CONTRIBUTIONS OF EAST AFRICAN COMMON MARKET PROTOCOL TO ECONOMIC GROWTH: THE CASE OF TANZANIA, 2010 - 2017

BY

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA (USIU-A)

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA (USIU-A)

SPRING 2018
STUDENT DECLARATION

I, the undersigned declare that this is my original work and that it has not been submitted to any other College, Institution or University other than the United States International University for academic purposes.

Signed: ______________________  Date: ______________________

ATUZA THERESIA TUHOYE (ID: 639490)

This thesis has been presented for examination with my approval as the appointed supervisor.

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ACKNOWLEDGEMENTS

I would like to acknowledge my supervisor whose intellectual guidance kept me on track and facilitated the completion of this undertaking.
DEDICATION

It is with great humility that I dedicate this work to my family without whose support
I would not have made it this far.
ABSTRACT

The purpose of the study was to examine the contributions of the East Africa Community Common Market Protocol to Tanzania’s economic growth. The study was guided by three objectives, namely; to evaluate contributions of intra-EAC trade liberalization to Tanzania’s economy, to find out the contribution of the movement of labor and persons to Tanzania’s economy, and to examine the contribution of the movement of capital to the economic growth of Tanzania. A descriptive research design was used for examining and portraying an accurate or precise profile of Tanzania’s economic development, the EAC CMP especially the four freedoms and most importantly how each of the four freedoms have in particular affected Tanzania’s economic growth. This study was essentially a qualitative desktop review. The study relied exclusively on secondary data. The researcher utilized a background approach (or historical technique) for collecting data from qualitative or secondary sources of information. A combination of thematic (implying theme) and content analysis techniques of qualitative data analysis was used in this study. This study found that the EAC CMP by encouraging intra-EAC trade liberalization has contributed to the economic growth of Tanzania. It has found that since the entry into force of the EAC CMP, Tanzania intra-EAC trade has increased constantly and has surpassed the total trade value that the country had realized prior to the establishment of the EAC CMP. The study has found that the intra-EAC free movement of people and labor facilitated economic growth for Tanzania. The free movement of labor has contributed to Tanzania’s economic development through various ways especially skills transfer; addressing skills challenges in some key sectors in the country’s economy as well as information exchange, and foreign remittance inflows. The study found that the EAC CMP through free movement of capital has contributed to the economic growth of Tanzania. It has found that free movement of capital has resulted in significant positive impact on the country’s growth in many ways including increase in FDI, Stock market development and bank development. It concludes by arguing that the enhancement or improvement of intra-EAC trade was one of the primary goals of the EAC and EAC CMP. Tanzania has experience an increase in its trade with the rest of the EAC since the introduction of the EAC CMP. Tanzania has continued to be indifferent with the idea of greater integration with the rest of the
EAC partner states for several reasons, the main one being that it will expose its citizens and domestic companies to intense competition from partner states. Free movement of capital is essential for economic growth. With free capital inflows, a country can experience not only financial sector, equities market development and FDI increases, but it can also experience poverty reductions, job creation and sector development. The study recommends that the leadership of Tanzania needs to change their indifferent attitude towards the EAC CMP and enhance their level of compliance with the protocol in order for Tanzania to harness the benefits of intra-EAC trade. It also recommends that the leadership and policymakers in Tanzania need to reverse Tanzania's immigration policy that affects the EAC immigrants to the country. Further, the leadership needs to take specific steps to encourage capital inflow be it through FDI, remittance or investment in securities at the DSE. The leadership should most importantly appreciate the link between the EAC CMP-enabled capital inflows and job creation and funding of public budget. This study also recommends that future researchers need to conduct more research on the EAC CMP particularly on its economic growth benefits to partner states.
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<table>
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<tbody>
<tr>
<td>AEC</td>
<td>African Economic Community</td>
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<tr>
<td>CM</td>
<td>Common Market</td>
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<td>CMP</td>
<td>Common Market Protocol</td>
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<tr>
<td>CU</td>
<td>Customs Union</td>
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<td>DSE</td>
<td>Dar es Salaam Stock Exchange</td>
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<td>EAC</td>
<td>East African Community</td>
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<td>EAC CU</td>
<td>East African Community Customs Union</td>
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<tr>
<td>EAC CMP</td>
<td>East African Community Common Market Protocol</td>
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<td>EALA</td>
<td>East African Legislative Assembly</td>
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<td>EASH</td>
<td>East African Shilling</td>
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<td>EGT</td>
<td>Endogenous Growth Theory</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<tr>
<td>LPA</td>
<td>Lagos Plan of Action</td>
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<tr>
<td>MU</td>
<td>Monetary Union</td>
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<tr>
<td>PF</td>
<td>Political Federation</td>
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<td>PTA</td>
<td>Preferential Trade Agreements</td>
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<tr>
<td>RECs</td>
<td>Regional Economic Communities</td>
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<tr>
<td>RTA</td>
<td>Regional Trade Agreements</td>
</tr>
<tr>
<td>T.A.N.U</td>
<td>Tanganyika African National Union</td>
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DEFINITIONS OF TERMS

Common Market Protocol (CMP): refers to a situation in which partner states operate a single market for services, labor, goods and capital, enforce common trade laws and levy common taxes. In other words, partner states allow citizens, factors of production (such as capital and labor) as well as goods and services to move freely across their international border (Njuki, 2016, p.27.).

Customs Union: refers to a process in which a group of sovereign states in close proximity to each other (geographically) agree to a shared commercial policy (like import duties) and to eliminate all trade barriers to permit unhindered inter-state trade (Konishi, et al., 2003, p.3).

Economic Development: is defined as the expansion process of an economy or the advance and transformation of an economy, which also results in growth in the socio-economics (Feldman et al., 2014, p1).

Intra-regional trade: refers to the economic transactions or commercial exchanges in goods and services among and between countries belonging to a given geographical region (Afesorgbor& van Bergeijk, 2011, p.11).

Regionalism: or regional integration refers to a process in which countries within a geographical proximity amalgamate to form a political or economic body with the aim of facilitating national interests (economic, political or otherwise) (Farrell, et al., 2005, p.8).

Regional integration: refers to the establishment of a formal regional economic organization intended for the facilitation of economic, cultural and socio-political cooperation among the partner states (Gavin & DeLamaerde, 2005, p.74).
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Over the past three decades, Regional Economic Communities (RECS), (which are also known as Preferential Trade Agreements (PTA) or Regional Trade Agreements (RTAs) have increasingly been considered within the development agendas at national, regional and global levels (De-Melo & Tsikata, 2013). This is because these bodies are considered to have a potential positive effect on the economic development of the developing world (Negasi, 2009). As such, the landscape of the RECs has transformed drastically. By early 1980s, North-South PTAs presented about 60% of all such agreements, while those of South-South were just about 20% (De-Melo & Tsikata, 2013).

Nonetheless, by 2010, about two-thirds of RECs were South-South and just one-quarter were North-North (De-Melo & Tsikata, 2013). The African continent is one of the regions of the global south that has witnessed this unprecedented increase in PTAs. By 2010, 58 countries of Africa had established about 55 PTAs (De-Melo & Tsikata, 2013). The desire for the integration of African economies on a regional (or sub-continental) level and ultimately at a continental level gained in the continents post-independence period and has witnessed renewed vigor over the last three decades.

At the deeper level, the continent’s desire for regional integration is grounded in the political forces shaped by the continent’s colonial legacy. This legacy resulted in the configuration of Africa’s geographically artificial countries and arbitrary borders as well as extensive ethno-linguistic diversity (Adar, 2010). This further predisposed the contingent to a plethora of conflicts and poor economic performance (Alesina, et al., 2011).
Thus, regional integration in post-independent Africa was important in two aspects; First, it acted as a rallying point and a unifying factor among post-independent African states and one which cemented the hopes for a future African unity (De-Melo&Tsikata, 2013). Secondly, as enshrined in the Lagos Plan of Action (LPA) of the Organization of African Union (OAU), the RECs were to perform an instrumentalist function of facilitating continental industrialization (Adar, 2010).

In this sense, through integration, faster industrialization would precipitate at the regional level due to free trade among partner states. It also implied the desire for African countries to seek local solutions to common challenges and to develop autonomously from the continent’s former colonial masters (De-Melo&Tsikata, 2013). Economic unification was thus conceived as the silver bullet by which the continent’s development dilemma would be solved.

Consequently, the desires for greater integration are shared by African elites all over the continent as well as their development partners. In tandem with this craving and aspiration for integration, several initiatives have been established. These have come in the form of RECs, aimed at promoting regional integration among partner states in accordance with the broader African Economic Community (AEC) established by the 1991 Abuja Treaty (Chiumya, 2010).

Underpinning the RECs is the goal of promoting intra-regional trade among the partner states and enhancing economic growth of the individual partner states (Negasi, 2009). Consequently, and unsurprisingly, the African continent has witnessed a proliferation of RECs. Among the most perceptible RECs in Africa, include the Common Market for East and Southern Africa (COMESA), the Southern African Development Community (SADC), the Economic Community of Central African States (ECCAS), Economic
Community of West African States (ECOWAS), the Arab Maghreb Union (AMU), the Community of Sahel-Saharan States (CEN-SAD) and the East African Community (EAC) (Njuki, 2016).

The history of the desire for post-independent regional integration in the African continent is traceable back to the Pan-African movement of the immediate post-colonial epoch in Africa (Mengitsu, 2015). Regional integration and specifically the RECs were perceived as the panacea for the continents multifaceted and convoluted economic and political predicaments. Furthermore, regional integration especially the RECs were considered as the “building blocks” for a united state of Africa that the first generation of African leaders had hoped for in the immediate post-independence epoch (De-Melo&Tsikata, 2013, p.4). As such the idea of integration was embraced by the first post-independence African leaders, who assimilated economic integration in their developmental agenda of synchronizing political and socio-economic policies and promoting trade (Mengitsu, 2015).

Nonetheless, Negasi (2009) argues that regional integration in sub-Saharan Africa predates the clarion calls by the Pan Africanists dating back to the pre-colonial period. Two unions, namely; the Southern African Custom Union (SACU) and the East African Community (EAC) for instance are said to have existed since the 1910 and 1919 correspondingly. The modern roots of economic cooperation in East African region goes back to 1926 with the enactment of the common economic integration by the respective colonial administrations. This later developed into a common currency for the region, the East African Shilling (EASh) and a functional customs administration.

The establishment of the common currency for the region has been initiated with the establishment of the East African Currency Board in 1920 and the currency had a short
lifespan as it was used just up until 1929 (Davis, 2008). The underpinning idea even at this early time was that regional integration would rectify the atavistic and peripheral economic situation in these Kenya, Tanganyika (as Tanzania was known under the German colonial rule) and Uganda. Hence, the idea of East African Community (EAC) predates independences of the three founding partner states and developed without the trapping of well-established structures and plans.

The formalization of the EAC as a REC occurred in 1967 when Kenya, Uganda and Tanzania agreed to form the body to promote promoted trade among them through the facilitation of intra-regional economic activities (Muluvi, et al., 2011). This was the first EAC (or EAC1) which however collapsed just a decade later in 1977 owing to a spectrum of challenges including institutional weaknesses, non-compliance and poor political will among the leadership (Adar, 2010).

Njuki (2016, p.3) contends that six major issues are at the core of the failure or collapse of the EAC1 namely; lack of or little political goodwill among the three states, failure by the partner states’ citizenry to perceive the long-term benefits of the EAC, real or perceived inequitable distribution of gains, currency disharmony, lack of political architecture, and lack constitutional homogeneity. Ultimately, inherent inability of the EAC as a body and particularly the indifference to the EAC by the leadership of the partner states spelled the collapse of the organization (Adar, 2010).

