs or NTBs, but those related with not having the measure or boundaries set up.<sup>37</sup>

### ***1.7.3.6 Gravity Model Approach***

This model has been generally utilized in the worldwide exchange writing to assess different exchange related approaches. It clarifies the two-sided exchange stream by the sizes of the exchanging nations and different factors that influence the expenses of trade between the two nations, (for example, adjacency, pioneer tie, and import levies,). A characteristic augmentation of the model of gravity equation to the analysis of policies of the NTMs and NTBs is to incorporate the variable of NTM/NTB enthusiasm as an extra illustrative variable.<sup>38</sup> Different factors incorporated into the model as concluded by different investigations are, for example, GDP, per capita salary, Language, and populace of both nations.

### ***1.7.3.7 Computable general equilibrium model***

Shifts in supply impacts are of specific importance to TBTs and SPS measures as a component of NTBs. Impacts of shifts demand are distinguished for any kind of technical control. The impact of NTBs protection is the quickest possibility for appraisal in a Computable General Equilibrium display, given that the right effect gauges are accessible. Protection impacts are generally evaluated at the fringe. These outskirts impacts produce a wedge either between the world cost and the household cost in the nation exporting or between the world cost and the local cost in the nation importing.<sup>39</sup>

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<sup>37</sup>Fugazza, Marco. *The economics behind non-tariff measures: theoretical insights and empirical evidence*. Vol. 57. UN, 2013.

<sup>38</sup>Xiong, Bo. "Three essays on non-tariff measures and the gravity equation approach to trade." (2012).

<sup>39</sup> Ibid, Fuguza, (2008).

### ***1.7.3.8 Survey Based Approach***

This approach is valuable when different wellsprings of data are inadequate. Joined with interviews, they have additionally expedited significant light to the essential issue of obstructions. Surveys can likewise be intended to give some data, (for example, positioning the significance of the measures or hindrances on a scale) that can be utilized in econometric examinations. Another helpful component of this approach is the capacity to recognize, diffuse and scarcely quantifiable boundaries, for example, the regulatory ones. It additionally demonstrate that the directions that are of more worry for the business are not generally those that financial specialists would have thought of, and maybe endeavored to incorporate into their models.<sup>40</sup>

### ***1.7.3.9 Partial Equilibrium Model***

This model utilized here, centers just around one section or part of the economy expecting that the effect of that area on whatever is left of the economy and the other way around are either non-existent or little.<sup>41</sup> The model display is a straightforward method for evaluating the disposal of duties between Members. The model gives a gauge of the exchange, income and welfare impacts of levy change by clearing the market (likening free market activity) for every item at the new import value (that following the tax change). The impact of tax change is evaluated at the item level and is assessed autonomously of decreases to different levies in a similar economy, or levy change attempted in different economies.<sup>42</sup> This model can likewise consolidated with Gravity Model to decide the welfare effect of NTBs.<sup>43</sup>

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<sup>40</sup>Beghin, John C., and Jean-Christophe Bureau. "Quantification of sanitary, phytosanitary, and technical barriers to trade for trade policy analysis." (2001).

<sup>41</sup>Fugazza, Marco. *The economics behind non-tariff measures: theoretical insights and empirical evidence*. Vol. 57. UN, 2013.

<sup>42</sup> Spence, M. D. A partial equilibrium analysis of the proposed tripartite free trade area: A Ugandan Perspective. Ministry of East African Community Affairs, Uganda. African Economic Conference, 28 – 30 October 2013, Johannesburg. 22pp.

<sup>43</sup>Disdier, Anne-Célia, and Stéphan Marette. "The combination of gravity and welfare approaches for evaluating nontariff measures." *American Journal of Agricultural Economics* 92, no. 3 (2010): 713-726.

#### 1.7.4 NTBs and trade in East Africa

The formation of the EAC Customs Union is required to build exchange and venture streams between participating states and in the meantime make an extensive market for the East African individuals.<sup>44</sup>The extended exchange and participation of the accomplice states offers the possibility of monetary development and flourishing for East Africans. Be that as it may, for these results to be understood the Customs Union should critically dispense with all obstructions that go about as obstacles to the acknowledgment of smooth exchange and venture streams in the locale.<sup>45</sup>These obstructions incorporate both tariff and NTBs to exchange, whose expulsion diminishes the expense of working together and at last enhances welfare. Inside Eastern and Southern Africa, tariffs play a considerably less imperative job as a boundary to cross outskirts exchange than NTBs do.<sup>46</sup>Under the EAC Customs' Union Protocol, accomplice states have invested in ending, with quick impact, all current NTBs on intra-EAC exchange and to abstain from presenting new ones. In any case, exchange between the EAC nations is as yet being hampered by the presence of NTBs that are differently connected by the participating states (EABC 2005).

Inside the network, the fundamental kinds of NTBs incorporate traditions documentation and regulatory methodology, movement systems, quality assessment techniques and traveling strategies that are awkward, unstandardized, and exorbitant.<sup>47</sup>Therefore, EAC exchange progression and related welfare increases would depend fundamentally on the end of strategies and systems connected to basic NTBs. Market analysts for the most part concur that NTBs are adverse to provincial exchange. These boundaries lessen the potential advantages of exchange inclinations, for example, provincial exchanging courses of action. Also, NTBs are a genuine obstruction to the development of intraregional exchange and their related advantages. The presence of NTBs expands the expense of working together, which at last prompts immense

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<sup>44</sup> Nzuma, J.M. 2007. An Economic analysis of the impacts of trade liberalization on Kenya's maize sector. University of Guelph, Canada, Unpublished PhD Thesis.

<sup>45</sup> Mmasi, J and Ihiga, S. 2007. A survey of non-tariff barriers that affect Tanzanian imports and exports within EAC, SADC, and COMESA countries.

<sup>46</sup> East African Community. (2005). East African Community Customs Union: Common external tariff.

<sup>47</sup> *ibid*

welfare misfortunes.<sup>48</sup> However, the expense of these NTBs and their exchange and welfare suggestions inside the EAC are not surely knew. The EAC area has progressively turned into the real market for Kenya's fares, whose value increased from USD 1.54B in 2001, to USD 1.7B in 2002, 1.8B in 2003, 2.06B in 2004 and to 2.68B in 2005. The area consequently took a lot of exports from Kenya amid the period, representing 56% in the range of 2001 and 2003, developing to 58% in 2004, and dropping marginally again to 56% in 2005. This was an average of 57% share of the market over the period 2001 to 2005. The nation's sister accomplices inside the EAC district took the majority of exports to Common Market for Eastern and Southern Africa (COMESA), with Uganda taking 41% over the period 2001-05 and Tanzania taking 19% of the share of the market.<sup>49</sup>

Studies identifying with policies of non-tariff and East Africa trade exist, although limited. Karugia et al. Studies identifying with policies of non-tariff and East Africa trade exist, although limited. Karugia et al.,<sup>50</sup> in their examination they discovered that the measurement of the exchange and welfare effects of NTBs included three primary situations: an entire end of all the current NTBs inside the EAC; a 50 percent decrease in NTBs; and the different end of individual sorts of NTBs, for example, barriers, licenses, and traditions leeway. In similarity with discoveries from different examinations on provincial exchanging obstructs in Africa, intraEAC exchange maize and hamburger was irritatingly low. What's more, the examination discovered that the primary kinds of NTBs inside the three member individuals from the EAC were comparable. They included regulatory prerequisites (primarily licenses, metropolitan and gathering permits), taxes/obligations (mostly extract and cess obligation), detours, traditions boundaries, weighbridges, permitting, defilement (for instance, fixes), and traveling.

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<sup>48</sup> East African Community. (2007). The East African Community trade report. Arusha, Tanzania: East African Community Secretariat.

<sup>49</sup> Ihiga, S. (2007). A Survey of Non-Tariff Barriers that Affect Kenyan Importers and Exporters within EAC and COMESA Countries. Nairobi: Trade and Investment Consortium.

<sup>50</sup> Karugia, J., Wanjiku, J., Nzuma, J., Gbegbelegbe, S., Macharia, E., Massawe, S., Freeman, A., Waithaka, M. and Kaitibie, S. (2009). The Impact of Non-tariff Barriers on Maize and Beef Trade in East Africa. ReSAKSS Working Paper No. 29.

Okumu and Nyankori <sup>51</sup> in the investigation on NTB in EA Customs Union discovered that there exists NTBs and some have persevered where to incorporate a not insignificant rundown of traditions documentation necessities, unwieldy conventions, and testing restrictions and affirmation courses of action. Other included weighbridges that are un-institutionalized; detours; lack of benchmarks acknowledgement of specific states; and the existence of a few un-orchestrated guidelines. The reenactment aftereffects of spatial equilibrium model of trading of maize in the presence and absence of NTBs show that at the EAC there exists true production, trading, and recommendations of welfare emanating from NTBs disposal in the trading of maize. This is notable in the production and trading in Uganda as compared to Tanzania and Kenya.

Mellado et al<sup>52</sup> in NTM affecting agro-nourishment trade between Africa and the EU discovered that tariff proportional ran between 36% and 190%. With respect to nations that import, they found a 99% preference for local fish filets that are frozen and a vital variety of the tariff comparable for each product among the nations of the EU that import over a period of time. The equivalents of the tariff got are utilized in a gravity econometric estimation to assess the trading effects of NTMs on imported products and services.

Karugia et al.,<sup>53</sup> evaluated the effect of NTBs on cross-border maize and meat exchange in 3 EAC nations in particular Kenya, Uganda, and Tanzania. Barriers were seen to be costly for merchants as far as time lost and money related incurred expenses.

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<sup>51</sup> Okumu, L. and Nyankori, O.C.O. (2010). Non-Tariff Barriers in EAC Customs Union: Implications for Trade between Uganda and Other EAC Countries. Economic Policy Research Centre.

<sup>52</sup> Mellado, A. G., Hélaine, S., Rau, M. and Tothova, M. (2010). Non-tariff measures affecting agro-food trade between the EU and Africa. Institute for Prospective Technological Studies (IPTS).

<sup>53</sup> Karugia Joseph, Juliet Wanjiku, Jonathan Zuma, SikaGbegbelegbe, Eric Macharia, Stella Massawe, Ade Freeman, Michael Waithaka and Simeon Kaitibe. 2009. Impact of NTB on Maize and Beef Trade in East Africa. ReSAKSS Working Paper No. 29

In line with Kafeero,<sup>54</sup> these roadblocks served as an arena for extortion of bribes by policemen. GTZ,<sup>55</sup> World Bank,<sup>56</sup> worked on informal payments and discovered that when customs officials were bribed the clearance process of goods was shortened.

World Bank,<sup>57</sup> undertook a study to identify NTBs with high impact on intra-EAC trade in order to enhance their persistence understanding within a set time period; and to devise practicable implementation removal plans. The study illustrated that food items and live animals continued to dominate both formal and informal intra-EAC trade, with exception to Kenya which demonstrated increasing level of export diversification into manufactured products. Apparently, a significant part of this trade tended to be seasonal and largely localized.

Mmasi and Ihiga,<sup>58</sup> examined existing NTBs that affected Tanzania's trade in the EAC between 2001 and 2005. Their analysis revealed that Kenya was a major export destination for Tanzania's products accounting for 27 percent while Uganda accounted for a mere 4 percent of total exports. Moreover, the EAC customs union protocol provides for zero percent tariff rates to be applied on intra-EAC trade (for Tanzania and Uganda), implementation of which has erupted into NTBs. The major impediments to trade as NTBs include cumbersome inspection requirements such as repeated and long queues during inspection of Gross Vehicle Mass and axle loads, faulty weighing equipment and cumbersome quality inspection. Another extremely exasperating NTB was police barricades whereby dealers revealed that cops ceased business vehicles at different nation detours and at borders even where there was no verification that

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<sup>54</sup>Kafeero, Edward. 2008. Customs and Trade Facilitation in the East African Community. *World Customs Journal*. 2(1), 63-71

<sup>55</sup> GTZ Trade Programme. 2008. *Regional Agricultural Trade in East Africa: A Focus on Kenya, Tanzania and Uganda*. Eschborn: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

<sup>56</sup> World Bank. 2010. *Eastern Africa: A Study of the Regional Maize Market and Marketing Costs*. A research report submitted to Agriculture and Rural Development Unit (AFTAR). World Bank Kenya, Nairobi

<sup>57</sup> Ibid, World Bank, (2008)

<sup>58</sup> Mmasi Jennifer and Simon Ihiga. 2007. *A Survey of Non-Tariff Barriers that Affect Tanzanian Imports and Exports within EAC and COMESA Countries*. Final Report Submitted to Regional Trade Facilitation Programme.

products on travel were of suspicious nature. Others included differing exchange controls among the EAC nations; changing, unwieldy and expensive traveling methods in the three EAC nations; and movement techniques.

They also identified and analyzed the nature and scope of NTBs that hampered Uganda's trade with COMESA and EAC Partner States in 2001 to 2005. The study revealed that the EAC and COMESA was not a stable market for Uganda's agricultural products as its share of total exports fell from 27% in 2001 to 15% in 2005, with an average of 21% during the period from 2001 to 2005. The major markets for Uganda's exports within the EAC/COMESA regions included Kenya (39.5 percent), DRC (15.4 percent), Rwanda (13 percent), and Sudan (12.8 percent). The imports of Uganda from the EAC/COMESA region raised steadily from US\$ 302.7M in 2001 to US\$ 595.14M in 2005.

The study further identified NTBs that affected the ability of Ugandan businesses to export to the EAC region to include cumbersome documentation of customs and procedures of administration, procedures of transiting, sanitary and phyto-sanitary measures, immigration procedures and police roadblocks. Further, the study illustrates that there are problems in sharing information on customs through online Between Uganda and Kenya due to non-alignment of exports and imports clearing systems, limited hours of operations, cumbersome, and procedures of customs are expensive. Uganda being landlocked is dependent on Kenya and Tanzania for provision and access to sea and facilitation of trade services –forwarding services, sea, clearing services, road, and rail. Numerous weighbridges along the main routes of transport like the corridor at the north made it hard to transit products to markets of destination within the required time.<sup>59</sup>

### **1.7.5 Non-Tariff Barriers Facing Kenyan Traders in the EAC**

A study by World Bank<sup>60</sup> introduced an orchestrated document about the NTBs that influence dealers in the East African Community. These discoveries depend on the general classifications

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<sup>59</sup> Ibid, Musebe, 2013

<sup>60</sup> World Bank, (2008), "Non-Tariff Measures on Goods Trade in the East African Community", An African Region Synthesis Report, Prepared by the East African Community and Member governments of Burundi, Rwanda, Kenya, Tanzania and Uganda.

composed by the WTO. NTBs allude to the extensive variety of strategy intercessions other than tariffs relating to borders that influence exchange of merchandise, administrations, and elements of generation. Most scientific classification of NTBs incorporates trade focusing on a specific market and local policies influencing exchange in the market. Expanded scientific classifications incorporate full scale financial strategies influencing exchange. NTBs have picked up significance as levels of tariffs have been decreased around the world. Regular proportions of NTBs incorporate equivalence of tariffs of the NTB policies and check and recurrence proportions of NTBs. These NTB measures are in this way utilized in different exchange models, such as gravity equation, to survey exchange and additionally welfare impacts of the deliberate NTBs.<sup>61</sup>

A progression of trade in EAC studies<sup>62</sup> documented NTBs that included traditions and regulatory section techniques boundaries; SPS; technical trade barriers, time of inspection, standards, un-harmonized strategies for issuance of confirmation and other appropriation related deterrents. A portion of these NTBs, while legitimized based on the grounds of wellbeing, security and safety among others, affect production, utilization, financial effectiveness and flows of trade.<sup>63</sup> Emerging from NTBs identification, EAC time-oriented projects for their disposal have been readied.<sup>64</sup> These incorporate canceling charges, defilement, unfair charges, landing expenses, passage prerequisites; utilization of nondiscriminatory extract obligation routine, WTO valuation rules; EAC Rules of Origin, adherence to EAC Rules of Origin Criteria of 30% local added value; modernization to involve use of automation in operations, to guarantee quicker leeway, and interfacing of systems.

### **1.7.6 East African Community efforts of NTBs Management**

As a feature of the endeavors to limit the effect of NTBs that specialists involvement over the span of their exchange inside the EAC locale, various activities were attempted in particular:

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<sup>61</sup> Beghin, J. (2006). Non-Tariff Barrier. Ames, Iowa: Center for Agricultural and Rural Development, Iowa State University.

<sup>62</sup> Mmasi, J and Ihiga, S. 2007. A survey of non-tariff barriers that affect Tanzanian imports and exports within EAC, SADC, and COMESA countries.

<sup>63</sup> Okumu, L., & Okuk, N. (2011). Non-Tariff Barriers in EAC Customs Union: Implications for Trade Between Uganda and Other EAC Countries. Kampala- Uganda: Economic Policy Research Center

<sup>64</sup> East African Business Council (EABC, 2009). EAC Time-Bound Programme for Elimination of Identified Non- Tariffs Barriers. EAC Secretariat, Arusha, Tanzania.