The persistence of development challenges, the need to enhance intra-regional trade within the East African region and perhaps the desire by the leadership of original founding partner states of EAC1 to adhere to the Abuja treaty soon raised the need for the revival of the EAC (Adar, 2010; Reith &Boltz, 2011). Thus, after nearly close to three decades and following years of intense negotiations and consensus-building, the Kenya,
Uganda and Tanzania at a summit of the leaders, President Daniel Arap Moi (Kenya), President Benjamin Mkapa (Tanzania) and President Yoweri Museveni (Uganda) signed the Treaty Establishing the EAC on November, 30th 1999. The treaty entered into force on 7th July, 2000 and became binding upon the three partner states and on 15th January 2001, the EAC (EACII) was formally launched.

Since its revival in 1999, the EAC has expanded to include six partner states; the original three (Kenya, Uganda and Tanzania), Rwanda and Burundi (admitted in 2007), as well as South Sudan (which joined the body in 2016) (Njuki, 2016). While Somalia has applied for membership, its new application is under consideration. The wider objective of the EAC as spelled in Article 5 of the Treaty of the EAC is to develop programs and policies geared towards intensifying and broadening cooperation among partner states (Njuki, 2016).

There were seven areas of cooperation, political, social, cultural, defense, legal, security and economic fields. Areas of research and technology are also critical areas in which the EAC was aimed to enhance cooperation. These objectives are well articulated in the four pillars of the EAC integration; customs union (CU), common market (CM), monetary union (MU) and political federation (PF) (Okello, 2002).

These pillar point to the sequential nature of the EAC integration process. After its launch on 15th January 2001, the EAC has made commendable strides in advancing from one level of integration to the next via negotiated protocols. The Customs Union (CU) was established in March 2004 and launched in January 2005 (Reith & Boltz, 2011). The underpinning goal for the EAC CU was to enhance the EAC integration process by promoting and liberalizing intra-regional trade (Njuki, 2016). Furthermore, it was also anticipated that the EAC CU would promote production efficiency, enhance cross-border,
domestic as well as foreign investment, and enhance industrial development and economic growth (Marobe, 2014).

The 2004 creation of the EAC CU was followed six years later with the signing of the EAC Common Market Protocol on 20th November 2009 and its launch on 1st July, 2010 (Reith & Boltz, 2011). Adar (2010) has lauded the establishment of the EAC CMP as the most significant development in the history of the EAC. The Protocol promotes four freedoms, free movement of persons, free movement of services, free movement of labor and free movement of capital across the borders of the partner states (Njuki, 2016).

The partner states of the EAC are still negotiating the establishment of the regional Monetary Union (MU) and an enabling agreement as signed on 30th November, 2013. The MU is intended at enhancing intra-regional financial and monetary stability essential for sustainable regional economic development and growth (Njuki, 2016). While the EAC partner states have an ambitious goal of attaining a Political Federation (FD) grounded on democratic principles, rule of law and reverence for human rights standards.

1.2 Problem Statement

Since, EAC CMP ratification, partner states have made commendable progress towards the achievement of CMP objectives; increased intra-EAC trade (which has expanded by more than 50%), increased investments, increased cross-border investment flows (have grown from US$683m in 2010 to US$1.7b in 2016), relaxation of work and travel permit requirements for East Africans by given partner states, joint infrastructural projects, railways and roads civil aviation energy (Njuki, 2016).

Indeed, the EAC CMP as stipulated in Article 5 of the Treaty aimed at strengthening intra-EAC economic and social cooperation and in so doing enhance sustainable
development and growth (Gathii, 2011). The EAC CMP endeavors to promote trade and investment activities extensively in a manner that is to enable the partner states obtain a healthy, vibrant and productive economies. Several studies including that by Gries and Redlin (2012) as well as Adhikary (2011) have found that a relationship does exist between openness and economic growth. However, Njuki (2016) has indicated that openness such as that underscored by the EAC CMP may result in macro-economic instability through inflation intensification, exchange rates depreciation and balance of trade crisis.

Operationalization of the EAC CMP is essentially an intricate undertaking demanding commitment to the establishment of common institutions, the synchronization of domestic law and regulations in conformity with protocol’s provisions and ensuring the four freedoms (Volz, 2011). Nonetheless, despite notable progress in these areas, Tanzania, like some if not most partner states have not exercised commendable compliance with the EAC CMP (Namata, 2014). Tanzania’s indifference with the EAC CMP has denied it the benefits stemming from enhanced levels of interaction especially with regards to economic growth.

Few previous studies have examined the extent to which the four freedoms underpinning the EAC CMP contribute to economic growth in partner states. Most analyses that have examined the EAC CMP have been in terms of partner state compliance. This is true of the studies done by Marobe (2014) and Muluvi, et al. (2011) which examine the EAC CMP without according attention to how the impact of the protocol on the economic growth of the partner states. Njuki (2016) has however examined the impact of the EAC CMP on economic growth but this study has focused on the Kenya. This therefore implies that the extent to which the EAC CMP has contributed to Tanzania’s remarkable
economic growth has received little attention. As such, this study aims to fill this epistemological gap by examining the contribution of the EAC CMP to Tanzania. In so doing this study examines the impact of trade liberalization, free movement of labor and persons, and free movement of capital to the economic growth of Tanzania.

1.3 The Purpose of the Study

The purpose of the study was to examine the contributions of the EAC CMP to Tanzania’s economy growth.

1.4 Objectives of the Study

1.4.1 To examine contributions of intra-EAC trade liberalization to Tanzania’s economy.

1.4.2 To find out the contribution of the EAC-inspired movement of labor and persons to Tanzania’s economy.

1.4.3 To examine the contribution of the EAC-inspired movement of capital to the economy of Tanzania.

1.5 Research Questions

1.5.1 How has intra-EAC trade liberalization contributed to Tanzania’s economic growth?

1.5.2 What has been the contribution of the EAC-inspired movement of labor and persons contributed to Tanzania’s economy?

1.5.3 How has the EAC-inspired free movement of capital contributed to Tanzania’s economy?
1.6 Significance of the Study

This study may contribute to the literature that is of both epistemological relevance and practical importance to the following groups.

1.5.1 The Government of Tanzania

This study may be relevant to the government of Tanzania in multiple ways. The study adds to the internal information that the policy makers in Tanzania possess regarding the economic growth benefits of the EAC CMP. As such, it adds to external sources of information that public policy makers may draw upon in considering the promises of the EAC CMP for Tanzania and the actual economic growth benefits that the country has since the entry into forces of the EAC CMP. Therefore, the study stands to inform policy regarding how the Tanzania should treat the EAC CMP, perceives it and even complies with its provisions to realize the inherent economic growth benefits.

1.5.2 Policy Makers and Governments of other Partner States

The study is also potentially relevant and beneficial to the policy makers in other partner states. The study adds to the understanding and information regarding the EAC CMP that the policy makers in the other partner states currently possess. It equips policy makers with information regarding the contributions of the EAC CMP to economic growth of Tanzania, information that they may use to assess the relative contributions to the economic growth of their own national economies.

By assessing the contributions of the EAC CMP to Tanzania, the study helps policy makers in other partner states obtain a deeper understanding of the link between compliance with the EAC CMP and economic growth given that Tanzania is considered the most indifferent to full compliance with the protocol.
1.5.3 Epistemological Significance

This study has an epistemological relevance to the field of international and regional political economy. This study adds to the limited literature regarding the economic growth implications of the EAC CMP to the partner states. The information the study provides may help inform future research topic and contribute to the literature review of future research projects concerning the influence of EAC CMP on economic growth.

1.7 Scope and Limitations of the Study

1.7.1 Scope of the Study

The focus of the study is on the contributions of the EAC CMP on the economy of Tanzania. As such, it focuses on the examination of how the four freedoms provided for by the EAC CMP have contributed to the economy of Tanzania. The study is purely qualitative and examines secondary sources of information concerning the EAC, the EAC CMP, and Tanzania’s economic growth.

1.8 Chapter Outline

Chapter one of this study has provided the introduction and generally discussed the blueprint of this study. This chapter has provided the background of the study placing the EAC within the Pan Africanist move for integration. It has also mentioned the goals of the EAC and that of the EAC CMP in terms of the four freedoms. This chapter has stated the problem of the study noting that the area relating to the impact of the EAC CMP on economic growth of the partner states is under studied. Chapter one has provided the purpose of the study, the objectives of the study and the research question. The
significance of the study and the scope of the study have also been discussed in this chapter.

Chapter two of this study provides the literature review. It examines literature relating to the Tanzania economic performance, the EAC and the EAC CMP particularly the contributions of the EAC CMP on partner states’ economic growth. Chapter two provides the summary of the gaps. It also discusses the theoretical framework for the study. The Chapter also provides the conceptual framework for the study.

Chapter three of this study provides the research methodology. The chapter provides and justifies the research design for the study, the sources of data that were used, the data collection methods the researcher deployed in the course of the study and the methods that were employed in the analysis of the qualitative and quantitative data that were obtained. Also discussed are the limitations of the study and how the limitations were overcome.

Chapter four of the study provides the findings of the study. The chapter is structured in accordance to the objectives of the study and examines how each of the four freedoms entailed in the EAC CMP have contributed to the economic growth of Tanzania. Chapter five of the study provides the summary of the study, the conclusion and the recommendations of the study based on the study’s major findings.
2.0 LITERATURE REVIEW

2.1 Introduction

This chapter, which is structured in accordance with the research objectives, provides a review of literature on the research topic. The literature focused on several critical areas including Tanzania’s economic development, the EAC and the EAC CMP particularly the contributions of the EAC CMP on partner states’ economic growth. The analysis of literature relating to Tanzania’s economic development was examined as focal point for assessing the contributions of the EAC CMP to Tanzania’s economic development. The literature review is followed by an examination of the summary of the gaps to be filled by the study. This chapter also provides the theoretical framework of the study as well as the conceptual framework.

2.2 Empirical Review

2.2.1 Economic Development

In order to understand economic development, it is important to separate it into its two implicit components; Development and economy. Development, according to Chambers (2014, p.31) implies different things to different people, in different places, at different times and in different professions. However, as applied within this study and indeed as conceptualized by Ngowi (2007), development at least in normative terms implies change or transformation or growth. It is the creation or establishment of enabling conditions for addressing social inequalities, improvement in employment levels, poverty reduction and realization of human capacity.
David Ricardo and Rober Solow (cited in Hadjimichael, *et al.*, 2016, p.6) provide a profound conceptualization of an economy as a system or a machine which generates economic output from inputs such as land, labor and equipment. Thus, the difficulty in the conceptualization of economic development is because as Feldman, *et al.*, (2014) contend, economic development is a concept, a professional practice and an activity. Furthermore, there is an implicit subjective conceptualization of economic development by different countries and different people in different contexts. Modern growth theories have focused on the factors determining economic growth through aggregated models (Ascani, *et al.*, 2012).

In these conceptualizations, economic development is understood as growth in “equilibrium” per capita income and the factors that influence it (Ascani, *et al.*, 2012). This implies that economic growth or development is evident when output increases (Hadjimichael, *et al.*, 2016). According to Sen (1999) economic development also implies the strengthening of freedoms and substantive autonomy that permits people to participate, fully, in economic life. For states, economic development is manifest when states have and create opportunities to enhance or develop their capacities or the capacities of their citizens and contribute to the national economy (Hadjimichael, *et al.*, 2016).

From the neo-classical growth model to the perspective of capital fundamentalism of Harrod-Domar economic development is a linear process triggered and influenced through invoking the right economic pieces (Ascani, *et al*. 2012; Capello and Nijkamp, 2009). The implication of this understanding of economic development is that it is a process which is grossly influenced by political and social factors within a country or a region and this is quite true of the economic development of Tanzania.
There are certain parameters, indicators or measures of economic development which gives insight as to whether there is or there is no development. The most common of these according to Ngowi (2007) include, GDP, rate of inflation, Gross National Product (GNP) and the levels of national debt. However, according to Ascani, et al. (2012) there are also non-financial or non-market indicators of economic growth including rates of births and deaths (determined in terms of infant mortality rates).

The others are levels of educational attainment (measured in terms of numeracy and literacy rates as well as life skills), morbidity (determined by specific causes of death), availability and access to health facilities. Housing availability, availability of clean and safe drinking water, availability of infrastructure including roads, airports, railways, ports and telecommunications services (including mobile and internet) are also relevant indicators of economic growth (Ngowi, 2007).

2.2.2 Tanzania’s Economic Development

The history and development of the economy of Tanzania is characterized by aconglomeration and mixture of intricate trends. The intricacy of economic development is not however unique to Tanzania. Ngowi (2007) posits that economic transformation and development is in all cases a function of multiple, interrelated and intricate factors. The factors, underpinning the intricacy of economic development and change include but are not limited to technological, natural, climatic, financial, and socio-political factors. In the case of Tanzania, the last two financial and socio-political factors have played the central role in shaping Tanzania’s economic development (Ngowi, 2007; Muluvi, et al. 2011)

From an economy that was based mainly on a variant of socialism dubbed Ujamaa, Tanzania has grappled to transition into a purely market-based capitalist principle
In the Arusha Declaration of 1967, the founding further of the post-independent Tanzania, Mwalimu Julius Kambarage Nyerere transformed Tanzania into a public sector-led economy which underscored the country’s economic policies and performance up to the early 1980s when limited economic reforms were initiated (Marie-Aude, 2014). Ngowi (2007) contends that Tanzania has undergone three major economic transformation and development since it obtained its independence from the British in 1961. Post-independence politics and particularly the Arusha Declaration are the center of Tanzania’s economic experiences.

Soanes and Stevenson (2003) have contended that politics, which relates to the strategies and ideas of governments is the primary determinant of economic activities hence growth. It should not be ignored that one of the main definitions of politics is that it is the authoritative distribution of resources (Baylis & Smith, 2001). As such, the development of economic development of Tanzania is intricately linked with the role that political leadership has played in the process. The economic development of Tanzania can be examined chronological through three periods, 1961 – 1967, 1967 to mid-1980s and mid-1980s to 2016 with each epoch giving insight into how a mixture of trends have coalesced to define Tanzania’s economic history.

The period between 1961 and 1967 was critical in that it spelled a departure in economic organization of the country from that economic blueprint of the colonial masters that had lasted for close to 8 decades. Prior to its independence, the economy of Tanzania (known then as Tanganyika) was under colonial masters, first under the German colonial powers then under the British. As was the case in most of the colonized African countries, economic interests of the empires, which were at play at the Berlin Conference (1884 -
defined the arbitrary partitioning of Africa and the establishment of colonial economy in Tanzania (Ngowi, 2007; Odhiambo, 2011; Alesina, et al., 2011).

The consequence of the imposition of foreign economic structure aimed at the extraction of raw materials drastically effected Tanganyika’s economic development. The inhabitants were transformed into extractors and suppliers of raw material such as minerals and agricultural products and buyers of manufactured goods. The result was the reduction of native Tanzanians into a situation of extreme penury and destitution (Ngowi, 2007). Thus, after independence in 1961, the primary goal for the post-independent government of President Nyerere was nation building (since the arbitrary nature of colonial borders had included people from diverse ethnic and religious background into one) and to address the poverty situation through economic reforms (Kasidi, 2013).

However, the economy during this epoch was organized along the market-oriented principles of capitalism. The maintenance of this economic structure was due to the fact that the economy was highly dependent on FDI (from former colonial masters) and local Asians (Sheikheldin, 2015). Thus, in the first-five-year plan virtually left the capitalist mode of production intact. However, by mid-1960s the economic imbalances and other market failures brought about by tenets of a market-oriented economy, particularly private ownership of factors of production created a demand for state intervention in the economy (Kasidi, 2013).

From 1967, the political economy of Tanzania experienced a dramatic transformation as a result of the Arusha Declaration that meant in principal, that the country would pursue Ujamaa policy (Ngowi, 2007; Odhiambo, 2011). According to Ngowi (2007), the Ujamaa economic policy was a variant of African socialism, and was essentially a form of
socialism incorporating elements of African socio-economic organization. In other words, Tanzania was to adopt a socialist-oriented economic and political policy (Marie-Aude, 2014). The capitalist and market-oriented economy inherited at independence from the colonial regime was replaced with a more command or centrally planned economy owned by the state.

Consequently, the major means of production including plantations, commerce, mining and industrial sectors were nationalized. Hence, the state became the owner and manager of the so-called State-Owned Enterprises (SOEs) (Ngowi, 2007; Marie-Aude, 2014). By making the Arusha Declaration, President Nyerere and the Tanganyika African National Union (T.A.N.U) challenged the underpinning tenets of capitalism and questioned the assumed benefits of modernization polices (Gabagambi, 2013; Kasidi, 2013).

The emphasis of the Arusha Declaration and indeed the main goal of the Ujamaa policy was the enhancement of public ownership of the commanding sectors of the economy, the sidelining of the private sector as well as on individual initiative (Marie-Aude, 2014; Sheikheldin, 2015). Thus, as Ngowi (2007) posits, the overall objectives were the establishment of a socialist egalitarians society, in which the national economy was owned by the public.

Nonetheless, according to Kasidi (2013), despite being well-intentioned, the planned economy envisions in the Arusha Declaration and actualized in the Ujamaa policy failed to deliver on its promises. In fact, as Ngowi (2007) puts it, Tanzania’s economic woes since the late 1960s have been blamed the countries poor economic performance. Certain indicators of economic stagnation and deterioration become apparent including embezzlement, inadequate technical and managerial skills, under-utilization, over
reliance on government subsidies, public sector over employment, and monopolies

While it is not the objective of this study to examine Tanzania’s economic performance under the *Ujamaa* policy, it is worth noting that during the period between 1967 and mid-1980s, per capita income only grew by 0.7% annually (Ngowi, 2007). At the same time, exports stagnated, private sector died and inefficiencies in the agriculture and manufacturing sectors drove producer’s prices down (Cooksey, 2016). Nonetheless, the social services sectors including education (from primary through to tertiary levels), water and health sectors performed well and as such the period between 1967 to mid-1980s was essentially an era for huge investments in the human capital amidst poor economic performance in financial terms (Gabagambi, 2013; Kasidi, 2013).

Beginning in the mid-1980s and particularly in 1985, Tanzania entered a new epoch which can be referred to as the era of economic reform. This era coincided with and was in fact influenced by the wind of economic and political reforms that began to occur around the globe and which had extensive impact on economic management. The reforms which were witnessed were opposite and contrary to the 1967 *Ujamaa* policy. Tanzania moved to transition into a capitalist economy by adopting market-oriented policy of free markets and private sector-led economic transformation and change.

Notable economic reforms were the privatization of the SOE, relaxation of entry restrictions or constraints in virtually all sectors of the economy, various industry deregulation, price controls abolition, elimination of import licensing, independence of central bank as well as political reforms (particularly introduction of multiparty politics) (Njuki, 2016). Certainly, these reforms beginning in the mid-1980s paved the way for
Tanzania’s future support for the revival of the EAC. Indeed, tax policy reforms, trade liberalization as well as private sector development are central aspects of the EAC (Adar, 2010).

The reforms had direct consequences for Tanzania’s economic growth. According to Gabagambi (2013), within the first five years after the initiation of the reforms, between 1987 and 1992, growth in Gross Domestic Product (GDP) of 4% was recorded, official development assistance (ODA) increased sharply to US$ 1.08 billion by 1991 from the US$ 640 recorded in 1984.

During the same epoch, the rate of inflation declined slightly, however it remained significantly high at over 20%. Nonetheless, the growth in the GDP was halted by temporary setbacks in Tanzania’s macroeconomic policy between 1991 and 1995 results in a real GDP of less than 2% and inflation increased to 37% thereby reversing the gains that were inspired by the reforms (Gabagambi, 2013).

By the year 2000, gains had been made. For instance, in 1999 the ratio of revenue to GDP declined to 12%, in 2002 GDP growth rate reached 6.2% up from 3.6% recorded in 1995. Over the same period, 1991 to 2002, the growth in the country’s per capita GDP accelerated to reach 4.2% and between 1995 and 2002, overall foreign reserves increased from about 1.6 months of important to more than 6 months of imports.

According to Gabagambi (2013), posit that overall sector performance in the country was commendable but not entirely outstanding with the agricultural sector instance growing from 3.5% between 1985 and 1990 to 4 percent in 2005. Table 2.1 shows the economic profile of Tanzania up 2009 just before the establishment of the EAC CM.
Table 2.1: Economic Profile of Tanzania between 1970 and 2009

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP at market prices (constant US$ 2000 bn.)</td>
<td>-</td>
<td>-</td>
<td>8.36</td>
<td>14.05</td>
</tr>
<tr>
<td>Real GDP growth (annual %)</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>6.75</td>
</tr>
<tr>
<td>GDP per capita, PPP (current international $ 1.5)</td>
<td>-</td>
<td>-</td>
<td>454</td>
<td>1044.58</td>
</tr>
<tr>
<td>Private Capital Flow (% of GDP)</td>
<td>11</td>
<td>30</td>
<td>23</td>
<td>6.82</td>
</tr>
<tr>
<td>FDI, net inflows (% of GDP)</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>3.09</td>
</tr>
<tr>
<td>Total Debt Service (% of Gross National Income, GNI)</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>0.87</td>
</tr>
<tr>
<td>Gross Savings (% of GDP)</td>
<td>-</td>
<td>-</td>
<td>8.70</td>
<td>16.91</td>
</tr>
<tr>
<td>Trade (% of GDP)</td>
<td>-</td>
<td>-</td>
<td>50.79</td>
<td>48.74</td>
</tr>
</tbody>
</table>


Mahoma and Mjema (2014) contend that at the time of the creation of the EAC CMP, in 2010, Tanzania’s GDP stood at US$ 458.4 million. Trade as a percentage of Tanzania’s GDP was 63.8%. In 2009, Tanzania’s exports to the EAC countries huge but not greater than its exports to the rest of the world which was estimated at US$ 2.98 million (Mahoma&Mjema, 2014). In fact, by 2013, Tanzania’s intra-EAC trade expanded by 26% with exports to partner states realized a remarkable rise of 115% (The Economist, 2014).

These economic upturns within a few years after the entry in to forces of the EAC CMP raises interesting and fundamental questions regarding the contributions of the EAC CMP to Tanzania’s economic growth. The fundamental question concerns as to whether Tanzania’s commendable economic expansions since 2010 can be attributed to the EAC CMP or whether it can be attributed to other exogenous or endogenous factors that are not directly linked to the effect of EAC CMP.