Firstly, the EABC were built up not long after the EAC settlement was marked in 2000. In 2003, the EABC set up a specially appointed working team, to recognize significant strides in the battle against NTB and make it conceivable to screen and evacuate the hindrances of trade. In 2004, the EABC concocted a noteworthy activity to follow up on the proposals from the specially appointed working team by dispatching the Business Climate Index (BCI) overview for EA, which was done by Dar es Salaam based, Daima Associates Ltd. The primary point of the study, which secured 500 organizations and 150 government officials, was to distinguish the nature and extent of NTBs that are knowledgeable about the everyday business inside the locale.<sup>65</sup>

The NTBs in the EAC are dynamic encounter and therefore the BCI survey findings are no longer valid. The second notable initiative in the fight against NTBs in the EAC was the National NTB Monitoring committees established in 2012. Each Partner State was urged to establish a national NTB committee to monitor prevalence of NTBs in its country. Thus, in 2012, Partner States agreed to establish the National NTB Monitoring committees to monitor elimination of NTBs. The key outputs of the National NTB monitoring committees included; Chamber programme on advocacy and physical monitoring of NTBs exercises that were designed to be undertaken on quarterly basis. So far these have delivered a number of positive outcomes such as Awareness creation, stakeholder trainings and consultation as well as study tours on NTB removal conducted. The last effort in NTB elimination in the EAC was development of a Bill on eliminating the barriers. This is currently, pending assent by Heads of State during the EAC summit this year, 2015. The objective of the Bill was to provide a legal mechanism for elimination of the identified NTBs in partner States. These initiatives made limited progress towards reduction let alone removal of NTBs as envisaged from the proliferation of new NTBs soon after one or two NTBs were resolved. The progress in the fight against NTBs required to be fast tracked if the single customs territory and of its benefits such

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<sup>65</sup> Ibid, Musebe, (2013)

as removal of unfair completion and encouragement of efficiency would be realized in the region.<sup>66</sup>

## **1.8 Theoretical Framework**

### **1.8.1 The Classical Theory of Trade**

This theory followed the mercantilist period, pays attention on clarifying the circumstances and end results of exchange itself. It advocates that distinctive nations are probably going to have certain preferences in a few sorts of generation and certain hindrances in others. The traditional business analysts, driven by Smith<sup>67</sup> and others contended that all nations would profit given each asset to the production of the products and ventures in which each held leverage. Czinkota, Rivoli, and Ronkainen<sup>68</sup> set forward the possibility that in his work of art, "The Wealth of Nations", Smith specifically tested the mercantilist rationality by belligerence that the collection of fortune did little to improve the welfare of a nation's subjects.

Smith trusted that their welfare was constructed substantially more so with respect to their ability to devour and this would be augmented under states of "free trade" i.e. that merchandise and enterprises would be free from the twisting impacts of sponsorships and limitations and every nation would have some expertise in the generation of the products and ventures in which it had leeway. Higher salary would result from this because of higher profitability and productivity. Thus, this could be utilized to buy imports from abroad. This is in direct difference to the mercantilist theory which was gone for independence. The classical theory of trade is relevant to this study as the local companies which have specialized in a particular commodity seeks to trade with companies in other states on the commodities they do not participate in their productions or do not satisfy the demand of their markets.

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<sup>66</sup> Ibid, Musebe, (2013)

<sup>67</sup>Adam Smith, Edwin Cannan and Max Lerner, *An Inquiry Into The Nature And Causes Of The Wealth Of Nations* (New York: The Modern library, 1937).

<sup>68</sup>Michael R Czinkota, PietraRivoli and Ilkka A Ronkainen, *International Business* (Chicago: Dryden Press, 1989).

### 1.8.2 Complex Interdependence Theory

This examination finds its anchor on the interdependence theory. The theory in worldwide relations is the thought advanced by Keohane and Nye<sup>69</sup> that states and their fortunes are inseparably integrated. The idea of monetary reliance was advanced through Cooper.<sup>70</sup> With the diagnostic develop of the theory in their analysis of political authenticity, Keohane<sup>71</sup> go above and beyond and break down how universal legislative issues is changed by reliance. The researchers saw that the unique and complex transnational affiliations and interdependencies among states and social requests were growing, while the use of military power and power altering are reducing however remain important.

In making utilization of the idea of reliance,<sup>72</sup> essentially separated among association and reliance in breaking down the job of intensity in governmental issues and the relations between universal performers, this theory is applicable to the study in that Countries like Kenya which are in the EAC depend on each other for trade with one another. However, there exist barriers to this interdependence in the name of regulatory frameworks imposed by the member countries.

### 1.9 Conceptual Framework

The study is conceptualized based on the framework in figure 1.1. The independent variables were be import licences, trade quotas, production subsidies and domestic content. The dependent variable wastrading by Kenyan and Tanzanian Companies.

Figure 1. 1 Conceptual Framework

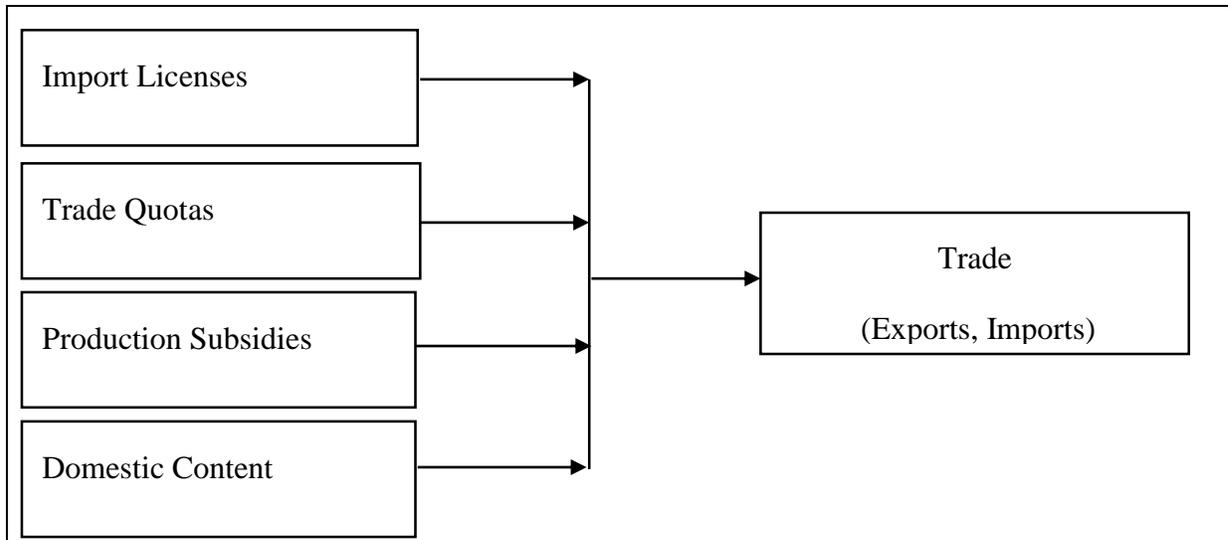
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<sup>69</sup>Robert Keohane and Joseph Nye, *Power And Interdependence* (Princeton: Longman, 1977).

<sup>70</sup>Richard Cooper, "Economic Interdependence And Foreign Policy In The Seventies", *World Politics* 24, no. 2 (1972): 159-181.

<sup>71</sup>Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton, N.J.: Princeton University Press, 1984).

<sup>72</sup>George Crane and Abba Amawi, *The Theoretical Evolution Of International Political Economy: A Reader* (Oxford: Oxford University Press, 1997).



Independent variables

Dependent variable

Source: Researcher 2018

### 1.10 Research hypothesis

H<sub>1</sub>: There exist no non-tariff barriers to trade facing Kenyan exporters to Tanzania.

H<sub>2</sub>: Tanzania has no trade policy on foreign companies.

H<sub>3</sub>: Non-tariff barriers have no impact on Kenyan exporters to Tanzania

### 1.11 Methodology

#### 1.11.1 Research design

The research adopted a descriptive research design. This was used based on data available on Tanzanian and Kenyan non-tariff policy. According to Orodho (2004), descriptive research design is primarily concerned with relationships between variables. The design fits the study in that it enabled the researcher to establish the relationship between non-tariff policy and trading between Tanzania and Kenya.

#### 1.11.2 Target population

Population is total collection of elements upon which inferences can be made. To obtain the population in the study 2,654 Kenyan exporters to Tanzania were considered. The population is shown in table 1.1.

Table 1. 1 Target population

Category	Number	Percentage
Exporters	2,654	100
Total	2,654	100.0

Source: Researcher 2018

### 1.11.3 Sampling procedure

The sample size of the study was 348 with a confidence level of 95% in accordance to the Yamane's sampling formula<sup>73</sup>. The sample size chosen was appropriate to provide information out of which generalizations were made to represent the entire target population.

$$n = \frac{N}{1+N(e)^2}$$

Where :

n = sample size required

N = number of people in the population

e = allowable error (%)

Following the Yamane's formula, the sample size was;

$$n = \frac{2654}{1+2654(0.05)^2}$$

n = 348 (Rounded)

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<sup>73</sup> Yamane, Taro. Statistics, An Introductory Analysis, 2nd Ed., New York: Harper and Row. 1967.

The sample was sufficient as Cooper and Schindler,<sup>74</sup> recommends a minimum of 30 units as sufficient sample.

Table 1. 2 Sample population

Category	Population	Sample
Manufacturing	1,327	174
Agriculture	1,327	174
Total	2,654	348

Source: Export Promotion Council (2013)

Stratified random sampling was used to select the companies for the study. Stratified random sampling is a method of sampling that involves the division of a population into smaller groups known as strata. Stratified sampling was used because it allows the researcher to divide the sample into appropriate strata of Kenyan companies. One employee from each of the selected companies was purposively selected to give 348 respondents who were involved in the study.

#### **1.11.4 Data collection instruments**

The study employed both primary and secondary data. Data was collected from primary sources using questionnaires. The questionnaires were designed to capture the essential information needed for analysis. It captured respondents' general information and specific information arising from the various objectives of the study. The questionnaire consisted of structured questions that were both open and closed ended. The researcher assisted the respondents, where necessary to understand the significance of the study and ensured that the response was compatible with the objective of the study. The secondary data collection instruments used were documentary sources, reports and research papers. These were obtained from the Central bank of Kenya, BankiKuu la Tanzania, Ministry of trade, IMF statistical reports and Kenya bureau of statistics.

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<sup>74</sup>Cooper, D., & Schindler, P. Business research methods (10th ed.). New York, McGraw-Hill/Irwin. 2008.

### **1.11.5 Validity and reliability**

Validity shows productivity and alludes to the match between manner in which an investigation conceptualizes the thought in an applied definition, and the information. To guarantee validity, the instruments were checked by the examination chiefs and other research specialists. In order to upgrade the validity of the instruments of study, the essential alteration and modification were done to the instrument of study.

With the end goal to assess the reliability of the outcomes, the study utilized Cronbach's alpha, which is a proportion of interior consistency which is the manner by which an arrangement of things are as a gathering. Test-retest procedure was utilized where the polls were introduced to the pilot populace and redistributed following seven days to see whether there was change in the reactions. The value of the Cronbach alpha was figured utilizing Statistical Package for Social Science (SPSS) to set up the dependability of the surveys. Cronchbach alpha ranges between 0-1. Scores between 0-0.6 demonstrate that the instrument has a low unwavering quality while scores of 0.7 or more show that the instrument has an abnormal state of inward consistency and dependability.

### **1.11.6 Data collection procedures**

The study collected both primary and secondary data. The primary data was collected using questionnaires. The questionnaires were self-administered with the assistance of research assistants. The questionnaires were administered through the drop-wait-and-pick where the respondents were given the questionnaires to fill as the researcher waits and picks the questionnaire upon completion. The questionnaires were self-administered to one respondent from the procurement department in each of the 348 sampled companies. The questionnaires were aimed at answering the research questions with two sections; the first section containing questions about the general information and the second section including questions focusing on impacts of non-Tariff Barriers on the East Africa Trade. The questionnaire comprised of closed ended questions. A letter of introduction was attached to the questionnaires explaining to the respondents the reason for the study and assuring them of their confidentiality. The secondary data was collected using desk research where the research assistants searched for the reports in the internet and print media and compile the data required by the researcher.

### **1.11.7 Data analysis**

The information gathered was investigated through quantitative and qualitative methodologies. After the information gathering exercise, all finished research instruments were collected, coded and assessed utilizing the SPSS Version 21. Quantitative information was examined utilizing descriptive statistics, for example, rates, mean, frequency distributions, and standard deviation. Presentations were done in tables, diagrams and graphs. The qualitative information was investigated through content analysis for developing topics and patterns.

### **1.11.8 Ethical considerations**

Throughout the data collection period, voluntary participation was emphasized. Confidentiality was highly emphasized and none of the respondents had his/her name appear on the questionnaire. An assurance was also be given that the data was only be used for academic purposes only.

As an ethical process the study took into consideration drastic measures to ensure that respondents' dignity was upheld. An introduction letter to all the participants was given to assure them that the respondents knew the researcher and her objectives.

### **1.11.9 Scope and Limitations of the study**

This study was limited to the Kenyan and Tanzanian Companies trading across the borders of the two countries. Data was collected from companies within Nairobi and Dares Salaam using self-administered questionnaires. The study targeted a population of 2,654 companies from which a suitable sample size was drawn. The research covered the period between 2016 and 2018.

The limitations of the study include difficulty in tracing the exporters, lack of openness by employees and management as they did not want to fully disclose the details of their companies, and poor response rate. To overcome these limitations, the study ensured that the correct and reliable sample frame was used to be able to target the right and traceable organizations and not ghost ones. The study also assured anonymity and confidentiality to improve on openness and response rate.

### **1.12 Chapter outline**

The paper contains five chapters. Chapter one contains the introduction and background to the study. The problem that the study seeks to resolve is stated. The research questions and the objectives of the study are given. The study was justified policy wise and academically. The literature relating to non-policy tariffs were reviewed, theoretical and conceptual framework established and the hypotheses outlined. The research methodology was established at the end of the chapter.

Chapter two contains literature relating to the non-tariff barriers to trade between Kenyan and Tanzanian companies. Chapter three contains the trade policies by the Kenya and Tanzania on foreign companies. Chapter four gives the analysis of impact of non-tariff policies on the trade between Tanzanian and Kenyan companies. The last chapter, chapter five, gives the summary, conclusions and recommendations of the study.

## CHAPTER TWO

### LITERATURE REVIEW ON THE NON TARRIFF BARRIERS FACING KENYAN EXPORTERS TO TANZANIA

#### 2.1 Introduction

This chapter reviews literature pertinent to NTB facing Kenyan exporters to the East African community, with a focus to Kenyan exporters to Tanzania. It begins by defining Non-Tariff Barriers, goes on to discuss various types of NTBs and ends with a summary of NTBs in table form.

#### 2.2 Non-Tariff Barriers Facing Kenyan Exporters in the EAC

NTBs allude to the extensive variety of approach intercessions other than tariffs relating to border that influence exchange of merchandise, administrations, and production components.<sup>75</sup> Most scientific categorization of NTBs incorporates trade focusing on specific markets and local policies. Expanded scientific categorizations incorporate full scale monetary strategies influencing exchange. NTBs have picked up significance as tax levels have been lessened around the world. Regular proportions of NTBs incorporate duty counterparts of the NTB approach or strategies and tally and recurrence proportions of NTBs. These NTB measures are consequently utilized in different exchange models, including gravity conditions, to survey exchange as well as welfare impacts of the deliberate NTBs.

Scholars have argued that increasingly, NTBs replaced tariff barriers particularly among trading countries involved in regional integration when tariffs were eliminated because this causes increasing attention among policy makers and trade analysts<sup>76</sup>. This is due to the fact that elimination of tariffs imposed economic costs to exporters whereas NTBs increased import costs to the country of consumption. Moreover, they are a source of legal controversy among

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<sup>75</sup>Okute, A.M. non-tariff barriers to trade in east africa community: a case of exporters in kenya. Published M.A Thesis. USIU. 2017.

<sup>76</sup> Sandra et al. *Non-Tariff Measures Inhibiting South Africa's Exports to China and India*. Tralac Working Paper No. 6 August 2008.

trading partners due to their implications on trade as well as their legitimacy. As exchange controls, other than duties, which casually confine worldwide exchange, NTBs will in general fall in three general classes, to be specific: Trade strategy NTBs which incorporate more extensive measures of policies, for example, import licenses, quotas, remedies of trade and endowments; Health, security and environmental NTBs which incorporates SPS measures and bans of exports; and managerial NTBs that incorporates traditions leeway delays, bureaucratic and self-assertive documentation necessities, and high transport charges. Opposite to formal exchange duties, NTBs are frequently harder to distinguish on the grounds that they are "covered up and unwritten," activities, and practices that have a splendidly genuine goals. Depending on the nature of trade, commodities involved and trading partners, different NTBs have different implications and therefore the best approach to analyse their impact seems to be to embrace their diversity.

The main features of NTBs are that they generally discriminate against foreign competitors in favour of domestic industries; they poses the power to increase the costs of imports and cross-border trade transactions thus influencing supply and demand of merchandise, operational efficiency and consumer's welfare; unlike tariffs, the impact of NTBs on prices and quantity is usually difficult to discern. In addition, not all NTBs are necessarily illegal since some of them are justified for purposes for which they are meant to achieve namely; animals, health security and safety, environment, and human protection<sup>77</sup>. For such cases, rules and guidelines are necessary to define the conditions under which such trade-restrictive measures are allowed. An important observation to note is that NTBs are frequent and often found in different forms all over the world, which brings us to our immediate context.

Okumu and Nyankori's taxonomy classified NTBs in EAC using 3 groups but the tariffs facing Kenyan exporters can be further unpacked. Specifically, these include export licenses, trade quotas, subsidies, documentation and procedures, delays at weighbridges, truck entrance fees and grace period, use of immigration and visa procedures, multiple police road blocks and mobile control, information constraints and Highway Crimes and Loss of Goods during transit.