2.2.4 The EAC Common Market Protocol and Its Linkages to Economic Growth

The EAC-CM was created in 2010 in accordance with two specific Articles of the EAC Treaty; Article 76 and Article 104 (Marobe, 2014; Mwenedat&Mbayaandusha, 2016). The former provides for intra-EAC free
movement of capital, services, goods and labor. According to Marobe (2014), the reading of Article 1 of the EAC Treaty of 1999 implies that the common market is the integration of the five partner states’ markets into a unitary market characterized by free movement of capital, services, goods and labor. The underpinning objective of the EAC-CM is therefore to deepen and widen partner-states’ cooperation in the social and economic fields (Davoodi, 2012). Pursuant to Article 3(2) of the EAC-CMP, the regional common market’s operation is steered by four underpinning principles, namely; equal treatment, information sharing, transparency and non-discrimination (Marobe, 2014).

Under Article 6, the EAC-CMP provides for free movement of goods produced within the partners states, that is, locally produced goods. While under Article 7, Article 13 and Article 14, it provides for free mobility of East African nationals as well as the right for these nationals to establish residence anywhere in the partner states (Kuteesa, 2012; Basnett, 2013). In this sense, EAC citizens are accorded the right to move freely within the community, enter any country of their choosing for the purpose of visiting, education, working, training or living (Davoodi, 2012; Marobe, 2014). However, countries such as Burundi and Tanzania in particular have demonstrated obvious indifference to this provision (Onduko, 2013). Tanzania in particular has been found to have introduced specific bottlenecks to curtail inflow of EAC nationals into the country by creating several sub-classes of work permits (Ligami, 2017).

The free movement of goods therefore means the following; application of common or shared external tariffs for goods emanating from outside the EAC region, tariff elimination for goods locally produced, imposition of common roles of origin, uniform external trade policy application and the elimination or termination of non-
tariff trade barriers (Mwenedata&Bangayandusha, 2016). The implication of this by
the EAC-CMP under Article 6 is that locally produced or manufactured goods, within
the EAC bloc are to be free from any kind of tariffs within any of the partner states
(Basnett, 2013). It further implies that partner states have agreed to apply similar
tariffs for products from outside the EAC integration bloc
(Mwenedata&Bangayandusha, 2016; Ligami, 2017).

The implementation of the free movement of goods within the bloc is administered by
the customs law of the EAC and the EAC protocol on quality assurance,
standardization, testing and metrology. The latter came into force on 15th, January
2001 (Mwenedata&Bangayandusha, 2016). However, despite having agreed to the
formation of the EAC-CM, there partner-state compliance with and implementation
the EAC-CMP with regard to free movement of goods has been problematic. As early
as 2014, the World Bank and the East Africa Secretariat (2014), in their annual report
in the progress of the implementation of the EAC CMP (EAC CMP partner state
scorecard) revealed that there is a general laxity in partner states implementation of
the freedom of movement of goods (Kuteesa, 2012). Furthermore, while the partner
states have taken steps to remove tariff barriers to intra-EAC trade, there commitment
to the removal of non-tariff barriers has limited (Davoodi, 2012; Marobe, 2014).

Another freedom entailed in the EAC CMP is the free movement of persons. This
freedom is provided for in Article 7, Article 13 and Article 14 of the EAC CMP and
concerns the right of mobility of EAC citizens to enter the territories of other partner
states without restrictions such ass visa requirements and to stay within the territories
of other partner states for up to six (6) months without any form of sanction being
imposed on them (Kuteesa, 2012; Mwenedata&Bangayandusha, 2016).
In accordance with the EAC CMP and international law, the protection of citizens of other partner states during their stay in another is the obligation of the host country and not the country of origin. According to Mwenedata and Bangayandusha (2016) however, this provision does not absolve the EAC citizens in other partner states from being prosecuted or extracted should they commit acts of crime in those states. Nonetheless, as with the freedom of movement of goods, the World Bank and the EAC Secretariat (2016) find that the partner states have demonstrated indifference in their implementation of the freedom of movement of persons.

In fact, the partner states are at different levels in their compliance with the freedom of movement of persons. Burundi and particularly Tanzania have been found to be at one end of the continuum whereby they have established stringent rules regarding immigration EAC nationals into their territories contrary to the EAC CMP provisions (Mungai, 2013). Data from Tanzania suggest that the country has regressed in its welcoming of EAC nationals from other partner states by introducing up to 13 sub-classes of work permits and deporting undocumented citizens of other partner states from the country (Ligami, 2017).

On the other end of the continuum are countries such as Kenya and particularly Rwanda which have continued to extend their level of compliance with the provisions of the EAC CMP regarding the free movement of persons. Rwanda for instance has completely eliminated work permit requirements for EAC citizens in the country and currently accords EAC visitors to its territory a 6-months visitor pass (Anyanzwa, 2017). This ununiform compliance with the EAC CMP provisions on free movement of persons does suggest that national interest is very much at play and that
partners are willing only to implement the EAC CMP in parts with regards to how it positively or negatively affects their economic and political interests.

The EAC CMP also provides for free movement of capital. Free movement of capital is realized when the EAC partner states reached a consensus regarding free movement of capital from one partner state to another. The free movement of capital implies the elimination of any discriminatory restrictions based on place of residence of the persons, nationality or capital invested. The EAC CMP also calls on the partner states not to implement any restrictions regarding the movement of payments, capital and transfers as well as not to apply more regulations or restrictions (Kuteesa, 2012; Mwenedata & Bangayandusha, 2016).

Therefore, the free movement of capital demands, as a prerequisite, the absence of restrictions hampering the free mobility of finances among the partner states (Mungai, 2013; Ligami, 2017). Hence, it is worth mentioning that, the free mobility of capital is contingent upon the implementation of certain rights such as; the right of residence, the right of establishment and the free movement of services which is also enshrined in the EAC CMP as one of the four freedoms. According to the World Bank and the EAC Secretariat (2016), the partner states level of compliance with the EAC CMP on free movement of capital has been relatively promising as compared to their compliance levels with the provisions on the other freedoms.

The free movement of workers is closely linked to the free movement of persons and implies situations in which citizens of the bloc have the right to seek employment opportunities and be accepted in employment positions in other partner states (Mwenedata & Bangayandusha, 2016). This freedom as such, is contingent on the free
movement of persons provided for in Article 7, Article 13 and Article 14 of the EAC CMP (Kuteesa, 2012).

Free movement of persons, pursuant to the EAC CMP means that citizens of the EAC have a right to move and seek employment in partner states, conclude contracts in other partners states and stay in the territory of other partner states for employment purposes in accordance with the administrative procedures and national laws regulating employment in that partner state (Mwenedata&Bangayandusha, 2016). This provision is however controversial for some partner states such as Tanzania, Burundi and to some extent Uganda which perceive that free movement of workers has negative consequences for domestic employment (Mungai, 2013; Ligami, 2017; Anyanzwa, 2017).

It is this provision as well as the provision regarding free movement of persons that is at the center of Tanzania’s introduction of the various sub-classes for workers and its expulsion of citizens of the EAC from the country after the entry into force of the EAC CMP (Anyanzwa, 2017). However, according to the neo-classical theory on regional integration, there are certain inherent benefits for partner states compliance with the free inflow of workers (Guru, 2016). In this perspective, as argues Capello and Nijkamp (2009, p.11) free movement of workers result in skills exchange and skills acquisition, information and knowledge exchanges, lowering of domestic unemployment levels (even though it may also raise unemployment levels) and increase in remittance inflow from citizens employed in partner states.

The free movement of persons and the free movement of workers is related to another freedom provided for in the EAC CMP, the free movement of services. In this sense, partner states of the EAC agrees to the free mobility of services supplied by EAC
nationals from partner states (Njuki, 2016; Mwenedata&amp;Bangayandusha, 2016). It also entails the free mobility of services providers originating from one of the partner states to supply services in any of the bloc’s countries.

To facilitate this provision, the partner states are obligated to take decisive steps and measures including removing legal restrictions and bureaucratic bottlenecks, and not establishing new restriction on service delivery within the bloc (Namata, 2014; Jepkemei, 2014). Nonetheless, while partner states have taken measures to ensure free movement of services, they have also demonstrated laxity in moving with speed to ensure that the service sector is completely liberalized for the citizens of partner states. Table 2.2 shows the level of liberalization of the services by partner states.

Table 2.2 No. of Services Sub-Sector Committed by EAC Partner States

<table>
<thead>
<tr>
<th>Services Sectors</th>
<th>Burundi</th>
<th>Kenya</th>
<th>Rwanda</th>
<th>Tanzania</th>
<th>Uganda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>31</td>
<td>15</td>
<td>32</td>
<td>7</td>
<td>33</td>
</tr>
<tr>
<td>Communication</td>
<td>6</td>
<td>17</td>
<td>21</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>Distribution</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Education</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Financial</td>
<td>9</td>
<td>12</td>
<td>15</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Tourism</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Travel</td>
<td>17</td>
<td>9</td>
<td>20</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>Total Sub-Sector Committed</td>
<td>74</td>
<td>63</td>
<td>101</td>
<td>59</td>
<td>98</td>
</tr>
</tbody>
</table>

Source: Author from the World Bank and EAC Secretariat (2016).
The assessment of the provision of the EAC CMP and the reflection on the partner states level of commitment to the protocol suggest two things; one, that there are certain inherent challenges in the implementation of the protocol and secondly, that the protocol implies both implicit and explicit benefits to partner states in terms of promoting economic growth. These, two implications need to be examined further in order to fully conceptualize the EAC CMP and to establish a platform for discussing the theoretical framework and for analyzing the effect of the EAC CMP on Tanzania’s economic growth.

According to Mwapacu (2012) and Kuteesa (2012) pursuant to Article 5(2) of the EAC CMP, it is provided that partner states should eliminate Tariff and Non-Tariff Barriers (NTBs) as well as technical and administrative bottlenecks to the implementation of the EAC CMP. In other words, the EAC CMP calls of deeper cooperation among the partner states through the elimination of restrictions and border controls (Ligami, 2017). Furthermore, the EAC CMP demands that there should be liberation of free capital flows across the bloc. This provision precipitates a dilemma and a challenge for the partner states as they imply the curtailment of their sovereignty, the endangerment of economic interests and the challenges of harmonization of domestic laws in compliance with the CMP (Marobe, 2014).

Furthermore, the EAC CMP provides a challenge by demanding the termination of several other restrictions such as those regarding the rights of establishment of residence in other partner states by EAC nationals, the synchronization of rules including rules of origin and value added tax (VAT) so that the benefits inherent in the EAC CMP can be fully enjoyed by the partner states (World Bank & the East Africa Secretariat, 2014). The challenge in this provision as has been mentioned by
Anyanzwa (2017) is that some states such as Tanzania find these provisions to be potentially perilous to their own national economic interests.

In fact, virtually all the partner states have at least some restrictions with certain elements or provisions of the EAC CMP perhaps due to their multiple partnership in other RECs or purely due to lack of political will (Marobe, 2014). Thus, while pursuant to Article 5 (3) partner states commit to deeper cooperation and coordination especially of economic activities to boost economic growth, their commitment to fair competition in the labor and service market is problematic. This threatens the very idea of the CMP for the bloc since greater openness is perceived as creating potential economic benefits for others and not all (Kuteesa, 2012). This issue is at the center of Tanzania’s indifference with the EAC and the EAC CMP as well as its orientation towards greater cooperation with countries from outside the bloc (Mwamgi, 2017).

Thus, partner states level of compliance with the EAC CMP is big challenge due to the implicit mistrust among them and the perception that some countries especially the more established economic in the bloc stand to benefit more than the rest (Davoodi, 2012). The World Bank and the East Africa Secretariat (2016) report that commitment to EAC CMP implementation remains low and is restrained by national laws and bureaucratic bottlenecks. Hence, overcoming the indifference partner states demonstrate towards the EAC CMP and convincing the partners states that there are important economic growth benefits inherent in compliance with protocol is remains a daunting task (Marobe, 2014). In fact, with the level of non-commitment to the EAC CMP that is manifest in Tanzania, it is hard to quantify how the country has specifically benefited from the EAC CM in terms of its economic growth.
Coupled with the low-level commitment by the EAC partner states to the EAC CMP is the challenge relating to partner states overlapping membership in the REC or RTAs. Khorana, Kimbugwe and Perdikis (2007) contend that the EAC partner states, are at least partners in other RECs such as the COMESA, the African Union (AU) and the Inter-Governmental Authority on Development (IGAD). Table 2.3 shows partner states’ multiplicity in the RTAs. Kuteesa (2012) contends that the double or multiple memberships by the EAC partner states in other RECs is a challenge as it affects their level of commitment to the EAC CMP and the legal tussle they have to overcome in order to fully comply with the EAC CMP.

Table 2.3: Multiplicity of RTA Membership by EAC Partner States

<table>
<thead>
<tr>
<th>Regional Economic Communities</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kenya</td>
</tr>
<tr>
<td>AU</td>
<td>✓</td>
</tr>
<tr>
<td>COMESA</td>
<td>✓</td>
</tr>
<tr>
<td>SADC</td>
<td>✗</td>
</tr>
<tr>
<td>EAC</td>
<td>✓</td>
</tr>
<tr>
<td>IGAD</td>
<td>✓</td>
</tr>
</tbody>
</table>


The challenge for overlapping membership in the RECs for the EAC partner states is that each of these impose certain requirements on the member states, requirements which are at times contrary to those of the EAC CMP and hence place the EAC partner states in a dilemma regarding which provisions to comply with without hampering their membership in other RECs (Kuteesa, 2012). Furthermore, this has confused the nature of trade at the EAC level by exposing the partner states to the
vagaries of trading in multiple RECs. For instance, the requirements for the COMESA regarding the liberalization of trade among the member states is almost similar with that of the EAC under the CMP making it quite difficult for EAC partner states, who are also members of the COMESA to choose what tariffs to impose on specific commodities.

State non-compliance and the lack of commitment towards the EAC–CM Protocol is due to the lack of political will among the leaders of the five partner states and an ill-conceived notion of state sovereignty. Within the Westphalia conception, state sovereignty implies the existence of ruling elite who can make fundamental decisions on behalf of the citizens on matters that they conceive as being of vital interest to the state (Krasner, 2001).

Within the EAC, a near-strict adherence to the notion of state sovereignty and subjective conception of the national interest has influenced the political will of the leadership of the EAC partner states. According to Marobe (2014), the level of compliance and implementation of the EAC–CM Protocol have been hindered by the partner states’ claim of sovereignty. Two issues, state sovereignty, traditionally affect the issue of trade liberalization - from this political will, the other one is the perception that governments do not trade (Ogalo, 2012). In this conception, trade is not an inter-governmental issue but one over which governments exercise full jurisdiction within their territory. In other words, governments have the final say over all the commercial transactions taking place within their territory.

Lack of political will implies that partner states are uncommitted to the legally comply with the provisions of the EAC–CM Protocol. It also implies that partner
states are not keen to implement the provisions of the protocol or those passed by the EAC regarding the implementation of the protocol (Kuteesa, 2012). The concept of absence of political will implies a pessimist ideal for negative policy outcomes. In roughly one year to the end of the implementation deadline for the EAC–CM, the progress is still sluggish and the leaders of the partner states do not seem to be particularly concerned.

Certainly, several issues are indicative of the lack of political will. For instance, Protocol’s provision regarding the free movement of goods, capital, services and labor in Articles 6, 7, 12 and 14, have not been fully implemented by the partner states (The World Bank and EAC Secretariat, 2014). Furthermore, despite the removal of the tariff barriers, the partner states commitment towards the elimination of non-tariff trade barriers has been lacking (Mwapacu, 2012).

According to the World Bank and EAC Secretariat (2014), the harmonization of the laws and policies of the EAC partner states to comply with those of the EAC–CM Protocol, has been a major challenge facing the EAC Common Market. Marobe (2014) argues that the full efficient and effective implementation of the EAC–CM Protocol demands the harmonization of the national laws, regulations, systems and policies of the partner states with the provisions of the EAC Protocol. Article 47 of the Protocol calls upon the partner states to comply structure their national interest to comply with the protocols provisions (Kuteesa, 2012).

However, in nearly five years since its entry into forces, the level of partner states commitment towards the implementation of the Protocol through the harmonization of domestic laws with the Protocols provision remains uncertain. According to
Marobe (2014), the partner states are yet to domesticate even half or the provisions into the national laws, regulations and policies hence the full potential of benefits of the Common Market are yet to be experienced.

The laws and regulations of the partner states of the EAC still present a challenge to Intra-EAC or cross-border trade with other partner states (EAC Secretariat, 2012). According to Ogalo (2012), contend that most of the laws and regulations of the partner states of the EAC are inconsistent with the regional commitments for the full implementation of the Common Market Protocol. From study conducted by the World Bank and EAC Secretariat (2014), it was found that only 2 out of the 20 capital market operations were restriction free among the EAC partner states. It was further determined in the study that at least 63 laws and regulations within the EAC partner states were inconsistent with the states’ commitment towards the liberalization of services trade within the regional economic block (World Bank and EAC Secretariat, 2014).

The level of partner state commitment to the elimination the legal barriers to movements of good within the EAC. This is an impediment to the Common Market Protocol. According to the Marobe (2014), while the partner states have eliminated tariffs with regard to intra-EAC trade, they have not done the same to actualize those measures. For instance, the EAC certificates of origin largely remain inadmissible at the borders and the partner states have not been keen to indict individuals who provide false documents to obtain the certificates.

According to Negasi (2009) entry into regional integration and with it into a common market is assumed to have potential static, dynamic and welfare effects. Static effects
in the form of allocation of resources in response to transforming prices and dynamic effects in the form of transformations in the ability to exploit resulting economies of scale, investments levels and efficiency in production services delivery and ultimately in growth (Negasi, 2009; Ascani, et al. 2012). The Welfare effects forentry into regional integration are considered in the form of increased trade (Ross, 2015). These are just some of the benefits that the EAC and the EAC CMP in particular were aimed at accruing to the partner states.

The EAC CMP is linked to economic growth through the four freedoms entailed in Articles 6, 7, 13 and 14 of the EAC CMP Protocol. According to Davoodi (2012) and Kuteesa (2012) Article 6 of the EAC CMP provides for free movement of locally produced goods within the region while Articles 7, 13 and 14 encourage partners’ states to enhance the movements of people, guarantees freedom of settlement thereby ensuring the right for EAC citizens to establish residence in any partner state. According to Muthoka, et al. (2013) the EAC partners states see cooperation and the protocol as a means of promoting not only intra-regional trade but also for exploiting economies of scale via the pooling of fragmented and small domestic markets to augment industrialization.

Regional integration such as the EAC has the potential for boosting economic growth. Muthoga (2012) contend that FDI inflows into the EAC region increased from US$574 million in 2000 to US$1585 million in 2009. The EAC CMP in particular aims at boosting economic growth through facilitating free intra-EAC movement capital (Muluvi, et al., 2011). Indeed, the EAC CMP can be said to have boosted FDI inflows in the EAC given that FDI inflows into region, have increased from US$1585 in 2009 to US$7.06 billion in 2015 (Vision Reporter, 2015). The significance of FDI
in the EAC should not be underestimated as it has been established that FDI brings with it new technology, investable financial resources and enhances stock market and banking sector development (Muthoga, 2012).

Besides, FDI have been found to facilitate exports to foreign markets thereby strengthening the domestic economy's export capabilities. A study, conducted by Aggarwal (2008) determined that greater regional integration (as in case of the EAC CMP) had a positive correlation with FDI inflows in the partner states of the regional agreement.

In 2013, the East African Legislative Assembly (EALA) moved a motion calling for partner states compliance with the EAC CMP and the abolition of work permit fees to enhance free intra-EAC mobility of citizens of the partner states (Trademark East Africa, 2015a). Articles 7, 13 and 14 encourage partners’ states to enhance the movements of people, guarantees freedom of settlement thereby ensuring the right for EAC citizens to establish residence in any partner state (Muthoka, et al. 2013). Article 10 of the EAC CMP demands "entry and stay" for persons or workers from other partners states (Basnett, 2013). Free movement of labor and persons is perceived by the drafters of the EAC CMP to have the potential of increasing labor availability, information exchange and income earning and as such is considered to be a critical factor for boosting economic development of the partner states (Basnett, 2013).

2.3 Summary and Gaps to Fill

The review of literature revealed that economic development of Tanzania has been influenced by both endogenous and exogenous factors. The endogenous factors pertain to Tanzania's political economic policies since the country's independence while the
exogenous factors concern Tanzania's existence within a global economy which have
influenced Tanzania economic history. The review of literature also revealed that
Tanzania has been on a positive economic trajectory since the mid-1990s.

However, the review has also revealed that little research has been done to examine the
exogenous factors which have influenced Tanzania's economic growth. This is true of the
effect of the EAC and particularly the EAC CMP on the country's economic growth
trends. Indeed, most of the literature that were reviewed revealed that analysis and
scholars have either examined Tanzania economic development or Tanzania's compliance
with the EAC CMP without attempting to link the two. Furthermore, the review also
revealed that most academic analysis regarding the EAC CMP has focused on either
providing an evaluation of the potential benefits of the EAC CMP or partner states
compliance or implementation of EAC CMP.

Consequently, the issue regarding the contributions of the EAC CMP to any partner state
of the EAC has only been done by Njuki (2016), but even this study focused on Kenya
and applied a completely different research methodology. The implication of the
revelations of the literature review is that it is hard to understand and explain whether the
EAC CMP has contributed to Tanzania recent economic growth and particularly if at all,
and how the four freedoms have influenced Tanzania's economic growth trends of the
past ten years. These are the gaps that this study seeks to fill or bridge and in so doing
facilitate greater understanding the benefits of the EAC CMP for economic growth.
Hence, this study sought to answer four fundamental questions, namely; how and to what
extent has the free movement of capital contributed to Tanzania’s economic growth? To
what extent has the movement of labor and persons contributed to Tanzania’s economic
growth? How has intra-EAC trade contributed to Tanzania’s economic growth?
2.4 Theoretical Framework

Four major theoretical perspectives are at the basis of the elements of the common market and therefore help give insight to this study and located it within theory. Considerable theories for this study include; the Theory of Liberal Economic (or Economic Liberalism), neo-classical growth theory, the endogenous growth theory, and trade creation theory.

2.4.1 Economic Liberalism

The basic understanding of the theory of liberal economics or economic liberalism is that it a political ideology that is centered on the organization of the economy in line with individual freedom. That is, the individual rather than organization is the locus of economic decisions (Helleiner, 2003, p.685). Economic liberalism, advanced by Adam Smith (1723 – 1790), has been utilized to conceptualize and explicate various economic issues including regional integration (Thorsen & Lie, 2010). Economic Liberalism is the belief that states should abstain from any tendencies to intervene in the economy and instead surrender the economy to individuals participating self-regulating and free markets. It accentuates free market and Laissez Faire economic policies (Helleiner, 2003).

As such, three things are advocated for in the history of economic liberalism; compulsory action by the government, voluntary individual action and voluntary collective action by groups (Rodan, 2004). It is assumed that self-interest can be utilized as a motivator for keeping individuals interested in the competitive game. Thus, the doctrine underpinning economic liberalisms is that in an exchange economy centered on the division of labor,
individuals left to freely pursue their own interests will habitually cause the enhancement of the overall welfare of the group (Rodan, 2004).