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<sup>77</sup>Okumu, L. and Nyankori, J. Non-Tariff Barriers in EAC Customs Union: Implications for Trade between Uganda and other EAC Countries. Economic Policy Research Centre. 2010.

Further there is plain inefficiency which at the Container Freight Stations results in waste of time, revenue, and sometimes, cargo. In addition, there are too many institutions duplicating the same work, with their roles usually overlapping in export inspection and certification, and delays in processing export papers.

### **2.2.1 Insecurity**

Increased security worries along the exchange courses and expressway burglaries add to worries for transporters and traders. Instances of insecurity are fairly common along the Kenya-Tanzania corridor. Sometimes, freight handling at cargo handling centers is hindered because of cargo pilferage. Other times, election violence on the Kenyan causes insecurity, affecting the transportation of exports. For the case of Kenya, in 2007, 32 compartments were lost to buglers and various individuals lost their lives while in transit to Kampala. The incident that unfurled after the December 2007 Kenya election prompted one of the most noticeably awful spurts of highway violations seen in Kenya<sup>78</sup>.

### **2.2.2 Export Licenses, and Delays in Processing Export Papers**

Trade licenses from the nations exporting or importing, is a common non-tariff barrier. These licenses and export papers and documentation cost money, and time. A common complaint among exporters is the amount of time it takes to have the papers to export processed<sup>79</sup>. Most are done at the capital cities of the respective country of origin. This sometimes in inordinate delays, much to chagrin of exporters, who work with the maxim that ‘time is money’. The EAC licenses are being issued as a major aspect of the EAC travel controls, with various charges: \$1,500 for an organization travel permit; \$600 for a travel products permit, and KSh 10M for a security bond on merchandise traveled crosswise over Kenya. Data shared to transporters is constrained. Also, unique nations appear to keep on charging their own rates at

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<sup>78</sup>Okute, A.M. non-tariff barriers to trade in east africa community: a case of exporters in kenya. Published M.A Thesis. USIU. 2017.

<sup>79</sup>Kahenu, S.M. Non-tariff barriers in EAC customs union: implications for trade in manufactured goods in kenya. Published PGD Project. UON.

present. For instance, it costs USh 500,000 (approx. KSh 20,000) for a travel permit in Uganda and KSh 42,000 for one in Kenya.<sup>80</sup>

### **2.2.3 Trade Quotas**

A quota is a quantitative restriction on the amount of a particular product that can be brought into a nation from another country. A good example here is the imposition of import quotas on the East African Breweries products in Tanzania<sup>81</sup>. Sometimes quotas are imposed to protect nascent industries in the home country, or other times it's a case of malicious flouting of previously agreed upon custom regulations. The former seems to be more likely the case. Countries use quotas to regulate the amount of trade between them and other countries, and so manipulate the balance of payments in their favor. The quantitative restriction on the amount of goods reduces imports of the specified products and increases domestic production. Conceptually, quotas boost domestic production by restricting foreign competition. Regardless, quotas remain a bottleneck on the necks of mercantile nations, Kenya included.

### **2.2.4 Corruption**

Corruption remains the mythical sword of Damocles hanging over Kenyan trade. Kenya is consistently as among the most corrupt countries in Africa, ranking way above Tanzania<sup>82</sup>. The recent reported case in Mlolongo and Mariakani weighbridges in Kenya where the anti-corruption Commission raided the facility and netted some cash from some weighbridge staff which they could not account its source. Kenya in particular remains a laughing stock in East Africa. Tanzanian President Nyerere's epithet in the 1970s that Kenya is a man eat man society pointed to a country where rampant, unbridled capitalism ran amok. To date hustlers and never do wells are always eager to make a quick buck, legally or illegally. This in turn means that justice is sometimes for the highest bidder. An often whispered saying is you can have the best

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<sup>80</sup> East African Business Council (EABC). EAC Time-Bound Programme for Elimination of Identified Non-Tariffs Barriers. EAC Secretariat, Arusha, Tanzania. 2009.

<sup>81</sup>*Ibid.*

<sup>82</sup> Transparency International. Corruption Index 2017.

lawyers, and truth on your side but you will still lose, because the other side already bought the judge. Accordingly, the cost of doing business in Kenya goes up, since one has to grease several palms to 'smoothen' things, before things can move. Exporters from Kenya have to grease several palms of policemen and officials at weighbridges before they reach the Tanzanian border. And that's just the beginning, because then it will be the turn of the Tanzanian officials and policemen to eat.

Further exacerbating the corruption element is the various police detours on the streets, and portable control. Inconsequential with gauging or clearing the freight, police barriers are continually referred to by merchants and transporters as area for lease chasing and travel delays.<sup>83</sup> The corridor at the north of the transit way is especially noted for such activities, particularly on the part of Kenya. Police check focuses have progressed toward becoming 'police money focuses' as they never again fill their planned need of security yet are being utilized as mode of requesting cash from travel trailer trucks, particularly those with remote enlistment numbers. What troubles the traders in transit is the lack of co-ordination by the police in doing their obligations, with the end goal that a truck is liable to comparative checks at all activity stops. This makes space for the police to straightforwardly press for frivolous rewards—for instance, in Tanzania, usually alluded to as "kahawa," which means some espresso.<sup>84</sup>

### **2.2.5 Use of Immigration and Visa Procedures**

These are bulky, duplicative, and in numerous examples utilized in opposition to the EAC Protocol. Extensive, visa charges was evacuated in June 2007 and substituted by brief work grants for guests looking for transitory work assignments. These don't have any significant bearing to merchants, transporters, and guests who are not looking for brief work. At the fringe, authorities at Namanga, Tanzania charge each truck USDD50, as well as force a charge of

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<sup>83</sup> EABC. "The Business Climate Index Survey." The Steadman Group, Riverside Drive, Nairobi, October.

<sup>84</sup>WORLD BANK.. "Non-Tariff Measures on Goods Trade in the East African Community", An African Region Synthesis Report, Prepared by the East African Community and Member governments of Burundi, Rwanda, Kenya, Tanzania and Uganda.

USD100 as work allow for going with businesspersons who might want to display their items in Tanzania.<sup>85</sup>

### **2.2.6 Truck Entrance Fees and Grace Period**

In opposition to the EAC Protocol, Kenya, Rwanda and Tanzania charge expenses on each entering truck into their region (frequently alluded to as "street toll"). Kenya charges \$60 for a truck heading to Nairobi from Mombasa and \$90 regions within the outskirts of Nairobi; Rwanda fees are \$76 per each truck; while Tanzania fees are \$50 per each truck weekly. Also, nearby exacts may apply. For instance, the region of Mombasa has presented another exact on trucks bound in Uganda. The EAC travel controls permit a time of 7days without installment of charges for vehicles travelling to the domain of a part state, yet consistence fluctuates crosswise over part states and crosswise over eras. This blocks the traditions association, and expands the expense do imported products. The expenses are from that point passed on to the shopper.<sup>86</sup>

### **2.2.7 Delays at Weighbridges**

The obligatory weighbridges for merchandise up and down the travel course, and not just at the outskirt, obstruct exchange through expansion to travel time and cost of transporter upkeep. These are especially noteworthy on the Kenyan and Tanzanian sides of the vehicle passageways Tanzania requires each vehicle conveying merchandise, little or vast, to be gauged, including traveler transports. Along the Central Corridor, in Dar es Salam and Rusumo, there are five obligatory weighbridges: at Nyahahura, Mkundi, Kibaha, and Mwenda Kulima, and Mikese. Along the corridor at the North, there are 7 weighbridges on the Kenyan course at Mombasa, Kilindini, Athi River, Malaba, Mariakani, Webuye and Amagoro. Neither the adequate weights per hub nor the quantity of axels are not yet blended in the district, creating additional contentions. Kenya in 2008 proposed a framework that it expected to move towards, is that travel trucks were to be weighed just once and expected to convey the issued

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<sup>85</sup>East African Business Council. "The Business Climate Index Survey." The Steadman Group, Riverside Drive, Nairobi, October.2004.

<sup>86</sup> Jensen, K and Keyser N. Non-tariff measures on goods trade in the east african community. World Bank. 2014.

endorsement, as favored by transporters. This was a directive which has not yet been fully achieved due to delays in the Ministry of Roads and Public Works<sup>87</sup>.

### **2.2.8 Anti-competitive Measures**

These are measures designed to make goods from other countries uncompetitive. The goods are allowed in, but certain measures targeting these goods make them less competitive. The case of Brookside milk in Tanzania, described by Kahenu, is instructive. Brookside was ordered to remove the writing, “drink Brookside milk for good health”, and instead write “drink milk for good health”. This weakened the visibility of their brand, making them less competitive<sup>88</sup>. However, the removal of the brand name Brookside may reduce the company’s visibility in the Tanzanian market and reduce the overall export to the region. The report further stated that Kiwi shoe polish of Johnson & Johnson Kenya Ltd had been held at Namanga border post by Tanzania Customs Authority with a requirement that the company pays 25 per cent import duty on Kiwi Shoe polish.

### **2.2.9 Customs and Administrative Entry and Passage Procedures**

Several sessions, forums and meetings have been attempted by the EAC Council of Ministers with the point of disentangling and synchronizing traditions documentation, conventions and techniques at the outskirt posts. Little of this has been practically converted. Numerous participating states are carrying out subsidized traditions modernization programs, yet the concentration and substance of such national endeavors remain to a great extent clumsy over the EAC. Arranged upgrades in managing outskirt posts have been moderate, for the most part two-sided, and with to some degree changing outcomes to date. Duplication of procedures 10 keeps on adding to financial expenses and loss of time. Unequal treatment as indicated by the

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<sup>87</sup> Ihiga, S. *A Survey of Non-Tariff Barriers that Affect Kenyan Importers and Exporters within EAC and COMESA Countries*. Nairobi: Trade and Investment Consortium. 2007.

<sup>88</sup> Kahenu, S.M. *Non-tariff barriers in EAC customs union: implications for trade in manufactured goods in Kenya*. Published PGD Project. UON.

nation of nationality of the merchandise as well as truck and open doors for false conduct is visit, similar to the charges of such "out of line" treatment and corrupt activities.<sup>89</sup>

### **2.2.10 Documentation and Procedures**

A task commissioned by the countries to check on the factors that hinder trade inside the EAC discovered there were changing frameworks of import announcement, installment of pertinent obligation rates, and guidelines connected, and restricted/differing working hours at the customs stop posts. Protracted methodology and deficient data to empower custom authorities settle on relevant choices at the posts appear on torment the EAC framework. To actualize customs methodology for section preparing, load control, travel, control of warehouse, and bookkeeping, four nations have selected to utilize different forms i.e. Automated Systems for Customs Data (ASYCUDA - is an automated customss administration framework created by UNCTAD to help change the traditions freedom process), while Kenya has utilized Similarity Based Complex Analysis System (SIMBA) an electronic continuous exchanging framework for global markets.<sup>90</sup>

To date, the linkage between these two frameworks has not been smooth. Deferrals in preparing send out papers are across the board. Before transporters leave their point of departure, they should document trade papers with the income specialist (at the capital) to be sent to the outskirts post. Kenya and Uganda have a respective legitimate system for joint control at their regular outskirts posts, making a one-stop post at each fringe crossing, beginning with Malaba. They additionally have a consent to present 24-hour administrations at their normal outskirts posts. It takes around a week for process at KRA to be finished which too many exporters is perceived to be a long and strenuous exercise. It gets worse, when goods move to other countries, which as documented in the report by World Bank different procedural arrangements on these borders slow down business.<sup>91</sup>

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<sup>89</sup> World Bank. "Non-Tariff Measures on Goods Trade in the East African Community", An African Region Synthesis Report, Prepared by the East African Community and Member governments of Burundi, Rwanda, Kenya, Tanzania and Uganda. 2008

<sup>90</sup> Ibid, Okute, (2017)

<sup>91</sup> Ibid, World Bank, (2008)

### **2.2.11 Verification of Transit Cargo**

A ton of travel payload is checked and confirmed by the incomes specialists, similar to the KRA and the RRA however it isn't for use in the participating nation concerned. The products bound for the member nation much of the time are liable to 100 percent physical investigation, especially where they include discount or disadvantage claims, paying little respect to the consistence record of the exporter.<sup>92</sup>

### **2.2.12 Multiple Police Road Blocks and Mobile Control**

Irrelevant with gauging or clearing the freight, police detours are continually referred to by dealers and transporters as area for lease chasing and travel delays. The roadway along the corridor at the north is especially observed for such activities, particularly on the part of Kenya "Police check focuses have moved toward becoming 'police money focuses' as they never again fill their expected need of security however are being utilized as mode of requesting cash from travel trailer trucks, particularly those with remote enlistment numbers," said one chafed transporter. For instance, there are around 10 police/neighborhood government barricades from Mombasa to the Uganda fringe.<sup>93</sup>

Moreover, there are portable checkpoints, more continuous in Kenya, kept running by the income experts of the individual nations, for example, the Rwanda Revenue Protection Department. It is evaluated that 12% of checks of business use 1-2 hours. Now and again, these barricades result in delays notwithstanding to return vehicles not conveying any products. On the corridor at the central section, checkpoints accounted were 26 among Rusumo and Dar es Salam (separate 1,480kms), and in Rwanda 5 were identified among Rusumo and Kigali (168 kms remove). The challenge for transporters is that there is a general absence of coordination by the police, to such an extent that a truck is liable to comparable checks at all movement stops. This makes space for the police to straightforwardly press for insignificant rewards—for instance, in Tanzania, regularly alluded to as "kahawa," which means some espresso.<sup>94</sup>

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<sup>92</sup> Ihiga, S. A Survey of Non-Tariff Barriers that Affect Kenyan Impoets and Exporters within EAC and COMESA Caountries. Nairobi: Trade and Investment Consortium. 2007

<sup>93</sup> Down from about 27 about four to ten years ago.

<sup>94</sup> Ibid, World Bank, 2008.

### **2.2.13 Working Hours at the Border Posts**

There is absence of harmonization regarding the concurred hours of operations at the EAC borders.<sup>95</sup> Presently, no EAC border operates 7days a week for 24hours daily. Moreover, Burundi keeps on keeping up a prohibition on vehicular movement on its streets amid the 6:00 PM to 6:00 AM period for wellbeing reasons. Entryways are opened or/and shut at various occasions on each side of the outskirts, causing superfluous lines and bustle. For instance, by late 2011, Malaba entryways at the Ugandan outskirts present utilized on open as from 8:00 AM to 10:00 PM, while doors at the Kenyan fringe present utilized on open 8:00 AM to 6:00 PM. For Rwanda, the Rwanda Revenue Authority begun 24-hour tasks as from September 1, 2008 to facilitate the stream of merchandise and ventures in the EAC and neighboring Democratic Republic of Congo. Despite what might be expected, Uganda, a significant accomplice in the 24-hour task, has not yet been prepared to go with the same pattern because of work power and spending limitations.<sup>96</sup>

### **2.2.14 Cost of Translation**

English is the formal dialect used in business within the EAC. In any case, the administration and procedures of Burundi are still francophone, with extremely restricted projects to enhance English-and Kiswahili-speaking limits of the dealers and transporters. Henceforth, the dialect of correspondence is one more non-tariff boundary perceived by Burundian merchants and trucks that movement in Uganda, Kenya, and Tanzania.<sup>97</sup> Traders deal with particular indictments. For example, the individuals who send out merchandise to francophone Burundi from Kenya pay a USD300 charge to make an interpretation of the expected directions to English at Jomo Kenyatta International Airport (JKIA) in Nairobi. Most dealers incline toward that controls ought to be deciphered in all official national dialects talked in EAC by the issuing nation.

### **2.2.15 Information Constraints**

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<sup>95</sup> Ibid, Ihinga, 2007.

<sup>96</sup> Ibid, World Bank, 2008.

<sup>97</sup> Mutambara, Tsitsi Effie. "Regional transport challenges within the Southern African Development Community and their implications for economic integration and development." *Journal of Contemporary African Studies* 27, no. 4 (2009): 501-525.

Not exclusively are the guidelines and controls not commonly perceived or fit, but rather the scattering of data on them is amazingly poor crosswise over part states and inside them. Merchants don't know about a portion of the choices made at the EAC Council, for example, the new travel controls. At the outskirts, the traditions operators frequently don't have the most recent orders or potentially frames from their income experts, and truck drivers may not know the directions particular to their payload. Use of national enactments frequently seems, by all accounts, to be self-assertive and protectionist, in view of obsolete/unwieldy import approval frameworks.<sup>98</sup> In all EAC members, the traders and authorities of merchants' affiliations censure the national governments for consuming data (purposely or due to absence of scattering limit) on choices significant to merchandise exchange. Data gaps persevere between the strategy creators, the actualizing offices like national departments of gauges, and the makers and dealers.<sup>99</sup> For instance, most of the EAC dealers are not in any case mindful of the NTM observing component through which they can report compelling measures. There is across the board worry that the components and the dialect used to clarify issues concerning merchandise exchange the EAC are not rearranged enough to be helpful to little indigenous merchants. This is especially hazardous for 16 Kenyan exporters into the Burundian markets, where the administration frameworks are centered around beginning periods of post strife recuperation—however are common all inclusive.

### **2.3 Summary of NTBS between Kenya and Tanzania**

Table 2. 1 Summary of NTBS between Kenya and Tanzania

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<sup>98</sup>Okumu, Luke, and J. C. Nyankori. "Non-tariff barriers in EAC customs union: implications for trade between Uganda and other EAC countries." (2010).