In this sense, the theory of liberal economics holds that the free market is sovereign and that through the price system or mechanism, it constitutes the best apparatus for allocating the resources in a society, both consumption and production (Thorsen & Lie, 2010). Economic liberalism has thus assumed a strong position in developmental economic and which has witnessed its integration into the discourse of regional integration. The underpinning argument in this regard is that through free market and *Laissez Faire* economic policies development can be enhanced (Helleiner, 2003).

Two schools of thought are conceived within economic liberalism, the orthodox economic liberals and the heterodox interventionist economic liberals. The former advocate free trade and free markets and the former support the orthodox economic liberals but also support more government intervention in the form of trade protection and regulation to sustain markets (Blanco, 2015). That is to say that they support state intervention in areas where the market has failed to produce success. The other three theories; neo-classical growth theory, the endogenous growth theory, and trade creation theory can be conceived within the ambit of the theory of liberal economics.

### 2.4.2Neo-Classical Growth Theory

The neo-classical theory emerged in the late 1950s and 1960s as a result of intensive research by Robert Solow and J. E. Meade in the field of growth economics (Guru, 2016). It falls within or is considered as the “exogenous theory of economic growth (Capello & Nijkamp, 2009). As an economic theory, the neoclassical theory sketches how a stable economic growth rate is achievable through proper mix of three driving forces:
capital, labor and trade (Ross, 2015; Ascani, et al. 2012). Its main thesis is that by varying amounts of capital and labor in production function, a state of equilibrium can be obtained. Solow (2000) argued that the introduction a new capital into the economy, there is a corollary increase in the capital to labor ratio.

It also proposes that technological transformation has a potential for majorly influencing an economy, as such it holds that growth is infeasible without technological advances. This theory emphasizes capital accumulation and it associated saving decision as a significant influencer of economic growth (Ross, 2015). The explanation of discrepancies in economic output between countries is attributable therefore to the labor growth and technological transformation pace. The general function of the neo-classical theory is;

\[ Y = AF (K, L) \]

Where; Y stands for Gross Domestic Product (GDP, L for the amount of skilled labor, K for the stock of capital, and A for technology (as an exogenous external factor). In this sense, technology augments labor in the production function and that enduring economic growth would not be realized unless there is a corresponding advance in technology (Guru, 2016). Foreign Direct Investment (FDI), imports, exports provide the means of exchange gap, savings investment gap as well as fiscal gap that developing countries experience (Njuki, 2016; Ascani, et al. 2012).

Multiple studies have revealed that there is a positive association between regional integration and faster trade, specifically intra-regional trade. These include the studies by Te-Velde (2011), Njuki (2016) and Ross (2015) Such finding confirms the argument that is advanced by the neo-classical theorist. Deeper regional integration such as customs union and common markets are also positively associated with increased attraction of
FDI for the partner states (Te-Velde & Bezemer, 2006). The dynamic effect of trade and FDI can be quantified through macro-level analysis by applying growth regression. Nonetheless, this can also be quantified more directly by measuring the dynamic effects through firm-level data and by assessing whether intra-regional FDI and trade influences firm productivity in specific sectors (Te-Velde, 2011).

2.4.3 Endogenous Growth Theory (EGT)

The endogenous growth theory was brought into the limelight of economics by Romer (1986, cited in Capello and Nijkamp, 2009). This theory is also referred to as the ‘new growth theory’ and was intended at explicating the income divergence between countries.

One of the major outcomes of this theory is that policy measures have potential impact on growth rate of the economy in the long-run (Johansson, Karlson and Stough, 2001). This theory argues that growth is often achieved through higher levels of investments and/or savings, human capital and technology (endogenize human capital and technology) that promotes returns to scale and therefore divergence in economic performance (Capello & Nijkamp, 2009).

As such, it is different from the exogenous models such as Solow’s (2000) neo-classical growth model that attributes economic growth to higher investments and savings, albeit in the short-run. Its main point of departure from the neo-classical theory is that economic growth obtains or is generated from within the economy, directly from internal processes and not from external sources. It holds that the enhancement of the human capital of a given nation habitually results in economic growth the development or creation of new forms of efficiency in the means of production and adoption of new forms of technology (Johansson, et al. 2001; Capello & Nijkamp, 2009).
Njuki (2016) points out that three factors are central to economic growth as per the endogenous growth theory, these are; knowledge accumulation, technological change and human capital. Thus, this theory is actually a revision or expansion of Solow’s neo-classical theory in that it adds to the physical capital (capital, labor and technology), human capital (Johansson, et al. 2001). Furthermore, FDI and import inflows as well as exports into and from one country respectively play a fundamental role in facilitating knowledge and technological exchanges (Njuki, 2016; Ascani, et al. 2012). Furthermore, the resulting exchanges enhance the modeling of exports, imports and FDI as stimulants for economic growth.

Knowledge is especially significant in that, being an externality; it may help explain the non-diminishing returns which result in enduring growth. Hence, knowledge transforms exports, imports and FDI (the growth determinants) endogenous in the model enduring as well (Njuki, 2016). The channel through which technology spill over is FDIs while skills spill over through the movement of labor and services from one country to another. This therefore implies that other than the fact that exports, imports, and FDI contribution to economic growth through technology transfers and capital accumulation, they also augment and facilitate transfer of knowledge through skills acquisition and labor training (Solow, 2000).

2.4.4 Trade Creation and Trade Diversion Theory

The theory of trade creation and trade diversion was advanced by Jacob Viner in 1951. In his work, “The Customs Union Issue” published in 1951 Viner examined, from an economic perspective, what has become known as the benefits of economic integration (Marinov, 2014). Even though, Vine centered or focused on customs union, his model
which is referred to as the theory of trade creation and trade diversion has been applied to
the broad field of regional integration including common market (Hitzemann, 2012;
Njuki, 2016).

This theory distinguishes the effects of trade creation and those of trade diversion. According to Te-Velde (2011) the effect of regional integration on intra-regional trade, in Viner’s conception that its effect can either result in trade creating in the event that it complements or replaces domestic production or it can result in trade diversion in the event that the partner countries’ production substitutes trade from the rest of the world.

Trade creation is assumed to have happened if the signing of a trade agreement between two countries (or in the case of the regional bodies such as the EAC, agreement among partner states) shifts trade from a higher-cost producer to a lower-cost production (Marinov, 2014). Trade diversion is said to have happened when imports are shifted from a lower-producer of a third country (not partner state of the integration agreement) to a higher price producer (of a partner state).

According to Viner (1951 cited in Hitzemann, 2012), trade creation has an effect of increasing a country’s welfare while a trade diversion reduces welfare. This theory therefore implies that a country would be more motivated to participate in when integration precipitates greater trade creation than diversion. However, trade creation may also lead to unwanted results. Njuki (2016) notes that producers in the importing member states experience losses as a consequence of membership in the free trade area. This is because the prices reductions induce a reduction in the output of domestic firms, a decrease in profit and ultimately a decrease in employment.
2.6 Conceptual Framework

![Conceptual Framework Diagram]

Source: Compiled by Author from The World Bank and the EAC Secretariat (2016)

Figure 2.2 Conceptual Framework

2.7 Chapter Summary

This chapter has provided a review of literature concerning Tanzania's economic development and literature relating to the EAC CMP. This chapter has also identified the gaps in literature which the study sought to fill. It also highlighted and explained the theoretical framework for the study and identified three theories upon which the study was based. Chapter Two has also provided the conceptual framework for the study by presenting how the dependent and independent variables are linked. The next Chapter provides the research methodology which was used.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was deployed in the course of the study. It identifies and explicates the research design that the researcher chose for the study. This chapter also clarifies the steps and procedures that were used and as such; it highlights and justifies the sources of information or data that were consulted, the techniques and approaches that the researcher deployed in data collection as well as data analysis. This chapter also explains some ethical issues that were considered and how they were met. It further highlights the limitations of the study and how the researcher attempted to overcome the limitations.

3.2 Research Design

A descriptive research design was used in the study. The decision to use a descriptive research design was informed by the understanding that a descriptive approach had the potential to provide a platform for examining and portraying an accurate or precise profile of Tanzania’s economic development, the EAC CMP especially the four freedoms and most importantly how each of the four freedoms have in particular affected Tanzania’s economic growth. The descriptive design was both fixed and flexible. In the former case, it was theory-driven and in the latter the researcher enjoyed autonomy in data collection.

This study sought to examine the contributions of EAC CMP on the economic growth of Tanzania. As such another reason for using the descriptive design was due to researcher’s presumption that this approach would allow for the accurate assessment of the potential
benefits of each of the freedoms as was aimed at in the EAC CMP. Essentially, a
descriptive research would allow the researcher to deal with the ‘how’ and ‘why’
questions inherent in the research topic.

3.3 Sources of Data

This study was essentially a qualitative or a desktop review. In tandem with this nature of
research, the study relied exclusively on secondary or qualitative data. As such, the
sources of data for the study included already existing information in published and
unpublished academic material. The sources of data or information for this study
therefore included journal articles, published books, unpublished academic sources
(including theses), as well as relevant electronic sources including electronic articles,
websites and blogs.

Most of these sources were available at the USIU Library and Information Center. Apart
from having extensive and relevant hardcopy materials in terms of books and journal
articles, the library also provided access to several e-journals databases that aided the
collection of relevant data.

3.4 Data Collection Techniques

The research utilized a background approach (or historical technique) for collecting data
from secondary sources of information. The background approach involved a review of
the Tanzania’s economy since the entry into force of the EAC CMP and assessment of
the country’s economic performance before the protocol. Thus, the data collection
process entailed a subjective and systematic evaluation of data from for the consulted
sources of information. The information collected, involved the foundations of the EAC,
information regarding Tanzania’s economic development since its independence,
information regarding the EAC CMP and particularly the effects of the four freedoms on economic development.

The study also collected information concerning Tanzania’s economic growth and the EAC CMP. This information included Tanzania’s GDP rate, infrastructure development, foreign remittance, employment levels and trade volume with the other partner states. Preference for a historical technique was founded on the understanding that this approach provided the means for taking a retrospective account of the EAC CMP and Tanzania’s economic development and as such would aid the realization of accurate account of the nature of relationship between Tanzania’s economic growth and the EAC CMP.

3.5 Data Analysis Methods

A combination of thematic (implying theme) and content analysis techniques of qualitative data analysis was used in this study. The choice for the adoption of a mixture of these two approaches was informed by the fact that the study was essentially historical in nature and mainly descriptive. Furthermore, a combination of these two distinct approaches in this study therefore accorded the researcher a platform for conducting a deeper description of the issues investigated and also for providing a sensible interpretation of the collected information as per the objectives of the study.

The two distinct approaches were reciprocally reinforcing thereby enhancing the analysis. The content analysis allowed the researcher to focus the topical subjects, that is, the socio-political and economic contexts of Tanzania and of the EAC as shaped by the EAC CMP inherent in the consulted and the thematic analysis allowed the researcher to focus to interpret these contents and to develop themes thereby accounting for impact of the EAC CMP on Tanzania.
In other words, the utilization of thematic analysis allowed for the development of a thematic map, that is, the contributions of the EAC CMP to the economic growth of Tanzania. Lastly, mixture of content and thematic techniques had the overall effect of permitting the linking of manifest content, what was observed in the data and latent content, the significance of occurrences, figures and policies.