<sup>99</sup>Kirk, Robert. "Addressing Trade Restrictive Non Tariff Measures on Goods Trade in the East African Community." *World Bank Africa Trade Policy Notes*, available at: [www.acp-eu-trade.org/library/files/Kirk\\_EN\\_01082010\\_WB\\_Addressing%20Trade%20Restrictive%20Non%20Tariff%20Measures%20on%20Goods%20Trade%20in%20the%20East%20African%20Community.pdf](http://www.acp-eu-trade.org/library/files/Kirk_EN_01082010_WB_Addressing%20Trade%20Restrictive%20Non%20Tariff%20Measures%20on%20Goods%20Trade%20in%20the%20East%20African%20Community.pdf) (2010).

	NTB Description	NTB Source	Effect on Exporters	Time Frame
1	Tanzania restriction on Kenya dairy products	Tanzania Ministry of Trade	Lack of market access, loss of revenue	August 2011
2	Several police road blocks along the central corridor estimated at 30 between Dar es salaam	Tanzania	Time Lost	Dec 2014
3	Border management working hours not harmonized	Kenya, Tanzania	Time Lost	2011
4	Weighing of empty trucks in Tanzania	Tanzania	Time wasted	2012
5	Tanzania Food and Drugs Authority required companies exporting to Tanzania to register the products before exporting	Tanzania	Loss of Revenue	2013
6	Tanzania Food and Drug Authority labeling requirements on salt and dairy products imported into Tanzania	Tanzania	Costs went up	2013

7	Introduction of a levy of 1.5 % for Railway development in Kenya in October 2013	Kenya Revenue Authority	Increased transport costs	2013
8	Numerous charges on beef products from Kenya	Tanzania	Costs of business went up	2011

## 2.4 Mitigating Factors on Non-Tariffs Barriers to Trade within EAC

### 2.4.1 Experiences of other Trade Blocks With Elimination/Reduction of Non-Tariff Barriers.

The regional economic communities (RECs) in Africa don't have an amazing record of managing disagreeable NTB/MS. In any case, the EAC has immediately accomplished a great deal that remaining parts attractive for RECs in Sub-Saharan Africa. This examination investigates past the mainland for precedents, to gain from triumphs of RECs and copy them, as suitable, and to maintain a strategic distance from disappointments. Exercises are obtained from the EU and Association of Southeast Asian Nations (ASEAN), since they contain various exercises that can enable EAC to design well and limit arrangement blunders.<sup>100</sup>

The ASEAN) speaks to a noteworthy case of local combination and promise to the expulsion of NTB. The ASEAN procedure included setting up a methodology for killing NTBs including blending item principles and creating shared acknowledgment of benchmarks crosswise over part nations. The general highlights of the procedure for disposing of NTBs comprises of check

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<sup>100</sup>Fliess, B. and I. Lejarraga. "Analysis of Non-tariff Barriers of Concern to Developing Countries," OECD Trade Policy Working Paper, No. 16, OECD, Paris. 2005.

of data on NTBs, prioritization of items, creating particular work program and getting an order from the ASEAN Economic Ministers to actualize a work program.<sup>101</sup>

One noteworthy trademark that recognizes the ASEAN encounter from that of the EU in managing NTBs is its division based methodology. In this system, ASEAN has centered its financial incorporation and end of exchange boundaries on a couple of divisions (picked among parts with the most astounding potential for intra-provincial exchange and combination). In the EU, disposal of NTBs was the undertaking of the normal market program. In 1985, the Community's White Paper distinguished NTBs and proposed 282 measures to be disposed of with a nitty gritty timetable for finish before the finish of 1992.<sup>102</sup> The greater part of the proposition were embraced and turned out to be a piece of national laws of the different member nations. The program for disposal of the NTBs annulled a progression of specialized, physical and monetary obstructions to territorial exchange through organization of single models and direction, the disentanglement of the financial structure and outskirts related controls, and the establishment of new standards for open acquisition.<sup>103</sup>

While the EU has fundamentally lessened NTBs, finish disposal has not been accomplished. Continuous exercises for end of NTBs incorporate a survey of national NTBs reports, national strategies for between service co-task on NTBs, trade of data and perspectives on a scope of dynamic NTB disposal programs/extends and building up a correspondence arrange between NTB central focuses.<sup>104</sup> Plus, there are progressing transactions and changes also measures to fortify the procedure in different routes, for example, looking for help of political experts to help for proceeded with work on NTBs inside the built up, guided exertion to proceed and

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<sup>101</sup> Association of SouthEast Asian Nations. ASEAN Bulletin April 2010. retrieved from [https://asean.org/?static\\_post=asean-bulletin-april-2010](https://asean.org/?static_post=asean-bulletin-april-2010).

<sup>102</sup>Sarfati, G. European Industrial Policy as a Non-tariff Barrier. European Integration Online Papers (EIOP), 1998, 2(2).

<sup>103</sup> Ibid, Sarfati, (1998)

<sup>104</sup>Okute, Anyal Michael. "Non-Tariff Barriers to Trade in East Africa Community: A Case of Exporters in Kenya." PhD diss., United States International University-Africa, 2017.

increase the work to recognize and take out NTBs in the area, setting up proper methods for distinguishing and dispensing with NTBs, and systems to have abnormal state responsibility and support and perceivability ASEAN (2010).

The member nations pledge to give the system to proceeded with work on NTBs, meet a few times each year, generally imparting by phone and email, recognize NTBs on a nonstop premise, set up the separate yearly reports on NTBs, consider the arrangement in every nation of a national between service/office correspondence organize led by an abnormal state official from EU Secretariat.<sup>105</sup> Besides, the program incorporates interest in One-Stop-Centers and electronic single window frameworks at fringe stations, survey of port charges to universal dimensions, political altruism to encourage cross-outskirt development of individuals while sitting tight for finish of important convention, commonly perceive assessment techniques, and review reports and testaments, clear rules for ceasing business vehicles, a 22 day by day record of vehicles halted, reasons and measures taken, joint check of products at outskirts posts, foundation enhancement, undoing of travel securities, interest in stopping sheds and stopping yards, lifting confinements of truck haulage, extend working hours.<sup>106</sup>

#### **2.4.2 Way Forward For Kenyan in EAC**

A progression of EAC exchange documentations,<sup>107</sup><sup>108</sup> detailed some major NTBs that included traditions and managerial passage strategies hindrances; SPS measures; specialized obstructions to exchange, gauges, review time spent, unsystem that is harmonized for issuance of affirmation and other dispersion related deterrents. A portion of these directions or NTBs, while advocated based on wellbeing, wellbeing and security, among others, have suggestions

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<sup>105</sup> World Bank. “Non-Tariff Measures on Goods Trade in the East African Community”, An African Region Synthesis Report, Prepared by the East African Community and Member governments of Burundi, Rwanda, Kenya, Tanzania and Uganda. 2008.

<sup>106</sup> Ibid, World Bank, (2008).

<sup>107</sup> Ihiga, S. A Survey of Non-Tariff Barriers that Affect Kenyan Impoets and Exporters within EAC and COMESA Caountries. Nairobi: Trade and Investment Consortium. 2007.

<sup>108</sup> Mmasi, J and Ihiga, S.. A survey of non-tariff barriers that affect Tanzanian imports and exports within EAC, SADC, and COMESA countries. 2007.

on creation, utilization, financial effectiveness and exchange streams.<sup>109</sup> Emerging from ID of NTBs, EAC time-headed projects for their end have been readied.<sup>110</sup> These incorporate abrogating charges, defilement, unfair charges, landing expenses, section prerequisites; utilization of nondiscriminatory extract obligation routine, EAC Rules of Origin, WTO valuation rules; adherence to EAC Rules of Origin Criteria of 30 percent neighborhood esteem included; modernization including computerization of methods to guarantee quicker freedom, frameworks interfacing, and say something movement frameworks.

#### 2.4.2.1 Policy Implications

The NTBs have figured out how to prompt the well known casual exchange inside the area. Casual exchange apparently has possessed a more prominent offer of the provincial exchange. NTBs are heightening halfway because of slacks in approach and administrative usage. Along these lines, going ahead, one of the key strides to take is to plan powerful components for distinguishing and checking data about NTBs, and organizing and guaranteeing their end. This will require giving the EAC Secretariat the command to constrain singular nations to take out any recognized NTB and to guarantee that no new ones are made.<sup>111</sup>

Moreover, it will require straightforwardness in data assembling and sharing, and also responsibility and eagerness to dispense with the NTBs. Second, arrangement and authoritative choices made by, for instance, Council of Ministers ought to be conveyed in time for powerful execution. In the medium term, guidelines ought to be orchestrated and requirement of consistence be exchanged to one local body, for example, EAC Bureau of Standards. In the 23 short run, the EAC nations ought to build up a common acknowledgment of models crosswise over part nations.<sup>112</sup> EAC needs to discover courses on the best way to orchestrate the

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<sup>109</sup>Okumu, Luke, and J. C. Nyankori. "Non-tariff barriers in EAC customs union: implications for trade between Uganda and other EAC countries." (2010).

<sup>110</sup> East African Business Council (EABC). EAC Time-Bound Programme for Elimination of Identified Non-Tariffs Barriers. EAC Secretariat, Arusha, Tanzania. 2009.

<sup>111</sup>Abegaz, M. "Mobilizing Aid for Trade for SPS-related Technical Cooperation in East Africa: SPS. 2008.

<sup>112</sup> Ibid, Okumu and Okuk, (2011)

predominant local expense frameworks, laws and techniques in order to decrease twists and carrying and in addition presenting some dimension of consistency in business exchanges.<sup>113</sup>

#### ***2.4.2.2 Involve the General Public in the Process of EAC Integration***

People in general, (residents of the EAC nations) are completely mindful and engaged with the procedure of EAC coordination. The vast majority engaged with business inside the area don't have enough instruction on what should be done as such as to enhance their organizations. Training on the NTBs, how to deal with cross- outskirt traditions and such, isn't given and that greatly affects the whole local exchange.<sup>114</sup> The EAC states with full inclusion of the private division affiliations and common society associations ought to escalate open mindfulness crusades about traditions association and its monetary chances. Each exertion ought to be made to connect with the whole populace of the EAC nations.

#### ***2.4.2.3 Trade Impact***

An examination by World Bank, prescribes for need to settle on decision based on the NTB's exchange limitation, including the accompanying components: number of private division dissensions, estimation of fare/import influenced, and contrast among household and world costs for purchaser.<sup>115</sup> There is a need to have to organize these limitations dependent on the significant partners who are influenced, for the Kenyan case, lion's share of Kenyan exporters who fall in the private area, grumblings in the EAC are the most grounded about poor foundation. This is trailed by defilement/deceitful conduct. They additionally grumble about the constrained human abilities and specialized limit of the exchange/travel facilitators and national government authorities in the EAC. Further the World Bank report emphatically recommend the need to evaluate the aggregate estimation of fare/import influenced by a

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<sup>113</sup> Hangi, M. *The Non-Tariff Barriers in Trading Within the East African Community*. Nairobi: Economic and Social Research Foundation. 2010.

<sup>114</sup> Ibid, Hangi, (2010).

<sup>115</sup> Ibid, World Bank, (2008).

specific NTB, this should be possible by posting the best merchandise by esteem exchanged the EAC.<sup>116</sup> For most EAC individuals, these merchandise are additionally the most critical ones in the esteem offer of by and large exchange. Henceforth, organizing the NTBs that apply particularly to these merchandise will yield included advantages from extension of EAC's worldwide exchange. Further examination might be required, to decide the degree to which the NTMs increment the purchaser costs of these products.

#### ***2.4.2.4 Develop Strategy for Reducing Differences and Capacity Constraints***

One method for building up a methodology for lessening/evacuating NTBs given national contrasts and limit requirements is to embrace an item/division see in a staged way. In ASEAN, the decision of these segments was made based on near favorable position in characteristic asset enrichments, work abilities, cost aggressiveness, and esteem added commitment to the REC economy or offer of intra-territorial exchange. For EAC, the intraEAC exchange is very item particular. In any case, the current NTBs obstructions on formal merchandise exchange uncovered by private division firms and open area foundations are to a great extent not item particular.<sup>117</sup> Along these lines, it is conceivable to manage the issue of custom/familiarity of exchange and enormous contrasts between composed guidelines and genuine outskirts practice. In a couple of merchandise, similar to drain, hamburger, poultry (counting day-old chicks), the EAC might need to create particular district wide specialized as well as SPS principles after point by point examinations.

In picking the particular item it is essential to think about the administrative target and/or intra-EAC exchange effect of the NTM. Here the direction from the progressing procedure of consultations and choices in the ASEAN nations will be valuable. This could be founded on harmonization with execution necessities, including a solitary arrangement of completely fit and point by point arrangements. This methodology is utilized for items that could put purchasers' security in danger and for which execution situated enactment is felt required. Any limit building activities in the general region of the specialized as well as SPS models for

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<sup>116</sup> Ibid, World Bank, (2008)

<sup>117</sup> Ibid, Okute, (2017)

products ought to be surveyed versus clear verbalized interest from end-clients in the general population/private part, as opposed to from the national agencies of guidelines.<sup>118</sup>

#### ***2.4.2.5 Invest in Infrastructure***

Where government imposing business models and additionally financial requirements have offered ascend to serious foundation limitations, the related NTBs will require earlier extensive scale ventures and long haul mediations in development/restoration of physical framework in a planned way over the EAC, particularly along the two passageways, North and South halls. Here the prioritization could consider the potential for consolidating the financial qualities of EAC individuals for provincial favorable position; encouraging intra-EAC exchange and ventures; drawing in and holding fabricating exercises inside EAC; advancing 25 redistributing in EAC; and creating EAC items and administrations.<sup>119</sup>

The bottleneck of infrastructure is basic in EAC. A World Bank report proposes three key focuses developing in the locale.<sup>120</sup> These are; the EAC official secretariat should get ready and execute territorial foundation enhancement plan(s), particularly the network of roads, without any difficulty the costs forced on landlocked nations. There is requirement for the arrangement of wagon ship vessels on Lake Victoria and Lake Tanganyika, through private or public ventures, with satisfactory wellbeing directions for their task. Vital additionally is to initiate an effective railroad framework through the required speculation by the national government in rails and by the private administrators in wagons to enhance the intensity and wellbeing of the transportation of mass items in the district. The requirement for creating double rail tracks over the area is additionally basic. There is a requirement to control the railroad specialist co-op to avert wastefulness and maltreatment of market control in specialties that rail routes could command. Enhancement of foundation is principal to bringing down expenses of business and encouraging effectiveness underway, transportation and conveyance

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<sup>118</sup> Ibid, Hangi, (2010)

<sup>119</sup> Okumu, Luke, and J. C. Nyankori. "Non-tariff barriers in EAC customs union: implications for trade between Uganda and other EAC countries." (2010).

<sup>120</sup> Ibid, World Bank, (2008).

of products and enterprises. The choices and activity identified with specialized guidelines for merchandise and the related SPS contemplations can be imagined in this class, since it is relied upon to take a delayed period to intercession to embrace a general system, receive it and introduce the proper framework and human ability to execute the choices.<sup>121</sup>

#### ***2.4.2.6 Apply the Principle of Asymmetry and Promote the use of English***

As EAC investigates a program to accomplish the normal market—including the expulsion of legitimate hindrances to the free development of products, administrations, capital, and work—an examination prescribes setting up policies to moderate the impacts of the fulfillment of the inner market on generally distraught member nations (those that are landlocked or are the minimum monetarily created).<sup>122</sup> This will lessen advancement inconsistencies between the participating states. Evacuation of physical boundaries for merchandise crossing the EAC borders is only the initial step to encourage exchange through lessened conveyance times and lower related expenses. With regards to dialect of correspondence, the concurred dialect crosswise over EAC for in general organization, open exchange assistance, and private exchanges is English. Notwithstanding, for individuals that were initially francophone, particularly Burundi, it is seen that solid advances are prescribed to advance English in parastatals, and in doing as such, encourage the private segment merchandise exchange of these individuals.<sup>123</sup>

#### ***2.4.2.7 Monitoring for new NTBs and Barriers (NTB/)***

Regarding the observing for NTBs that might be forced by partnering nations, the EAC is able to gain from the reception of EU of preventive estimates which support partnering states to

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<sup>121</sup> Ibid, Okumu and Nyankori, (2010).

<sup>122</sup> Stephen N. Karingi and Fekadu, Belay. “Beyond Political Rhetoric – The Meaning of the Eastern and Southern Africa FTA”, A Report for United Nations Economic 68 Commission for Africa (UNECA), presented at the Twelfth Annual Conference on Global Economic Analysis, Santiago, Chile. 2009.

<sup>123</sup> Mugisa, E., Onyango, C., and Mugoya, P. “An Evolution and the Implementation and Impact of the EAC Customs Union”, A Study Commissioned by the Directorate of Customs and Trade of the EAC Secretariat, The East African Community (EAC), 2009

notify all draft controls and benchmarks identified with specialized details to be presented on national domains. Along these lines, the Commission can screen and keep the raise of national hindrances to intra-EU exchange.<sup>124</sup> The inside market of EU scoreboard may end up being a valuable EAC Secretariat instrument to imitate. The EC keeps up this scoreboard on partners' adherence to REC-wide regulations including those on NTB/TB on exchange, which can be utilized to name and disgrace individuals into consistence. For the EAC, such a scoreboard could report the status of the NTB/TB activity designs and the quantity of encroachment procedures because of new NTB/TB s started against partnering states. These procedures could be started as an outcome of proceeding or new utilization of a NTB/TB by a partnering state. For this situation, the partnering state is urged to rapidly cure the circumstance, and in the event that it neglects to do as such it is alluded to the EAC court, which can force an authorize. To correct working of the interior market for products in the EAC, the Secretariat would need to create satisfactory limit with regards to grouping NTB/TB announced and checking, as would the partnering states in distinguishing and informing the watched NTB/TB. Later this could be enhanced by limit with respect to requirement and review activity.<sup>125</sup> Other EAC foundations could be expected to add to this essential capacity.<sup>126</sup>

## **2.5 Chapter Summary**

The trade between Kenya and Tanzania is inevitable since both countries enjoy large amounts of resources especially in the agriculture sector. However, the trade faces a number of challenges among which non-tariff barriers. This chapter has focussed on the non-tariff barriers facing Kenyan exporters to Tanzania. NTBs are a wide range of policy interventions with the exception of border tariffs that influence trade of merchandise and services, and production factors. The non-tariff barriers facing Kenyan exporters to Tanzania include insecurity, corruption, trade quotas, working hours, and tedious procedures. These non-tariff barriers hinder exports by Kenya traders to Tanzania.

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<sup>124</sup> Ibid, World Bank, (2008)

<sup>125</sup> International Food Policy Research Institute. IFPRI "Review of East African Grain Trade." Washington DC. 2008.

<sup>126</sup> East African Community Secretariat-East African Business Council (EAC-EABC). "Proposed Mechanism of the Elimination of Non-tariff Barriers in EAC." Arusha, Tanzania. 2006.

However, despite the many Non-tariff barriers existing between the Kenyan and Tanzania borders, there are measures that can be implemented to mitigate the barriers. The mitigation measures include the development of new policies and strategies that facilitate easier trade between the two nations; involving the public in the implementation of trade policies to ensure democracy is maintained; investing in infrastructure to ensure easy trade between traders from Kenya and Tanzania; and monitoring of all trade activities within the respective countries. By implementing the mitigation measures identified, the two nations will be in a position to interrelate and carryout trading activities without any problems or potential shortcomings. The mitigation measures ought to be implemented by both Kenya and Tanzania for effectiveness. By identifying the non-tariff barriers and the mitigating measures it is crucial to understand the policies of the two nations involved. The next chapter covered the policies on trade in Tanzania. This gave a deeper understanding on the non-tariff barriers Kenyan exporter face to Tanzania.

## CHAPTER THREE

### THE TANZANIAN TRADE POLICIES ON FOREIGN COMPANIES

#### 3.1 Introduction

This chapter reviews literature germane and relevant to the Tanzanian trade policy on foreign companies.

#### 3.2 Historical Overview

In the late 1960s, Tanzania set out on an advancement procedure of substituting locally created products for imports, in view of the idea of "communism with independence" explained in the 1967 Arusha Declaration.<sup>127</sup> This import substitution methodology had among its key monetary destinations advancing overwhelming industry and accomplishing independence in nourishment creation. Two fundamental instruments were utilized in executing the methodology. Initial, a progression of aggressive venture programs, exemplified in multi-year designs, directed chiefly at the extension of the capital concentrated modern part and Infrastructure activities; and second, an arrangement of vast open undertakings that commanded most businesses; had legitimate restraining infrastructures in the evaluating, promoting, and preparing of farming harvests; and, by the mid-1970s, had turned into the nation's biggest shippers and exporters.

The year 1967 is normally taken as an underlying turning point in investigating the impacts of exchange and other financial arrangements in Tanzania as it was set apart by an extreme move in reform of policy from the frontier setting to the policy developed at home under the umbrella of communism and confidence. One of the real signs of Tanzanian communism was the presentation villagisation approach in which provincial workers were collectivized in "Ujamaa" towns. The hidden convention of Ujamaa towns was to a great extent intended to upgrade aggregate proprietorship in the production, modernization of laborer farming and

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<sup>127</sup>Musebe, I.N. The impact of non-tariff barriers on maize and dry beans trade in the east african community. Published M.A Thesis. University of Nairobi.

disposal of any kind of misuse among the general population in the nation. The strategy of communism and independence had a noteworthy effect in molding exchange and other financial strategies.<sup>128</sup>

The trade policy after independence was described by a functioning and extended job of government intercession underway and promoting of agrarian exports upheld by the advertising sheets. In particular, markets for agrarian products were controlled by public partnerships, which were given lawful control of monopoly. The Tanzania government likewise presented container regional valuing for both sustenance and money crops. Inside this specific time allotment, there was likewise a solid drive toward industrialization dependent on the rationality of import substitution, and extensive ventures were made in state possessed assembling businesses.<sup>129</sup> What's more, the settled policy on conversion rates and outside trade controls were implemented in 1966 as the instruments of exchange arrangement to pad the nation from inflation in imports and dealing with the payment balancing.<sup>130</sup>

All through the 1970s, the government of Tanzania utilized exchange confinements as key devices for accomplishing its advancement needs. Export cash crop producers (mostly cashew nuts, tea, coffee, sisal, and tobacco) customarily Tanzania's fundamental wellspring of profits in exports needed to pitch their items to advertising parastatals (semi legislative associations), which offered costs well underneath world costs.

Exporters of other, exports that were nontraditional needed to surrender the greater part of their outside trade income and adapt to a lumbering and nontransparent arrangement of fare grants, which expected exporters to get a permit for every committal and viably gave individual services the privilege to direct an extensive variety of exports on a specially appointed premise. Additionally, all imports were directed through authoritative assignments of remote trade and

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<sup>128</sup>Kazungu, Khatibu. "Trade liberalization and the structure of production in Tanzania." PhD diss., University of Glasgow, 2009.

<sup>129</sup>Skarstein, Rune, and Samuel M. Wangwe. *Industrial development in Tanzania some critical issues*. Nordiska Afrikainstitutet; Tanzania Publishing House., 1986.

<sup>130</sup> Kaufmann Daniel and O'Connell Stephen. "Exchange Rate Control and The Parallel Premium in Tanzania, 1967-1990," in Kiguel, M and Lizondo, S.A Eds,(1997) *Parallel Exchange Rate in Developing Countries*. London: Macmillan and New York 1997

an import permitting framework, the two of which turned out to be progressively prohibitive toward the year end of 1970s as outside trade income declined. Export cash crop producers were challenged with costs of procurement that declined relentlessly, in connection to both the shopper value record and world costs. Those decreases came about because of the acknowledging genuine swapping scale, the expanding wastefulness of the showcasing sheets, and the administration's strategy move to favoring sustenance trims over crops for export. Tanzania likewise experienced financial stuns that were outside its ability to control, for example, dry season and declining terms of exchange.

The general outcome was that per capita yield of crops for export fell by around 50% amid 1970-2000 as the offer of production of food in agrarian yield expanded. Other (nontraditional) trades likewise contracted strongly amid this period, attributable to the unavoidable managerial confinements forced on them. Falling income in exports before long prompted outside trade deficiencies, and the resulting drop in imports of middle of intermediate products and raw materials prompted sharp reductions underway, particularly in the profoundly import dependent mechanical division, and to decay in the infrastructure of the nation.

By the 2000s, Tanzania had learnt her lesson. Cautious liberalization was the way go. Totalitarian control of the economy by the government was clearly no longer tenable. But neither could she afford to open all sectors of the economy to outsiders. The result was a dangerous amalgam: a semi liberalized economy motivated by desire for much needed foreign direct investment, but still characterized by myriad non-tariff barriers (the highest in East Africa), enforcement of nonsensical anti-competition laws, and a certain antipathy, and sometimes outright hostility to, free movement of labor.

### **3.3 Tanzania Business Environment**

Tanzania has attained an average of 6-7% GDP development since the late 1990s. In 2014, the Tanzania NBS amended the national records utilizing 2007 as the baseline year, uncovering a more sizable economy with a 31.4% bigger 2013 GDP than recently figured. Development is propelled basically by transit, agribusiness, communication, power, retail and wholesale trade, land, and business administrations. Furthermore, Tanzania has a populace of more than 50M

individuals. That is a large existing market for the kind of merchandise exported from Kenya which are for the most part confectionaries, dairy items and leather.

The IMF foresees the economy will keep on developing around 7% in the medium-term as both private and public investment quickens and bring down inflation boosts utilization. Inflation has kept on declining because of predictable production of crops, reducing costs of food, and lowering fuel prices. The NBS revealed that in February 2015 inflation decreased to 4.2% contrasted with 6.0 % the earlier year.

Lately, inflation grew to 5.3% in 2015 May, which is still lower from the earlier year. The shilling of Tanzania, which had kept up a generally steady an incentive from mid-2011 to mid-2014 against the U.S. dollar, started to step by step deteriorate in October 2014.

These reasons show us why Kenyan exporters stick with the Tanzanian market, despite challenges.

### **3.4 Tanzania Investment Promotion Policy**

Following the advancement of the economy and endeavors to make an empowering domain for venture, Tanzania built up an unmistakable strategy of receptiveness to both foreign trade and investment. Endeavors have additionally been made to enhance public private segment communication on venture issues, as a major aspect of the endeavors to encourage the job that private investments can play in the advancement of the nation.<sup>131</sup>

The national policy on promotion of investment of 1990 was evaluated in 1996 considering the new strategy improvements in the nation amid the 1990-96 timeline. The reforms of the policy included more noteworthy accentuation on advancing local capacities and consolation of domestic enterprise, development of exports, facilitation of new innovation and improvement of straightforwardness in the lawful structure and deregulation of processes of investments. It further made upgrades in giving more aggressive impetuses a view to

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<sup>131</sup>Kimaro, Lilian Melkizedeki. "Examination of the effectiveness of regulation of foreign direct investment in Tanzania." PhD diss., University of Pretoria, 2013.

coordinating ventures towards territories that are most significant for Tanzania's financial advancement.<sup>132</sup>

### **3.5 Foreign direct investment inflow in Tanzania**

Tanzania is viewed as one of the nations with the most elevated development potential in Africa with gigantic potential as a destination of investments. It is a standout amongst the most encouraging developing markets in the area, offering an exceptional blend of financial infrastructure and a lively developing business sector economy.<sup>133</sup> Tanzania investment rule shows that somewhere in the range of 2004 and 2007 Tanzania GDP developed at a normal yearly rate of 7.3% making it one of the quickest developing economies in Africa.

Tanzania is one of the Africa's best performing nations regarding GDP development and pulling in FDI. When Tanzania Investment Centre, the government primary agency in dealing with investment started full operation investment inflows have increased abruptly from about 178 projects worth US\$ 0.87 billion per year recorded in the year 2000 to 871 project worth US\$ 6.68 billion per year in 2008.<sup>134</sup> This reflects both the accessible venture opportunities and also the positive rebuilding of the regime of investments that has occurred.

Another essential factor is its astounding arrangement of natural assets, long haul stable majority rules system and strong performance in macroeconomic. Another vital factor commendable taking note of, when the 1997 Act was established soon after the starting of the New Investment Policy of Tanzania in 1996, the Act gives the essential investment system to Tanzania, with new and present day enactments mirroring the world financial conditions by and large and Tanzania's conditions specifically. Because of these excellent government

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<sup>132</sup>Tanzania Investment Promotion Policy, 1996  
<http://www.tzonline.org/pdf/nationalinvestmentpromotionpolicy.pdf>

<sup>133</sup> Tanzania Investment Guide 2008 and Beyond, <http://www.tic.co.tz/ticwebsite.nsf/FILE/TICGuideline.pdf> (accessed 20 February 2012)

<sup>134</sup> Ibid, 62

endeavors FDI inflows in the nation ascended from US\$ 12M of 1992 to US\$ 260.2M in 2004 in the wake of achieving a pinnacle of US\$ 516.7M in 1999. This inflow expected to make an incredible commitment to the general monetary advancement of Tanzania. It was expected for the foreign invested enterprises to contribute to tax revenues, bring in capital, technology import, create employment opportunities, and impart skills and other benefits. But the FDI has so far not given that positive impact as what people were look forward to see.<sup>135</sup>

### **3.6 Tanzania Trade Policy**

Tanzania has been actualizing various strategy measures to make a stable external segment that is liberalized. The measures of the policy are adapted towards making ideal conditions for speedy monetary recuperation and possible accomplishment of supported higher rates of development under states of inner and outer money related stability. In the mid-1980s Tanzania started exchange changes measures with the end goal to adjust to exchange progression. The measures started prompted the exchange advancement which suggested the evacuation of obstructions and limitations, legitimization and decrease of import obligations through one-sided, two-sided, provincial and multilateral measures. The methodical and progressive decrease and disposal of various boundaries and impediments to exchange, for example, bureaucratic conventions, advance approval, managerial controls, supervision, made a huge commitment to the improvement of international trade.<sup>136</sup>

Notwithstanding that, Trade Policy of Tanzania was framed to promote smooth incorporation into the trading system that is multilateral. It expects to guarantee that advancement offers important, identifiable and quantifiable advantages to the nation. The strategy is a consequence of the joint exertion from a wide range of partners including the private segment, which is the lead implementer of the approach. This is a financial operator in charge of the generation of

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<sup>135</sup> Ibid, 62

<sup>136</sup> Mohomdo, Neema J. "Enhancing Tanzanias export performance through effective export promotion and support services." PhD diss., 2013.

products and ventures that empower Tanzania assume its legitimate position in the worldwide market. The general population division's essential job is that of encouraging this procedure. However, since the manufacturing sector is still nascent, the public sector is responsible in supporting this sector so that it can be able to export and penetrate in the global market.<sup>137</sup>

The process of making the trade policy in Tanzania has required the Government to take exchange related issues as central in its by and large monetary improvement system. The strategy is dependable in co-planning a consultative procedure for the different phases of the exchange policy making process in order to include all partners and gatherings including government services and organizations, the business network and private division, society and advancement co-operation accomplices.<sup>138</sup>

However, public organizations and business performances that serve the private division including exporters has exhibited significant shortcomings. Absence of proactive activity in distinguishing and tending to issues, low capacity of analysis, low pledge to work and co-ordination that is weak have presented problems. The Government has neglected to embrace needs of capacity building to recognize institutional gaps and complementarities. The trade policy in this manner needs to help the system to guarantee that institutional complementarities exist to prevent gaps.

The OECD Investment Policy Review of Tanzania documented in 2013 thought of four key approach proposals: (I) defend financial investors' rights and commitments and make them effortlessly available, (ii) increment security for land tenure for investors in the agricultural sector, (iii) upgrade private interest in societal infrastructure, and (iv) better advance and encourage venture for both local and remote firms. The Review is simply the aftereffect of an

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<sup>137</sup>Ibid, Muhomndo, (2013)

<sup>138</sup>Ibid, Muhomndo, (2013)

evaluation embraced by a national team made out of government offices, the society and private segment.<sup>139</sup>

The Government of Tanzania to a degree has reacted to the call to change and enhance the venture atmosphere. The NBC was fruitful in campaigning the legislature to incorporate venture atmosphere change in the current Big Results Now (BRN) activity, a program went for improving key divisions through private and public associations. Delegates from the general population and private division assembled for half a month of gatherings to decide a system for the new BRN need concentrating on a "business empowering condition." The accompanying territories were distinguished as the most serious obstructions to development: controls; land access; fees and taxation; corruption; skills and labor law; and contract requirement. Institutional change proposals incorporate administrative changes went for streamlining business enlistment and activities; implementing property rights; expelling work and item advertise rigidities; upgrading straightforwardness; and strengthening the standard of law. Tanzania was working on enacting a National Private Sector Development Policy, which the administration would have liked to go before the year end 2015.

The trade policy has been compelling as demonstrated in the development of GDP and the Tanzania economy. Somewhere in 2000 and 2008, Tanzania had one of the most grounded development rates of the nation's not producing oil in Sub-Saharan Africa. Yearly genuine GDP development has surpassed 6% for ten back to back years, with 7% and 7.2% anticipated for 2013 and 2014.<sup>140</sup> Tanzania's receptiveness to worldwide exchange has significantly expanded throughout the most recent two decades, as of late the export and import sums for example ascended from 45.6% (in 2009-2010) to 59.5% of GDP (in 2012-13).<sup>141</sup> Exports were 22% of GDP and exports and imports have expanded individually by 51% and 59.5% (AfDB, 2011). However, the ascent in imports mirrors an unsafe vitality reliance: in monetary year

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<sup>139</sup>[www.tzonline.org/pdf/tradepolicyforacompetitiveeconomy.pdf](http://www.tzonline.org/pdf/tradepolicyforacompetitiveeconomy.pdf)

<sup>140</sup> E OCD, Investment Policy Reviews: Tanzania 2013. Retrieved from <http://dx.doi.org/10.1787/9789264204348-en>

<sup>141</sup> IMF. IMF Country Report No. 13/166, United Republic of Tanzania, International Monetary Fund June 2013. (2013).

2011-12 Tanzania's aggregate imports charge ascended by 39.1% and the current record shortfall dramatically increased (to 16.2% of GDP), in huge part because of expanded oil imports. This circumstance was required to enhance starting at 2014, after finishing of another pipeline bound to give flammable gas instead of imported fuel for power production.<sup>142</sup> In 2015 merchandise exports from Tanzania ascended by 85%, from USD5billion to USD9.5billion. Imports developed by 27%, from USD9.8billion to USD12.5billion. Tanzania is the 96th biggest export economy on the planet. In 2016, Tanzania made exports worth \$6.4Billion and made imports worth \$8.79Billion, bringing about a negative exchange parity of \$2.39Billion. In 2016 the GDP of Tanzania was \$47.3Billion and its GDP per capita was \$2.79k.<sup>143</sup>Tanzania transported an estimated US\$3.2b worth of goods in 2017. In 2017, goods worth around 9.93 billion U.S. dollars were imported to Tanzania. The statistics indicate that the trade policy adopted by Tanzania has enabled it to maintain high levels of imports and exports to and from the country. The following are the main areas of Tanzanian Trade policy.