3.6 Ethical Consideration

As per the nature of this study, it being a qualitative or desktop research two ethical issues was considered. These issues were; one, the ethical issues regarding the utilization of privileges the researcher had by virtue of being the sole architect of the research; two, ethical issues regarding the research process. In the former instance, the researcher was apprehensive of the fact that research, at Master’s level should be aimed at resolving a social problem or explicating a situation for the benefit of the society.

As such, the research topic was chosen to facilitate the understanding of whether regional integration such as the EAC has any benefits for partner states in terms of boosting economic growth. Furthermore, this study could influence Tanzania policy thereby affecting many people. In line with this understanding the research ensured no abuse on the privileges accruing to, as the sole researcher. The research ensured that proper and accurate information was provided, information that has the potential for contributing positively to policymaking process.

Secondly, with regard to the research process and in consideration of the fact that privileges are not abused. The research also comprehended that integrity is critical in research. To ensure honesty the researcher took drastic steps to avoid fraud and plagiarism. As such, the researcher ensured that work by other scholars were not copied
and pasted, and that every single original source of information and ideas used in this study were correctly acknowledged. Proper citation and referencing of such borrowed information and ideas were acknowledged using the American Psychological Association (APA) referencing guideline.

3.7 Study Limitations

The study was principally a desktop review and as such it relied on secondary sources of data. The nature of the study and the reliance of the study on secondary sources meant that the study had the potential of being influenced by the theoretical and dogmatic biases of scholars and authors of consulted sources of information. To overcome this limitation, the research employed three techniques; extensive consultation with the project supervisor to ensure reduction in biases, extensive reading and consultation of various sources on the subject and ensuring that the majority of sources of data used especially in the literature review were either books or peer reviewed articles.

3.8 Chapter Summary

This chapter has provided and clarified the research methodology. It has discussed and justified the research design, which has been identified as a descriptive research design. This chapter has also discussed the sources of data that were used in the study. It has clarified that since the study is qualitative in nature, data was obtained from secondary sources. It has explained that the method for data collection was the background/historical study and the methods for data analysis was a combination of content and thematic techniques. This chapter as also discussed the ethical considerations that the researcher observed including the ethical issues regarding the utilization of privileges the researcher had by virtue of being the sole architect of the research and
ethical issues regarding the research process. The limitations of the study and how each was overcome have also been discussed in this chapter. Chapter four is a discussion of the findings of the study.

This chapter has both identified and provided the justification of the research design. It has also highlighted the sources of data that were consulted and explained how these sources were accessed. The study has identified the methods of data collection and the techniques for data analysis. It has explained that the data collection technique was a historical or background study and highlighted why the researcher chose this approach. The researcher has also explained why content and thematic techniques for data analysis were preferred. This chapter has also discussed the ethical issues that the research considered and identified the limitations of the study. The chapter has further discussed how the researcher attempted to counter the limitations to guarantee the satisfaction of the study objectives. The next chapter, Chapter four discusses the research findings of the study in accordance with the study objective and research questions.
CHAPTER FOUR

4.0 FINDINGS OF THE STUDY

4.1 Introduction

The general objective of this chapter is to provide evidence-based contributions of the EAC CMP on economic growth of Tanzania. It provides the findings of the study with respect to the research objectives. As such, it provides study findings concerning the contributions of intra-EAC trade liberalization to the economic growth of Tanzania, contributions of free movement of people and labor to the economic growth of Tanzania and, contributions of free movement of capital to the economic growth of Tanzania.

4.2 Contributions of Intra-EAC Trade Liberalization on Economic Growth

Trade liberalization is at the core of the EAC CMP. The underpinning goal of intra-EAC trade liberalization is to expand the regional markets for goods emanating or produced from within the EAC (Namata, 2014). Trade is at the central of Tanzania's economy accounting for 55% of its GDP (The East African, 2014a; USAID, 2015). The EAC partner state states have become crucial to Tanzania regional trade with exports to the region being estimated at US$1.1 billion (Mwamgi, 2017).

From Table 4.1 which shows the totals of Tanzania's intra-EAC trade between 2010 and 2014, it can be seen that the country experienced an increase in its intra-EAC trade throughout the period. It should be recalled that the EAC CMP camein 2011. Hence, the increase in Tanzania's trade with the rest of the EAC partner states can be attributed to the EAC CMP.
While imports from decreased by 41.5% from US$678.6 million to US$ 397 million between 2012 and 2013, it was still higher than that recorded in 2010. Tanzania's exports to the rest of the EAC however maintained a constant growth from 3.7% recorded in 2011 to the highest 82.3% recorded in 2013. However, a slump in Tanzania's export to the region dropped by 30.3% in 2014. Over the same period the Tanzania's trade value also recorded an upward trend especially between 2011 and 2013.

In general, therefore, the import -export trends for Tanzania between 2010 and 2013 in particular the increase reveals that the EAC CMP had a positive effect on Tanzania intra-EAC trade (Mwamgi, 2017). This had positive implications for the country's economic growth in that between 2012 and 2013, the country experienced an increasing positive balance in its intra-EAC trade. Over the period 2012 to 2014, Kenya remained Tanzania's largest trade partner with total trade volume worth US$1.2 billion being recorded (The East African, 2014b).

**Table 4.1: Tanzania's Total Intra-EAC Trade 2010 – 2014 (US$ Million)**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Percentage Change</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>295.9</td>
<td>378.1</td>
<td>678.6</td>
<td>397.0</td>
<td>709.8</td>
<td>27.8</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>394.3</td>
<td>409.0</td>
<td>613.3</td>
<td>1,118.0</td>
<td>779.5</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Total Trade Value</strong></td>
<td>690.2</td>
<td>787.1</td>
<td>1,291.9</td>
<td>1,515.0</td>
<td>1,489.3</td>
<td>14.1</td>
</tr>
</tbody>
</table>

*Source: East African Trade Report, 2014*
In fact, when Tanzania's intra-EAC trade after the establishment of the EAC CMP is compared to the pre-EAC CMP epoch, it is apparent that the EAC CMP positively affected the country's regional trade. Indeed, as shown in Table 4.2 while the country maintained an overall positive growth trend in its intra-EAC trade, this growth became exponential after the EAC CMP came into force.

However, between 2005 and 2010, Tanzania was already experiencing a growth in its intra-EAC trade averaging 6.6% and accounting for 20.67% of total intra-EAC trade by 2010 (Jepkemoi, 2014). This creates fundamental questions concerning with Tanzania would have remained in this positive trajectory even if the EAC CM had not been established.

**Table 4.2: Tanzania's Total Intra-EAC Trade Value 2005 – 2010 (US$ Million)**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Percentage Change</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2006 2007 2008 2009 2010</td>
</tr>
<tr>
<td>Total Trade Value</td>
<td>289</td>
<td>291.1</td>
<td>279.7</td>
<td>520</td>
<td>574.3</td>
<td>690.2</td>
<td>0.59 -3.9 86 5.2 20.2</td>
</tr>
<tr>
<td>Source: EAC Facts and Figures, 2013</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Tanzania's economic data as shown in Table 4.3 also shows significant facts which can be linked to the EAC CMP especially, increased intra-EAC trade. Between 2012 and 2016 Tanzania witnessed constant increase in its GDP per capita and Real GDP. Similarly, Tanzania it recorded a constantly increasing economic growth from 5.1% (of
GDP) realized in 2012 to 7.0 realized in 2016. Nonetheless, the table also shows that Tanzania continued to experience trade deficits with the rest of the world.
### Table 4.3: Tanzania's Economic Performance between 2012 and 2016

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita (US$)</td>
<td>862</td>
<td>957</td>
<td>1,021</td>
<td>916</td>
<td>976</td>
</tr>
<tr>
<td>Real GDP (US$Bn)</td>
<td>38.7</td>
<td>43.9</td>
<td>47.7</td>
<td>43.7</td>
<td>47.5</td>
</tr>
<tr>
<td>Economic Growth (GDP, annual variation in %)</td>
<td>5.1</td>
<td>7.3</td>
<td>6.8</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Current account Balance</td>
<td>-3.8</td>
<td>-5.0</td>
<td>-5.7</td>
<td>-4.1</td>
<td>-2.9</td>
</tr>
<tr>
<td>Trade Balance (US$ bn.)</td>
<td>-4.4</td>
<td>-5.8</td>
<td>-5.7</td>
<td>-4.1</td>
<td>-2.9</td>
</tr>
</tbody>
</table>

Source: Tanzania Bureau of Standards, 2017

Therefore, it is evident that the EAC CMP has contributed to Tanzania's economic growth through trade creation than rather trade diversion for Tanzania. As it was anticipated in the by the provisions of the EAC CMP, intra-EAC trade liberalization has led to the increase in volume and value of the intra-EAC trade and thereby led to creation of trade for partner states (Shinyekwa, 2015). Nonetheless, Tanzania indifference to certain aspects of the EAC CMP regarding intra-EAC trade liberalization has cuts its ability to fully harness the opportunities offered by the EAC CM for its own economic growth.

### 4.3 Contributions of Free of Movement of Labor and Persons on Economic Growth

Free movement of persons and labor has had some significant impact on Tanzania's economic development through various ways especially skills transfer, addressing skills challenges in some key sectors in the country's economy as well as information exchange, and foreign remittance inflows (Onduko, 2013). Professional mobility of labor has facilitated the narrowing or addressing of the skills shortages in Tanzania's most
important sectors such as education, engineering, finance, management and technical jobs. For instance, by 2003 about 20% of technical job positions in Tanzania are occupied by none citizens especially coming from within the EAC (Onduko, 2013). Distribution of foreign nations working in different professional positions is shown in Table 4.4.

Table 4.4: Foreign Laborers from the EAC working in different professional Positions in Tanzania, 2001 - 2003

<table>
<thead>
<tr>
<th>Position</th>
<th>Number of non - Tanzanian EAC Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers and Supervisors</td>
<td>842</td>
</tr>
<tr>
<td>Engineers</td>
<td>40</td>
</tr>
<tr>
<td>Finance</td>
<td>171</td>
</tr>
<tr>
<td>Technicians</td>
<td>86</td>
</tr>
<tr>
<td>Lower Cadre jobs</td>
<td>1861</td>
</tr>
</tbody>
</table>

Source: Ligami, 2017

Tanzania is however considered to be the most indifferent with the idea of free movement of workers into the country as brought about by the EAC CMP. This is owing to the fact that the country has established bottlenecks to freedom of movement of labor and persons by introducing at least 13 sub-classes of work permits (Ligami, 2017). As of 2012, foreign workers of EAC descent made up only 0.9% of the labor force in Tanzania (Mungai, 2013).

This was a huge decrease from the 20% recorded by 2003 and is indicative that the EAC CMP may have had a negative effect as far as foreign workers contributions to Tanzania's economic growth in the EAC CM epoch is concerned. Table 4.5 shows number of workers from EAC countries who were employed in Tanzania in 2012, one year after the entry of the EAC CMP into force.
Table 4.5: Foreign Laborers from the EAC working in Tanzania in 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Number Workers</th>
<th>Percent of the Labor Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenyans</td>
<td>1,200</td>
<td>1.7</td>
</tr>
<tr>
<td>Ugandans</td>
<td>230</td>
<td>0.3</td>
</tr>
<tr>
<td>Rwandan and Burundi</td>
<td>230</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,660</strong></td>
<td><strong>2.3</strong></td>
</tr>
</tbody>
</table>

Source: Mungai, 2013

Workers from other EAC countries that are seeking to work in the country are currently being forced to pay $2000 each for work permits and in 2013, Tanzania expelled EAC immigrants. The outcome of Tanzania's policy restricting the entry of workers from other EAC partner states has been huge shortage of skills. For instance, while the country's formal-sector labor forces are estimated at about 1.3 million, about 10% of the posts were vacant, which translates to about 126,073 vacancies in 2013 (Mungai, 2013).