### **3.6.1 Business Registration**

Beginning a business in Tanzania requires nine techniques. All around, Tanzania remains at 129 in the positioning of 189 economies on the simplicity of beginning a business. In Tanzania the Business Registration and Licensing Agency (BRELA) is in charge of business enrollment.<sup>144</sup> BRELA issues testaments of consistence for remote organizations, endorsements of fuse for nearby organizations, and declarations of enrollment for single proprietorship. Firms should then enroll their organizations with the National Social Security Fund, the Tanzania Revenue Authority (TRA), or any of the other five government schemes of social securities in Tanzania and, contingent upon their business exercises; they ought to acquire business licenses with the Ministry of Industry and Trade or from the district. The

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<sup>142</sup> IMF. IMF Country Report No. 13/12, United Republic of Tanzania, International Monetary Fund 20 December 2012. (2012).

<sup>143</sup> OEC. Tanzania. Economic complexity of Tanzania. 2016. Retrieved from <https://atlas.media.mit.edu/en/profile/country/tza/>.

<sup>144</sup>*Ibid.*

Tanzania Investment Center (TIC) gives online enlistment administrations to business enrollment with BRELA, enrollment with the TRA and social security funds.<sup>145</sup>

### **3.6.2 Competition Law**

The Tanzanian Government passed the Fair Competition Act of 2003 to "advance and secure powerful rivalry in exchange and business and to shield shoppers from unfair and deluding conduct in market." The Fair Competition Commission (FCC), built up under the Act, is an autonomous government body ordered to mediate, to avert noteworthy market monopoly, value settling, and coercion of restraining infrastructure lease to the weakness of the buyer, and market insecurity in the nation. The FCC manages all issues of hostile competition and has the power to confine mergers and acquisitions if the result is probably going to make monopoly in the market or prompt uncompetitive conduct.<sup>146</sup>

### **3.6.3 Screening of Foreign Direct Investment**

TIC does not have particular criteria for screening ventures but rather considers factors, for example, generation of foreign exchange, import substitution, creation of business, linkages to the regional economy, innovation exchange, and development of generation of products and enterprises. Right now, TIC does not expect organizations to reveal exclusive data or meet standard reasonable rivalry practices with the end goal to be endorsed. Activities with every single required archive submitted are rarely rejected.

### **3.6.4 Industrial Promotion**

Tanzania built up EPZs and special economic zones (SEZs) following the order of the Export Processing Act of 2002 and the Special Economic Zone Act of 2006. These monetary zones are appointed geological territories or businesses assigned to embrace particular financial exercises with exceptional directions and foundation necessities. Enterprises in the EPZ requires the makers to trade 80% or a greater amount of the merchandise manufactures while

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<sup>145</sup><http://tiw.tic.co.tz/>

<sup>146</sup>*Ibid.*

SEZ has no particular export condition, enabling producers to offer part or all delivered products in the nearby markets.<sup>147</sup>

The Export Processing Zones Authority (EPZA) administers packages of incentives granted to organizations. Investments motivating forces in EPZs offers an exclusion from corporate assessments for a long time; an exception from obligations and expenses on capital products and crude materials; an exclusion on VAT for services of utility and on development materials; an exception from tax withholding on lease, profits, and interests; and exception from pre-shipment or goal investigation necessities. Interest in SEZs offers comparative motivations barring a multi year exclusion from corporate assessments. At present there are six SEZ modern parks and 52 remain solitary EPZ plants. Twenty locales have reserved regions between 500 to 9,000 hectares particularly for EPZ/SEZ.

### **3.7 East African Community Trade Policy**

The EAC trade policy oversees the five nations from the EAC.<sup>148</sup> Supporting investments and the full utilization of established enterprises to advance proficiency underway, and in addition fitting exchange strategies, venture motivating forces and item standards, with a view to advance the Community as a solitary venture region.

#### **3.7.1 Market size, access, trade policies**

Territorial exchange incorporation is a foundation of EAC Partner States' policies of trade. This includes fortifying of public establishments and private segment associations engaged with promotion of exports.

#### **3.7.2 Market size**

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<sup>147</sup>Musebe, I.N. The impact of non-tariff barriers on maize and dry beans trade in the east african community. Published M.A Thesis. University of Nairobi

<sup>148</sup><https://www.eac.int>

The interior market of the EAC has around 146M customers, while the COMESA includes 20 partnering states with a populace of more than 460M.<sup>149</sup> Rwanda, Uganda, Burundi, and Kenya are COMESA members. The Southern African Development Community (SADC), set up in 1992, and is presently made out of 15 partnering states among which is Tanzania - the main EAC express that likewise has a place with the SADC coalition.

### **3.7.3 Market access**

Burundi, Rwanda, Tanzania, and Uganda are secured by the EU's Everything But Arms activity, under which all items from LDC with the exception of arms and ammo have special entry to the market of EU.<sup>150</sup> The EAC member nations additionally fit the bill for obligation free access to the market of the USA under the African Growth and Opportunity Act, except for Burundi whose qualification has been renounced with impact from 2016 January 1<sup>st</sup>.

Items from EAC nations can get to different markets in the developed world through the Generalized System of Preferences (GSP), which offers particular treatment to an extensive variety of items starting from nations that are still developing.

Enrollment in the African, Pacific and Caribbean States and the GSP empowers items from member nations to meet all requirements for particular levies on member states exports. Burundi is likewise an individual from the Economic Community of Central African States, which goes for setting up a Central African Common Market.<sup>151</sup>

### **3.7.4 Measures to enhance trade**

Various measures have been taken at the Community level to upgrade exchange, and these incorporate the accompanying:

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<sup>149</sup>*ibid*

<sup>150</sup> <https://www.unesca.org.oria/pages/eac-east-african-community>

<sup>151</sup>WORLD BANK.. “Non-Tariff Measures on Goods Trade in the East African Community”, An African Region Synthesis Report, Prepared by the East African Community and Member governments of Burundi, Rwanda, Kenya, Tanzania and Uganda.

### **3.7.5 The Customs Union Protocol**

Marked in March 2004, the convention came into power upon confirmation by the then three EAC partnering nations and was effective in 2005 January 1.

The goals of the Customs Union<sup>152</sup> incorporate advancing the advancement of intra-territorial exchange merchandise; advancing production proficiency in the community; improving residential, border and outside investments; and advancing monetary improvement and mechanical broadening.

### **3.7.6 The Common Market Protocol**

EAC member nations marked the Protocol in 2009 November, and it came into power on 1 July 2010. The Common Market is the first of its sort in Africa.<sup>153</sup>

The EAC looks to continuously change into a solitary market that takes into account free development of merchandise, people, administrations, work and capital while ensuring rights to habitation and foundation. Audits of the significant laws to guarantee the smooth activity of the EAC Common Market are continuous in all the member nations.

### **3.7.7 Trade and Investment Framework Agreements**

The EAC in 2011 consented to structure arrangements with China and the USA with the point of boosting/advancing product exchange, trade visits by representatives and co-activity in venture among others.

### **3.7.8 Trade Facilitation**

The member nations have consented to co-work in rearranging, institutionalizing and blending exchange data and documentation in order to encourage exchange merchandise.

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<sup>152</sup>Shiluli, Marcella. "The Influence of East African Community Customs Union on the Operations of East African Breweries Limited." (2011).

<sup>153</sup> EABC. "The Business Climate Index Survey." The Steadman Group, Riverside Drive, Nairobi, October.

### **3.7.9 Anti-Dumping Measures**

The Community has implemented controls on anti-dumping, as intricately featured in the EAC Customs Union Protocol.

### **3.7.10 Competition Policy and Law**

The EAC as of now has set up EAC Competition Policy and Law as of now being actualized by the member nations with a mean to dissuade any training that antagonistically influences facilitated commerce inside the Community.

### **3.7.11 Re-Export of Goods**

Re-exports are exempted from the export and import obligations.

### **3.7.12 Removal of Non-Tariff Barriers to Trade**

Under Article 13 of the Customs Union Protocol, the EAC member nations have consented to expel all current NTBs to exchange and not to force any new ones.

### **3.7.13 Standards and Measures**

Under Article 81 of the Treaty building up the EAC, the EAC member nations perceived the significance of institutionalization, quality affirmation, metrology and testing for the advancement of exchange and venture, and shopper security in addition to other things.<sup>154</sup>

## **3.8 Instances Tanzania Trade Policy has been in Breach of the EAC Customs Union**

Tanzania has been Kenya's second biggest market in the district after Uganda, giving a market of exports to a scope of items that incorporate palm oil, cleanser, restorative medications, cooking fats, press sheets, sugar candy parlor and margarine.

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<sup>154</sup><https://www.eac.int>

However, there are clear instances when Tanzania has been in clear breach of EAC trade policy. Sadly, it is Kenyan exporters who have borne the blunt of Tanzania's infractions. Several Instances are delineated below<sup>155</sup>.

Kenya's textile items had been denied particular access to the Tanzanian market with Dar contending that the materials are fabricated at the EPZs and are not exposed to obligation, henceforth can't contend positively with neighborhood items.

Tanzania additionally contended that the way that Nairobi enabled EPZs manufacturers to offload their last material items in the nearby market had obstructed comparable products from Tanzania from being focused in the Kenyan market.

In 2017, Tanzania banned carrot imports from Kenya, citing market saturation. The move nonetheless, violates a 2011 East African Community pact that is branded as the Common Market Protocol that directed the countries to open up their outskirts with the expectation of complimentary development of products over the locale.

Kenya authorized a prohibition on the importation of cooking gas from Tanzania in April after it had restricted wheat flour from its neighbor referring to low security and quality gauges. After interests by Tanzania were rejected, it likewise forced a prohibition on Kenyan drain and cigarettes, influencing the two economies.

The import of this is exports from Kenya to Tanzania dropped 34% in the initial five months of the year to Ksh4.35b (\$43.5M) raising worries over negative effects of the long-running exchange standoff.

In may 2018, both governments begun trade talks to end trade restrictions. President Uhuru Kenyatta of Kenya and John Magufuli of Tanzania met to chart a way forward. The meeting resolved to remove all restrictions to trade and to align trade policies between the two countries to the EAC common market protocol<sup>156</sup>.

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<sup>155</sup>Mkuna, E. East Africa Community (EAC) non tariff barriers and their effects on Tanzanian small and medium agro enterprises cross border trade. Published M.A Thesis. Sokoine University.

<sup>156</sup>[www.businessdailyafrica.com](http://www.businessdailyafrica.com). Tanzania, Kenya agree to step up efforts to end trade ... - Business Daily..2018

It likewise coordinated the KRA and the TRA to tackle the difficulties on the electronic Cargo Tracking framework for Tanzanian load trucks. Senior authorities from Kenya and Tanzania will likewise mutually visited LungaLunga, Isebania and Namanga to acquaint themselves with the stream of exchange at the fringe focuses.

### **3.9 Chapter Summary**

This part has concentrated on the Tanzania trade policies. The part is critical in giving a more profound comprehension on the prescribed procedures for exchange as worthy to the country of Tanzania. Prominently Tanzania has been actualizing various approach measures to make a stable external industry that is liberalized. Tanzania's National Trade Policy was shaped to encourage smooth combination into the Multilateral Trading System (MTS). The approach expects to guarantee that progression offers significant, identifiable and quantifiable advantages to the nation. This has prompted more exchange among Tanzania and different countries.

The Tanzania National Trade Policy has focused on business administration, competition law, industrial promotion, and screening of foreign investment. The policy covers the major areas related to trade with other nations. Thus the policy is suitable to guiding traders both exporters to and importers from Tanzania on the procedures to follow. The Tanzania trade policy follows the East African Community Trade Policy in matters market size, standards and measures, removal of Non-tariffs, and competition laws. Tanzania has worked to follow the guidelines set by the two policies to ensure an integrated trading system in the nation. However, despite the efforts of Tanzania to follow the trade [policies, there have been some instances where it has been in breach of the policies. Understanding the policies of Tanzania on matters trade is crucial in providing better understanding on the Non-tariff barriers facing Kenyan exporters to Tanzania.

**CHAPTER FOUR**  
**THE IMPACT OF NON-TARIFF BARRIERS ON TRADE IN THE EAST AFRICAN**  
**COMMUNITY: A CASE OF KENYAN EXPORTERS TO TANZANIA**

**4.0 Introduction**

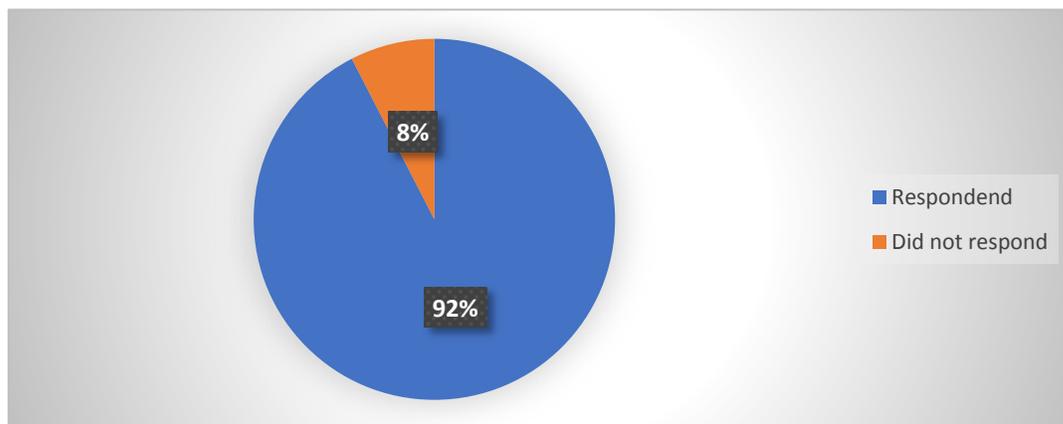
This chapter covers the analysis and findings of the impact of non-tariff barriers on trade in the East African Community; a case of Kenyan exporters to Tanzania. The chapter describes the findings obtained using both primary and secondary data to answer the research objectives. The findings give explanation to; establish the non-tariff barriers to trade facing Kenyan exporters to Tanzania; examine the trade policies by the Tanzanian government on foreign companies; examine whether the non-tariff policies impact on the trade of Kenyan exporters to Tanzania. The data was gathered using questionnaires. The data collection instrument was guided and designed in line with the set objectives of the study.

**4.1 Respondents**

**4.1.1 Response Rate**

The response rate of the study was adequate since 92% of the targeted sample responded to the questionnaires that were self-administered. The 92% of respondents indicates that 320 respondents agreed to fill the questionnaires administered.

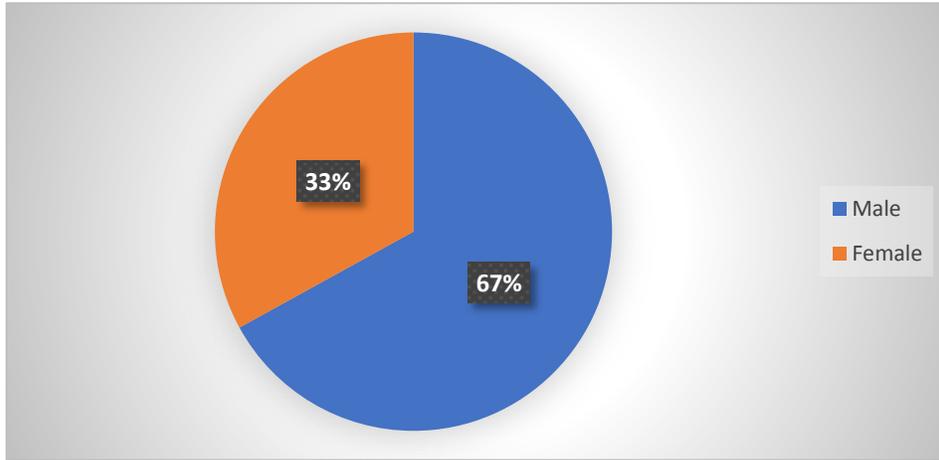
**Figure 4. 1 Response Rate**



*Source: Data Analysis*

#### 4.1.2 Response Rate in Terms of Gender

Figure 4. 2 Response Rate in Terms of Gender

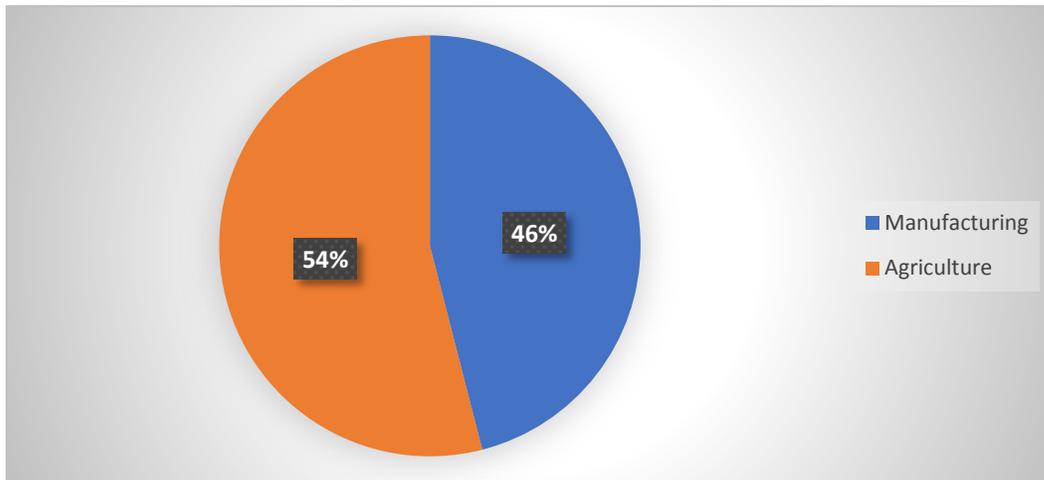


Source: Data Analysis

From the figure it is clear that the highest percentage of respondents were of the male gender with a percentage of 67% while the rest are women with a percentage of 33%.

#### 4.1.3 Response Rate in Terms of Sector of Trading

Figure 4. 3 Response Rate in Terms of Sector of Trading



Source: Data Analysis

The figure indicate that the majority of the respondents were the Kenyan exporters in the agricultural sector covering 54% while the Kenyan exporters in the manufacturing industry covered 46% of the respondents.

#### 4.2 Non-Tariff Barriers to Trade Facing Kenyan Exporters to Tanzania

The study was aimed at identifying the non-tariff barriers facing Kenyan exporters to Tanzania. All the respondents acknowledged that there exist a number of non-tariff barriers that hindered trade with Tanzania with regards to Kenyan exporters. The findings were in similar to results by Okute<sup>157</sup> and Okumu and Nyankori<sup>158</sup> who developed a taxonomy that grouped NTBs in the East African community into three broad categories. The table below represents the non-tariff barriers identified during the research that affects Kenyan exporters to Tanzania.

Table 4. 1 Response on Non-Tariff Barrier

<b>Non-Tariff Barrier Statement</b>	Min	Max	Mean	Std. Deviation
Lack of harmonization in working hours at the border posts	3.0	5.00	4.8021	.50467
Delays at weighbridges in Tanzania	1.0	5.00	4.3673	.56279
Multiple police road blocks and mobile control in Tanzania	3.0	5.00	4.5400	.61312
Demand for East Africa Community transit licenses for goods	4.0	5.00	4.4800	.54361
Truck entrance fees and grace period	2.0	5.00	4.3000	.54398
Poor trade information dissemination	3.0	5.00	4.4320	.57143

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<sup>157</sup>Okute, A.M. non-tariff barriers to trade in east africa community: a case of exporters in kenya. Published M.A Thesis. USIU. 2017.

<sup>158</sup>Okumu, L. and Nyankori, J. Non-Tariff Barriers in EAC Customs Union: Implications for Trade between Uganda and other EAC Countries. Economic Policy Research Centre. 2010.

across the Tanzania				
Corrupt police and border officials	3.0	5.00	4.9657	.52153

*Source: Data Analysis*

The study used a Likert-type scale in collecting and analyzing the data on a scale of 1 to 5 with 1 point being assigned to strongly disagree, indicating less effect while 5 was assigned to strongly agree, to indicate high level of influence by the factor on curbing corruption in Kenya. The scales ranged from 1 to 5 making an interval of 4 between the two extremes; the following allocation keys can be developed: very low extent (never influences) was given the range 1 – 1.8, low extent (very rarely influences) was given the range 1.81 – 2.6, moderate extent (rarely influences) was given the range 2.61 – 3.4, great extent (influences) was given the range 3.41 – 4.2 while very great extent (always influences) was assigned the range 4.21 – 5. This allocation key was used in all the subsequent Likert-type scale analysis.

From the table the findings indicate that the frequent non-tariff barrier experienced by most of the Kenyan exporters to Tanzania was that of corrupt officials with a mean of 4.9657. This is no surprise since corruption has become a way of life in many developing nations including Kenya and Tanzania. The findings were aligned to the findings by the World Bank<sup>159</sup> which acknowledges that through corruption in Kenya and Tanzania, the exporters have to give bribes to the Kenyan police to cross the border and to the Tanzanian police once in the recipient nation. The research by the World Bank indicated that the many police road blocks create space for the police to transparently press for negligible influences—for instance, in Tanzania, regularly alluded to as "kahawa," which means some espresso.

The respondents indicated that the second pressing non-tariff barrier affecting Kenyan exporters to Tanzania was the lack of a harmonized working hours schedule at the borders with

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<sup>159</sup>WORLD BANK.. “Non-Tariff Measures on Goods Trade in the East African Community”, An African Region Synthesis Report, Prepared by the East African Community and Member governments of Burundi, Rwanda, Kenya, Tanzania and Uganda.

a mean of 4.8021. Ihinga,<sup>160</sup> observed that the EAC borders do not have a harmonized working hour's schedule. This includes the Kenyan and Tanzania borders. The lack of harmonized border timing results in delays trade by Kenyan exporters to Tanzania, hence a non-tariff barrier affecting Kenyan exporters to Tanzania. The other non-tariff barrier identified is the multiple road blocks with a mean of 4.5400. The multiple road blocks as indicated by the respondents was a big barrier that delayed exports and even resulted in most costing for the Kenyan exporters to Tanzania. The result was supported by research by the World Bank,<sup>161</sup> the multiple police road blocks and checking points in Kenya and Tanzania have contributed to corruption between the police and the Kenyan exporters.

The fourth non-tariff barrier identified was the demand for licenses for the goods in transit with a mean of 4.4800. The demand for licenses for the goods in transit is demanded as a way of ensuring all the products and goods crossing the border are in accordance with the laws and policies supporting the two nations. The findings supported those of Kahenu<sup>162</sup> that stated that the licenses and export papers and documentation cost money, and time. The researcher continued to identify that a common complaint among exporters is the amount of time it takes to have the papers to export processed. The findings were also in support of the East African business<sup>163</sup> report that concluded that the EAC licenses are being issued as a major aspect of the new EAC travel controls, with various expenses: USD 1,500 for an organization travel permit; USD600 for a travel products permit, and KSh 10M for a security bond on merchandise traveled crosswise over Kenya.

The next non-tariff barrier as indicated by the respondents was the lack of effective communication of information at the borders with a mean of 4.4320. The results were similar

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<sup>160</sup> Ibid, Ihinga, 2007

<sup>161</sup> Ibid, World Bank, 2008

<sup>162</sup>Kahenu, S.M. Non-tariff barriers in EAC customs union: implications for trade in manufactured goods in kenya. Published PGD Project. UON.

<sup>163</sup> Ibid, Eat African Business, 2009

to those of Kirk Robert<sup>164</sup> who indicate that In all EAC member nations, the merchants and authorities of affiliations of traders censure the governments for hoarding data (intentionally or as a result of absence of scattering limit) on choices significant to trade of products. Data gaps hold on between the makers of the policy, the executing offices like national authorities of measures, and the traders and producers. The poor data sharing is one of the NTBs that the respondents cited to be a challenge, since without proper communication, trade cannot take place.

Another non-tariff barrier indicated by the respondent was the delays in the weighbridges with a mean of 4.3673. The finding were similar to the documentation of Ihinga<sup>165</sup> who noted that Tanzania requires each vehicle conveying merchandise, little or vast, to be gauged, including traveler transports. Along the Central Corridor, in Dar es Salam and Rusumo, there are five obligatory weighbridges: at Nyahahura, Mkundi, Kibaha, and Mwenda Kulima, and Mikese. Along the corridor at the North, there are 7 weighbridges on the Kenyan course at Mombasa, Kilindini, Athi River, Malaba, Mariakani, Webuye and Amagoro. The last non-tariff barrier identified by the respondents was the truck entrance fees with a mean of 4.300. The finding supported the research by Jensen and Keyser<sup>166</sup> who observed that Kenya and Tanzania charge transit fees along the borders and provide for very little grace periods. The duo indicated that Charges in Kenya include USD60 for a truck going up to Nairobi from Mombasa and USD90 past Nairobi; while Tanzania charges USD50 per truch weekly. Moreover, local duties may apply. The EAC travel directions permit an effortlessness time of 7days without installment of expenses for vehicles entering the region of a member nation, yet consistence differs crosswise over partnering states and crosswise over timelines.

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<sup>164</sup>Kirk, Robert. "Addressing Trade Restrictive Non Tariff Measures on Goods Trade in the East African Community." World Bank Africa Trade Policy Notes, available at: [www.acp-eu-trade.org/library/files/Kirk\\_EN\\_01082010\\_WB\\_Addressin%20Trade%20Restrictive%20Non%20Tariff%20Measures%20on%20Goods%20Trade%20in%20the%20East%20African%20Community.pdf](http://www.acp-eu-trade.org/library/files/Kirk_EN_01082010_WB_Addressin%20Trade%20Restrictive%20Non%20Tariff%20Measures%20on%20Goods%20Trade%20in%20the%20East%20African%20Community.pdf) (2010).

<sup>165</sup> Ibid, Ihinga, 2007

<sup>166</sup> Jensen, K and Keyser N. Non-tariff measures on goods trade in the east african community. World Bank. 2014.

Other non-tariff barriers indicated by the respondents included lengthy registration procedures required for trade; anti-competitive measures; and verification of transit cargo. The finding on the long trade procedures are attributed to the many licenses required by the exporters and trade to undertake any exchange as indicated by the World Bank.<sup>167</sup> The competitive measures were also indicated as a non-tariff barrier by Kenyan exporters to Tanzania. The findings were aligned with the research by Kahenu<sup>168</sup> who described competitive measures as a challenge faced by Kenyan exporters. The study by Kahenu established that the competitive measures are designed to make goods from other countries uncompetitive. To ensure the goods exported to Tanzania remain uncompetitive, the nation may require rebranding of the product. For instance Brookside was ordered to remove the writing, “drink Brookside milk for good health”, and instead write “drink milk for good health”. This weakened the visibility of their brand, making them less competitive<sup>169</sup>. The respondent also indicated that verification of transit cargo was a non-tariff barrier experienced by the Kenyan exporters to Tanzania. The findings were similar to that of Ihinga<sup>170</sup> who stated that the products bound for the partnering nation much of the time are liable to 100% physical review, especially where they include discount or disadvantage claims, paying little respect to the consistence record of the exporter

### **4.3 Tanzania Trade Policies**

The second objective of the study was to identify if the Tanzania trade policies on foreign companies. Out of the respondents who filled the questionnaires 89% responded that the trade policies in Tanzania supported foreign companies while 11% disagreed and said that the policies by the Tanzanian government did not support trade with foreign companies.

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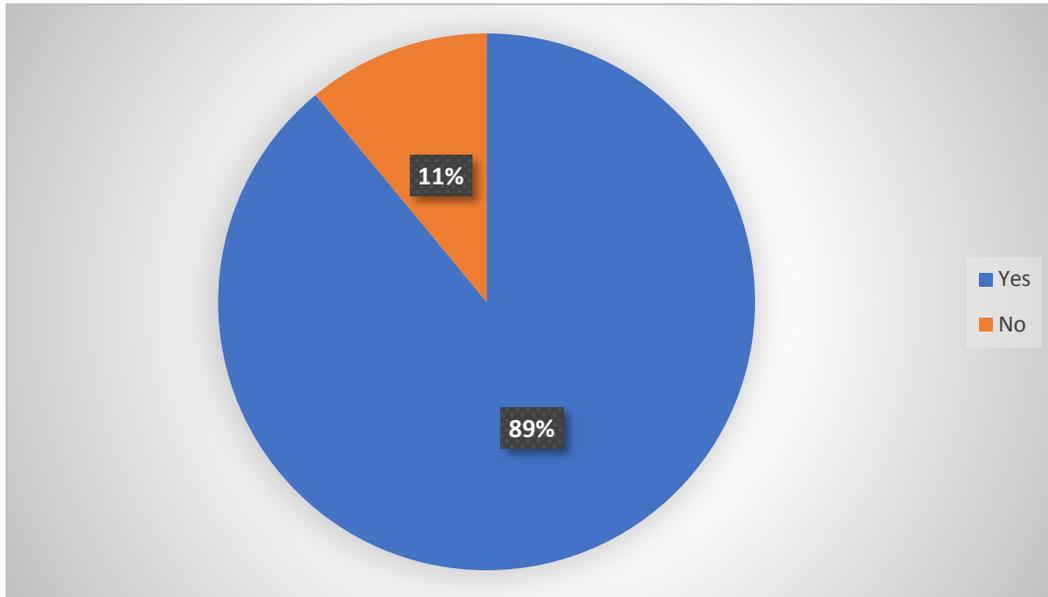
<sup>167</sup> Ibid, World Bank, 2008

<sup>168</sup> Ibid, Kahenu

<sup>169</sup>Ibid, Kahenu

<sup>170</sup> Ibid, Ihinga, 2007

Fig 4. 1 Tanzania policies



Source: Data Analysis

The respondents who indicated that Tanzanian policies support foreign companies provided a number of methods in which the policies of Tanzania have supported international trade as shown in the table below.

Table 4. 2 Response rate on Tanzania policies

Tanzania trade policy Statement	Min	Max	Mean	Std, Deviation
Ensures all businesses are registered	3.0	5.0	4.3400	.55733
Ensures free and fair pricing of commodities and services through competition law	2.0	5.0	5.5800	.55545
Tanzania has implemented the custom union protocol	4.0	5.0	4.4355	.51942
Accommodates trade with foreign companies through the common market protocol	2.0	5.0	4.6600	.47851

*Source: Data Analysis*

The respondents indicated that the major role played by the Tanzanian policy in supporting foreign companies was through the competition laws, where the government of Tanzania ensures fair pricing for all commodities. The findings support the findings by Blog, DipNote et al,<sup>171</sup>who opined that the Tanzanian trade policy ensures that all commodities are fairly priced including exports thus making the commodities competitive. This ensures that the Kenyan exports to Tanzania remain competitive with the local commodities produced in Tanzania. To implement the competition law, the government of Tanzania has established the FCC. The commission set up under the Act, is an autonomous government body commanded to intercede, to counteract critical market predominance, value settling, and coercion of imposing business model lease to the disadvantage of the customer, and market flimsiness in the nation.<sup>172</sup>

The second way in which the respondents indicated that the Tanzania trade policy supported foreign companies was through common market protocol with a mean of 4.4600. The respondents indicated that Tanzania promoted imports and exports in and out of the country. This finding are aligned with the results by the report by the EABC,<sup>173</sup> which states that the EAC Partner States signed the Protocol in November 2009, and it came into force on 1 July 2010.The protocol advocated for the free imports and exports between the partner countries. This ensures that Kenyan exporters are not stopped from exporting products to Tanzania for trade as long as they are legal and meet all the requirements of the laws and policies in both Kenya and Tanzania.

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<sup>171</sup>Blog, DipNote, Inspector General Hotline, No FEAR Act, Crime Counterterrorism, Countering Violent Extremism, I. S. I. S. Defeating, Western Hemisphere, Public Schedule, and Foreign Press Center. "US Department of State." *World*(2015): 136-32.

<sup>172</sup> Ibid, Blog, DipNote, 2015

<sup>173</sup>EABC. "The Business Climate Index Survey." The Steadman Group, Riverside Drive, Nairobi, October.

The findings indicate that to support foreign companies, Tanzania has implemented the custom union protocol with a mean of 4.4355. The findings were aligned to those of Shiluli Marcella<sup>174</sup> who identified that the custom union protocol signed in 2004 was essential in promoting exports and imports in the East African Community nations. The goals of the Customs Union incorporate encouraging the advancement of intra-local exchange merchandise; advancing production effectiveness in the community; improving domestic, border and remote venture; and advancing financial improvement and industry broadening. The implementation of the custom duty protocol by Tanzania allows free movement of Kenyan exporters to Tanzania to sell their products in the nation.

Lastly the findings demonstrated that Tanzania supported companies by allowing the registration of the business. This not only supports the local businesses but the international businesses as well. The findings were similar to the report by Blog DiploNote<sup>175</sup> which emphasizes on business registration in Tanzania. The report also states that universally, Tanzania remains at 129 in the positioning of 189 economies on the simplicity of beginning a business. In Tanzania the BRELA is in charge of business enlistment.<sup>176</sup> BRELA issues declarations of consistence for outside organizations.

#### 4.4 Impacts of Non-tariff Policies on Kenyan exporters

The third objective was to establish whether non-tariff policies impacted on the trade of Kenyan exporters to Tanzania. The respondents all agreed that non-tariff policies affected the trade of Kenyan exporters to Tanzania. The respondents also indicated that, there were several ways in which the non-tariff policies impacted trade of the Kenyan exporters to Tanzania as shown in the table below

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<sup>174</sup>Shiluli, Marcella. "The Influence of East African Community Customs Union on the Operations of East African Breweries Limited." (2011).

<sup>175</sup>Blog, DipNote, Inspector General Hotline, No FEAR Act, Crime Counterterrorism, Countering Violent Extremism, I. S. I. S. Defeating, Western Hemisphere, Public Schedule, and Foreign Press Center. "US Department of State." *World*(2015): 136-32.

<sup>176</sup>*Ibid.*

Table 4. 3 Response rate on Impact of non-tariff policies

<b>Impact of non-tariff policies Statement</b>	Min	Max	Mean	Std, Deviation
Leads to trade delays	3.0	5.0	4.6845	.55843
Leads to corruption	4.0	5.0	4.9415	.56457
Results in uneven competition	2.0	5.0	4.4754	.51758
Results in entry of illegal products into the boarder of Tanzania	3.0	5.0	4.3540	.48592

*Source: Data Analysis*

Corruption was the major impact of non-tariff policies with a mean of 4.9415. Corruption across the Kenya- Tanzania border is facilitated by the many police multiple checks and many weigh bridges where Kenyan exporters have to stop for inspections. The results were aligned with the findings by World Bank which stated that the absence of coordination among the police in completing their obligations, with the end goal that a truck is exposed to comparable checks at all movement stops. This makes space for the police to transparently press for insignificant rewards—for instance, in Tanzania, regularly alluded to as "kahawa," which means some espresso.<sup>177</sup>

Following corruption the second impact of non-tariff policies on Kenyan exporters to Tanzania was identified to be trade delays with a mean of 4.6845. Delays are experienced by Kenyan exporters to Tanzania. This is evident at the border points where the cargo in transit have to be undertaken. Also at the multiple police check, the Kenyan exporters have to stop and be inspected. Another factor leading to delays of Kenyan exporters to Tanzania is the lack of harmonization of working times within the border of Kenya and Tanzania. The discoveries line up with the outcomes by the EABC which express that inconsequential with gauging or clearing the freight, police barriers are always refered to by merchants and transporters as area

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<sup>177</sup>WORLD BANK.. “Non-Tariff Measures on Goods Trade in the East African Community”, An African Region Synthesis Report, Prepared by the East African Community and Member governments of Burundi, Rwanda, Kenya, Tanzania and Uganda.

for lease chasing and travel delays.<sup>178</sup> The discoveries are likewise like the outcomes by Ihinga<sup>179</sup> who distinguishes that there is absence of harmonization as far as the concurred working hours at the intra-EAC fringes. At present, no fringe post in EAC is open for 24 hours per day-7 days seven days.

The third impact established from the analysis was uneven competition with a mean of 4.4754. Uneven competition is an impact that has resulted from the non-tariff policies in Tanzania. The Kenyan exporters face uneven competition while in Tanzania as a result of the competition law in Tanzania. The competition law was established to protect the local products and services from foreign products and services. The findings support those of Kahenu who observed trade of Brookside milk in Tanzania as an example. Kahenu observed that Brookside was ordered to remove the writing, “drink Brookside milk for good health”, and instead write “drink milk for good health”. This weakened the visibility of their brand, making them less competitive<sup>180</sup>.

Lastly the respondents indicated that the entry of illegal products across the Tanzania border was an impact as a result of non-tariff policies with a mean of 4.3540. As a result of corruption and the uncoordination in the borders, the transport of illegal products is made possible in the border of Tanzania. Some traders are able to transport illegal products by simply paying off the police in charge at the check points and at the borders. Since Kenya and Tanzania are man eating nations as described by the Tanzania president, Julius Nyerere. This gives smugglers the opportunity to transport illegal goods to Tanzania. This affects the Kenyan exporters since it adds to more regulations for Kenyan exporters to Tanzania. The results are similar to findings by World Bank who document that bribery takes place in most borders, thus, the entry of illegal goods into a country is made easier.

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<sup>178</sup> EABC. “The Business Climate Index Survey.” The Steadman Group, Riverside Drive, Nairobi, October.

<sup>179</sup> Ibid, Ihinga, 2007.

<sup>180</sup> Ibid, Kahenu

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the conclusion and summarizes the entire research. This study sought to examine the impact of non-tariff barriers on trade in the East African Community. The objectives of the study were, establish the non-tariff barriers to trade facing Kenyan exporters to Tanzania; examine the trade policies by the Tanzanian government on foreign companies; examine whether the non-tariff policies impact on the trade of Kenyan exporters to Tanzania. The chapter identifies some of the gaps noticed in the study. The chapter concludes by suggesting that more research needs to be done since this research is in no way conclusive nor does it have all the answers.

#### 5.2 Summary of the Findings

The first objective was to identify any non-tariff barriers experienced by Kenyan exporters. The findings indicated that the Kenyan exporters were faced with non-tariff barriers in their trade to Tanzania. NTBs refer to the wide range of policy interventions other than border tariffs that affect trade of goods, services, and factors of production<sup>181</sup>. Kenyan exporters experience non-tariff barriers in their trade with Tanzania. The non-tariff barriers experienced by Kenyan exporters to Tanzania as indicated by the findings include corruption as the biggest non-tariff barrier. Corruption is rampant in developing nations including Kenya and Tanzania. However, Kenya is ranked as being more corrupt in comparison to Tanzania. The high rate of corruption in the two nations, especially in the police sector affects Kenyan exporters; the reason is that for the exporters to transport their products to Tanzania, they have to bribe the multiple police in the police checking points in both Kenya and Tanzania to be allowed to transport their goods

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<sup>181</sup>Okute, A.M. non-tariff barriers to trade in east africa community: a case of exporters in kenya. Published M.A Thesis. USIU. 2017.

smoothly from Kenya to Tanzania. This finding is supported by the World Bank<sup>182</sup> which acknowledges that through corruption in Kenya and Tanzania, the exporters have to give bribes to the Kenyan police to cross the border and to the Tanzanian police once in the recipient nation. The research by the World Bank indicated that the many police road blocks create space for the police to transparently press for negligible influences—for instance, in Tanzania, regularly alluded to as "kahawa," which means some espresso.

The results indicated that Kenyan exporters suffered from the lack of harmonization of working hours in the boarders. This as indicated by the respondents led to delays and facilitated corruption as noted by the World Bank<sup>183</sup>. The lack of harmonization border working hours is experienced in all the EAC countries as indicated by Ihinga<sup>184</sup>. All the countries have their own time of working around the borders. This non-tariff barrier has become a struggle for many Kenyan exporters to Tanzania. Another non-tariff barrier identified in the study is the multiple police road block available on the routes of trade between Kenya and Tanzania. The police check point means that the Kenyan exporters have to stop for inspection at each and every road block. This has led to increased corruption as a result of the police asking for bribes to allow the Kenyan exporters to transport their products to Tanzania.<sup>185</sup> The corruption starts from Kenya to Tanzania. This is no surprise since most developing countries have failed in the fight against corruption including Kenya and Tanzania. The demand for export licenses was another non-tariff barrier identified by the findings of the study. The respondents indicated that to transport goods to and from one country to another, they require licenses which are expensive and differ in each country as noted by Kahenu.<sup>186</sup>

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<sup>182</sup>WORLD BANK.. “Non-Tariff Measures on Goods Trade in the East African Community”, An African Region Synthesis Report, Prepared by the East African Community and Member governments of Burundi, Rwanda, Kenya, Tanzania and Uganda.

<sup>183</sup> Ibid, World Bank, 2008

<sup>184</sup> Ibid, Ihinga, 2007

<sup>185</sup> Ibid, World Bank, 2008

<sup>186</sup> Ibid, Kahenu

The findings of the study also established that lack of proper information dissemination was a non-tariff barrier faced by Kenyan exporters to Tanzania. As indicated by Kirk Robert,<sup>187</sup> the dissemination of information between the traders and policy makers in the East African Community is poor. The poor dissemination of information affects the traders since they are not aware of what is required of them to take part in trading activities with other nations while considering the laws and policies of the respective nations. Information is crucial in trading activities, since the policy makers have the responsibility of informing traders of any changes in policies and laws that support trading. Another non-tariff barrier identified is the delays at the weighbridges. The respondents indicated that at weigh bridges, all the traders have to stop and be checked and the officers are not organized since every single police can check a transit vehicle repeatedly without moving to the next vehicle thus wasting a lot of time. Ihinga<sup>188</sup> observed that Tanzania requires each vehicle conveying merchandise, little or vast, to be gauged, including traveler transports. Along the Central Corridor, in Dar es Salam and Rusumo, there are five obligatory weighbridges: at Nyahahura, Mkundi, Kibaha, and Mwenda Kulima, and Mikese. Along the corridor at the North, there are 7 weighbridges on the Kenyan course at Mombasa, Kilindini, Athi River, Malaba, Mariakani, Webuye and Amagoro.

The analysis also revealed that another non-tariff barrier facing Kenyan exporters to Tanzania is entrance fees and grace periods. The respondents indicated that for them to travel to Tanzania with their cargo, they have to pay an entrance fee and are given short grace periods to be in the recipient country. This is clear as indicated by Jensen and Keyser<sup>189</sup> who observed that Kenya and Tanzania charge transit fees along the borders and provide for very little grace periods. The duo indicated that Kenya charges USD60 for a truck going up to Nairobi from Mombasa and USD90 beyond Nairobi; while Tanzania charges USD50 per truck per week. Other non-tariff barriers indicated by the respondents included verification of goods in transit, long documentations and procedures and competitive measures. The verification of the goods in

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<sup>187</sup> Ibid, Kirk Robert

<sup>188</sup> Ibid, Ihinga, 2007

<sup>189</sup> Jensen, K and Keyser N. Non-tariff measures on goods trade in the east african community. World Bank. 2014.

transit are done at the borders and each police road block. This is so as to ensure that only legal commodities enter the country, however as a result of multiple verification, the practice of corruption has grown and illegal cargo are allowed into different country borders. The long documentations are as a result of all the licenses required by the Kenyan and Tanzanian government to allow exports to Tanzania. The long procedures as stated by the respondents demotivate the traders from trading with Tanzania since the process is not only tedious but expensive. Competitive measures were another non-tariff barrier indicated by the respondents. The respondents indicated that at times to protect the good locally produced in Tanzania; the Tanzanian government requires Kenyan exporters to rebrand their products. This is evident in the case where Brookside was ordered to remove the writing, “drink Brookside milk for good health”, and instead write “drink milk for good health”. This weakened the visibility of their brand, making them less competitive<sup>190</sup>.

In answering the second objective of identifying the trade policies by Tanzania on foreign companies, the findings indicated that the Tanzanian trade policies support foreign companies in trading activities. The findings indicate that one of the ways the trade policy of Tanzania supports foreign companies is through the competition law. The competition law ensures fair pricing of all commodities both locally produced and from foreign businesses. This ensures that the commodities exported to Tanzania by Kenyan exporters are able to compete with the locally produced product in Tanzania. The government of Tanzania has established the FCC. The commission set up under the Act, is an autonomous government body commanded to intercede, to counteract critical market predominance, value settling, and coercion of imposing business model lease to the disadvantage of the customer, and market flimsiness in the nation.<sup>191</sup>

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<sup>190</sup>Ibid, Kahenu

<sup>191</sup> Ibid, Blog, DipNote, 2015

The common market protocol signed by the EAC partner states in 2009 became effective in 2010.<sup>192</sup> The common market protocol is effective in all the EAC countries including Tanzania. The acceptance by Tanzania to implement the protocol signed works to the advantage of the Kenyan exporters who are free to export their products to Tanzania freely with the assurance that their commodities will be competitive in the Tanzanian market as a result of the competition law. The study also established that registering businesses is a requirement in Tanzania. All the businesses have to be registered with the nation for any trade to take place. This is effective since business registration ensures that all the products sold either locally and internationally all follow the requirement of the nation. Despite the hustle of registering a business, Tanzania is among the countries with the easiest business registration procedures.<sup>193</sup>

In answering the last objective which was whether the non-tariff policies affected the trade of the Kenyan exporters to Tanzania. The findings indicated that the non-tariff policies did affect the Kenyan exporters. The reason is that the non-tariff policies resulted in corruption as indicated by the World Bank.<sup>194</sup> Corruption in the multiple police checks points and the borders mean that the Kenyan exporters have to incur more charges in transporting their products. The Kenyan exporters have to ensure that, they have extra money in order to give the police to be allowed to pass in the multiple check points and at the border. This demotivated the Kenyan exporters since at times the expenses incurred during transport become more than the profits they get from selling their products in Tanzania.

The study also reported that delays are a big impact affecting the Kenyan exporters to Tanzania. The delays are attributed to the multiple check points where the Kenyan exporters have to be stopped for inspection and the long procedural documentation required for trade in Tanzania. The weigh bridges lead to delays of the Kenyan exporters due to the lack of coordination of

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<sup>192</sup>EABC. "The Business Climate Index Survey." The Steadman Group, Riverside Drive, Nairobi, October.

<sup>193</sup> Ibid.

<sup>194</sup> Ibid

the police at the check points<sup>195</sup> and the lack of harmonized working hours at the border.<sup>196</sup> Without proper coordination at the borders and check points the Kenyan exporters experience delays and have to wait given that the grace period offered to them is likewise very small.

Uneven competition was also identified as an impact of trade by the Kenyan exporters to Tanzania. The Kenyan exporters explained that as a result of the competition law implemented in Tanzania, they have to work extra hard in marketing their products since at times, the Kenyan exporters are made to rebrand their products while in Tanzania to ensure that the local products are protected in the market. A good example was given by Kahenu of Brookside where Brookside was ordered to remove the writing, “drink Brookside milk for good health”, and instead write “drink milk for good health”. This weakened the visibility of their brand, making them less competitive<sup>197</sup>.

The last impact identified by the respondents was the entry of illegal products in Tanzania. The analysis shows that due to corruption at the borders and multiple police check points, the Kenyan exporters are disadvantaged.<sup>198</sup> The Kenyan exporters pay the price since the corruption means increased costs for the Kenyan exporters. It also means the implementation of more documentation procedures which have to be followed by the Kenyan exporters to Trade with Tanzania.<sup>199</sup> The long documentation procedures are a way of fighting corruption by the government of Tanzania. The long procedures ultimately result in delays by the Kenyan exporters to Tanzania.

### **5.3 Recommendations**

The study has given insights on the impacts of non-tariff barriers on trade in EAC focussing on Kenyan exporters to Tanzania. The study recommends that the two nations Tanzania and

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<sup>195</sup> Ibid

<sup>196</sup> Ibid

<sup>197</sup> Ibid, Kahenu

<sup>198</sup> Ibid

<sup>199</sup> Ibid

Kenya ought to find strategies to eradicate the non-tariff barriers. In the case of corruption action should be taken on the police officers who practice corruption along the borders and multiple police checks. The study also recommends that the documentation procedures in Kenya and Tanzania with regards to international trade ought to be simplified. Both governments should come up with strategies of addressing the documentation procedures and simplifying them to promote more trade between the two nations.

The study recommends that the working hours at the borders in the different countries should be reviewed and harmonized. The working hours also ought to be increased so that officials working at the border work for 24 hours to ensure traders are in a position to move freely from one country to the other at whichever time for the purpose of trade. The study also recommends that the officials working at the check point should be trained and educated to be coordinated in carrying out their activities to ensure effectiveness and movement of traders. Thus, preventing delays.

The study recommends that the policies of Tanzania on international trade ought to be reformed to make trade with other nations easier. The issue of competition law that ultimately protects only local producers in the business market should be reformed to protect external producers such as the Kenyan exporters to Tanzania. The protection of external traders will act as a catalyst for more international trading activities with Tanzania.

Lastly, the study recommends further study on the impacts of non-tariff barriers on trade in the EAC focussing on Kenyan exporters to Tanzania. Further studies should be undertaken to identify the impact of non-tariff barrier of trade on the other countries in the East African Communities.

#### **5.4 Conclusion**

Non-tariff barriers refer to the wide range of policy interventions other than border tariffs that affect trade of goods, services, and factors of production. The non-tariff barriers are hindrances to Kenyan exporters to Tanzania. The reason is that due to the non-tariff barriers the Kenyan exporters find it difficult and expensive to transport their products to Tanzania. Despite the policies and laws in Tanzania that support foreign companies in Tanzania the non-tariff barriers promote the low trading relationship between Kenya and Tanzania. The high rate of corruption

and long documentation procedures are among the factors that result in delays at the borders and at the police check points. Trade between Kenya and Tanzania is inevitable, since the two nations are neighbours and part of the same community, thus measures have to be put in place to minimize the non-tariff barriers between the two nations.

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## APPENDIX: QUESTIONNAIRE

### Demographic information

1. Gender:             Male                             Female
2. Nationality         Kenyan                             Ugandan
- Rwandan                             Tanzanian
- Burundi
3. Nature of your business
- Manufacturing
- Agriculture
4. Length of exporting within the EAC region
- Less than 2 years                                                    3-5 years
- 6-8 years                                                                9 years and over
5. Do you encounter any trade barriers in your area of trade?
- Yes
- No

### Questions on Non-Tariff Barriers (NTB) on Trade

6. Are there non-tariff barriers affecting Kenyan exporters to Tanzania?
- Yes
- No
7. On a scale of: (1) Strongly Agree, (2) Agree, (3) Neutral (4) Disagree and (5) Strongly Disagree; Please tick the numeric value corresponding to your personal opinion for each statement.

Non Tarriff Barrier Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

Long time for Documentation and Procedures					
Verification of transit cargo to Tanzania					
Lack of harmonization in working hours at the border posts					
Delays at weighbridges in Tanzania					
Multiple police road blocks and mobile control in Tanzania					
Demand for East Africa Community transit licenses for goods					
Truck entrance fees and grace period					
Lengthy period for business registration in Tanzania					
Lengthy immigration and visa procedures					
Poor trade information dissemination across the Tanzania					
Corrupt police and border officials					

7. What other Non-Tariff Barriers and to Trade are you aware of?

.....  
.....

8. Do the Tanzania trade policies support foreign companies by allowing trade with external traders?

Yes

No

9. On a scale of: (1) Strongly Agree, (2) Agree, (3) Neutral (4) Disagree and (5) Strongly Disagree; Please tick the numeric value corresponding to your personal opinion for each statement.

<b>Tanzania trade policy Statement</b>	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Accommodates trade with foreign companies through the common market protocol					
Ensures all businesses are registered					
Ensures free and fair pricing of commodities and services					
Tanzania has implemented the custom union protocol					

10. Do non-tariff policies impact trade by Kenyan exporters?

Yes

No

11. On a scale of: (1) Strongly Agree, (2) Agree, (3) Neutral (4) Disagree and (5) Strongly Disagree; Please tick the numeric value corresponding to your personal opinion for each statement.

<b>Impacts of Non-tariff policies Statement</b>	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Leads to trade delays					
Leads to corruption					
Results in uneven competition					
Results in entry of illegal products into the boarder of Tanzania					