The education sector for instance is where the biggest skills shortage is being felt and in 2013, there were about 54,828 vacancies (Mpehongwa, 2014). The other important sectors that were suffering skills shortages in 2013 were public administration and social security with 36,532 vacancies as well as health and social work with 19,052 (Mungai, 2013).

Indeed, considering Tanzania systematic move to restrict entry of foreign workers from the EAC into the country's labor market contrary to the EAC CMP, it is easy to understand why the country suffers huge skills shortages. It can be argued that the EAC CMP has had little contributions to Tanzania economic development especially in terms
of skills transfer, addressing skills challenges in some key sectors in the country's economy as well as information exchange (Onduko, 2013).

In fact, comparing the contributions by EAC immigrants to Tanzania economic growth before and after the establishment of the EAC CMP, it is evident that EAC immigrants contributed more to the country economic growth before the EAC CMP was established than after. This is true owing to their large presence in the country (Mungai, 2013). Nonetheless, the small number of workers of EAC descent that have been employed in professional positions have contributed to the sector performance.

There is another aspect to evaluating EAC CMP contributions to Tanzania's economic growth. This is by looking at it exogenously, that is, in terms of number of Tanzanian's that have gotten employment in other partner states and their remittance to Tanzania. For instance, by 2017 it is estimated that there were at least 500,000 Tanzanians living and working in Kenya alone (Marindany, 2017). The number is very high when the whole of EAC is considered even though data on the total number of Tanzanian's currently living in other EAC partner states is hard to come by and may probably be an approximation.

The ability for Tanzanian's to move and seek employment opportunities in other EAC countries are definitely directly related to the EAC CMP. This is especially so, because unlike Tanzania, other EAC partners including Rwanda, Kenya and Uganda in particular have removed work permits allowing EAC nationals to come in (Ubwani, 2017). As such, Tanzanian's has been able to get employment elsewhere in EAC in 2017 least 500,000 Tanzania’s were working in Kenya while before the EAC CMP the number stood at about 200,000.
As such, it can be seen that the EAC CMP has had positive economic implications for Tanzania as these citizens as well as those working Rwanda, Uganda and Burundi have been able to send remittance back home and to invest the money they have made on other economic activities such as setting up businesses back home. Three issues link the EAC CM particularly free movement of labor and persons to Tanzania's economic development, these are; increased employment, skills acquisition/training and remittance inflows (Namata, 2014). In the first instance, Tanzania has been able to make progress in addressing its unemployment by having its citizens seek employment opportunities in other EAC partner states.

**Table 4.8: Tanzania Workers in Other EAC 2009, 2010, 2013**

<table>
<thead>
<tr>
<th>Destination Country</th>
<th>2009</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>70,234</td>
<td>92,527</td>
<td>33,015</td>
</tr>
<tr>
<td>Rwanda</td>
<td>1898</td>
<td>6,037</td>
<td>45,373</td>
</tr>
<tr>
<td>Uganda</td>
<td>67,323</td>
<td>71,833</td>
<td>25,093</td>
</tr>
<tr>
<td>Burundi</td>
<td>5,789</td>
<td>7,609</td>
<td>24,851</td>
</tr>
</tbody>
</table>

*Sources: World Bank, Migration and Remittances Factbook, 2009 - 2014*

Between 2006 and 2009, remittance to Tanzania accounted for an average of 0.1% of the GDP. Beginning in 2010, it rose 1.1% (of GDP) before reaching an average of 1.2% (of GDP) (The Word Bank, 2017a). The increases in remittance after the establishment and entry into force of the EAC CMP is therefore significant. Remittances are considered important sources of development fund as the money can be used to invest in stock
markets, invest in real estate and other business, as well as get families out of abject poverty (Kamuleta, 2014).

As such together with other endogenous and exogenous factors, remittances could have contributed to Tanzania's poverty reduction from 60% recorded in 2007 to 46% recorded in 2016 (The World Bank, 2017b). Furthermore, the employed Tanzania workers in other EAC partner obtained skills and training as well as education crucial to Tanzania's economic development. Employment and skills acquisition are directly linked to increased performance especially when such employs are employed back in Tanzania.

4.4 Contributions of Free Movement of Capital on Economic Growth

After much hype and indifference to the EAC CMP provisions regarding intra-EAC free movement of capital, Tanzania took drastic steps in permitting free movement of capital into the country (The East African, 2014a). This move has had significant positive impact on the country's growth in many ways including increase in FDI, Stock market development and bank development. These areas are endogenous to Tanzania's economic development as is the case elsewhere in the world (Muthoga, 2012).

Regional integration especially the creation of the EAC CMP is considered as the primary reason as to why the East African region has continued to attract FDI (Muthoga, 2012). Between 2014 and 2015, the East African region attracted 26.2% of FDI projects in Africa thereby closing the FDI gap with Southern Africa which attracted 27.6% (Copley, 2016). This points to a possible link between the regional integration and FDI attractiveness of the EAC partner states.

Tanzania benefited from membership to the EAC and the country has in fact remained the most attractive destination of FDI within the EAC. In 2014 while the total FDI

This finding that FDI has accrued to Tanzania is in line with Aggarwal (2008) determination that greater regional integration results in FDI inflows in the partner states of the regional agreement. The significance of FDI inflows into Tanzania is shown in the Table 4.6 which also shows sectorial FDI distribution between 2009 and 2011.

Table 4.7: Distribution of FDI Stock in Some of Tanzania's Key Sectors, 2009-2011

<table>
<thead>
<tr>
<th>Sector</th>
<th>2009</th>
<th>% share in total</th>
<th>2010</th>
<th>% share in total</th>
<th>2011</th>
<th>% share in total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining and Quarrying</td>
<td>2,770.1</td>
<td>34.3</td>
<td>3,738.1</td>
<td>42.7</td>
<td>4,123.0</td>
<td>44.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,235.8</td>
<td>15.3</td>
<td>1,332.5</td>
<td>15.2</td>
<td>1,520.5</td>
<td>16.4</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>687.9</td>
<td>8.5</td>
<td>700.7</td>
<td>8.0</td>
<td>756.6</td>
<td>8.2</td>
</tr>
<tr>
<td>Information and communication</td>
<td>1,545.2</td>
<td>19.2</td>
<td>909.9</td>
<td>10.4</td>
<td>627.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Electricity and Gas</td>
<td>111.3</td>
<td>1.4</td>
<td>328.6</td>
<td>3.8</td>
<td>539.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Agriculture</td>
<td>308.8</td>
<td>3.8</td>
<td>304.5</td>
<td>3.5</td>
<td>355.4</td>
<td>3.8</td>
</tr>
<tr>
<td>Education</td>
<td>18.2</td>
<td>0.2</td>
<td>20.6</td>
<td>0.2</td>
<td>10.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Real Estate</td>
<td>89.7</td>
<td>1.1</td>
<td>89.1</td>
<td>1.0</td>
<td>99.2</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: Tanzania Investment Report 2012 Bank of Tanzania

Certainly, FDI has been crucial to Tanzania's economic growth. However, the extent to which the EAC CMP is directly linked to FDI through capital inflows needs more scrutiny. In 2016, Kenya's FDI in Tanzania was estimated US$1.7 million accounting for between 5% and 7% of total FDI in the country (State Department, 2017). This is figure just surpasses US$1.5 million (Ks. 160 billion) that was Kenya's worth of investments in
Tanzania in 2009, which indicates negligible but positive effect of EAC CMP in FDI inflows for Tanzania from the EAC, between 350 and 529 Kenyan company’s worth between US$1.5 billion and US$1.7 billion have invested in Tanzania creating an approximated 50,000 jobs in the country between 2011 and 2017 (Kamau, 2017; Xinhua, 2017).

A lot of investments led to the projection that FDI would lead to the creation of about 103,958 jobs in Tanzania in 2007 but only about 79,101 jobs had been created by 2011 (Trademark East Africa, 2015a). Kenya's investments in Tanzania was directly encouraged by the EAC CMP and resulted in the initiation of 518 projects and creation of 66,762 jobs (Trademark East Africa, 2015c). This figure is however significant in job creation and ultimately in economic growth. Nonetheless, the extent to which increased FDI inflow in Tanzania is directly attributable the EAC CMP is not so straight forward.

The creation of the EAC CMP has also facilitated banking sector development and the development of Tanzania’s security markets the DSE. The banking sectors has continued to play a critical role in the EAC integration process through the facilitation of capital mobility across the region. The 26 commercial banks in Tanzania have facilitated the flow of capital into and out of the country since the creation of the EAC CMP and have in turn experienced sustained growth.

Since the establishment of the EAC CMP, Tanzanian commercial banks like the rest of the commercial banks in the rest of the EAC have been able to set up operations in more than one partner state (World Bank & EAC Secretariat, 2014). It is in the aftermath of the EAC CMP creation that Tanzania’s Cooperative Rural Development Bank (CRDB) initiated operations in Burundi in 2012. Furthermore, by operating in other partner states,
Tanzania’ banks have been able to adopt the regional business model centered on several elements such as client-demand and corporate structures all of which has had the effect of boosting their own growth (World Bank & EAC Secretariat, 2014).

Additionally, the opening brought about by the EAC CMP has enabled Tanzania banks to offer loans to foreign investors from the partner states who are investing in Tanzania. This has improved the banking sector growth in terms of performing loans. Between 2009 and 2013, the assets controlled by the banks in Tanzania grew at a Compound Annual Growth Rate (CAGR) of about 17.5%. Furthermore, over the same period, loans and advanced overtook overall asset growth reaching 22.5% and the assets of the banking sector was estimated to have increased by 14% by end of 2013 (EY, 2013). These growth transformations in the commercial banking sector in Tanzania cannot be taken as being purely coincidental. They must be construed as a consequence of the EAC CMP especially given the fact that this growth has only been witnessed in the aftermath of the Protocol’s creation.

Apart from facilitating growth in Tanzania’s banking sector, it is interesting that the EAC CMP has not had the same time effect one Tanzania’s securities market, the Dar es Salaam Stock Exchange (DSE). While growth in the securities sector since the creation of the EAC CMP has been witnessed in virtually all the partner states the same cannot be said of Tanzania. The regional securities market is robust and controls a lot of funds estimated at over US$ 26 billion ((World Bank & EAC Secretariat, 2016). Nonetheless, of these resources, Tanzania controls just 15.3% (US$4 billion) with Kenya controlling 76.7% (US$ 20 billion) and the rest is controlled by the other partner states. Furthermore, data collected from the period following the creation of the EAC CMP suggest that the DSE has performed dismally in the epoch following the creation of the CM.
It is estimated that between 2011 and 2012 (the period following the entry into force of the CMP) the DSE made a loss of US$215,977 (Tsh338.84 million). Furthermore, in the fiscal year 2011/2012, the DSE Treasury bonds listing was estimated at US$ 275.9 million (Tsh433 billion) which as just at 53% of the US$ 581. Million (Tsh. 918 billion) that it listed in the fiscal year 2009/2010 (Mugwe, 2013). In this sense, it is evident that the DSE remained mostly unprofitable even after the creation and entry into force of the EAC CMP.

4.5 Chapter Summary

This chapter has provided and discussed the findings of the study as per the research objectives namely, the contributions of free movement of capital to the economic growth of Tanzania, the contributions of free movement of people and labor to the economic growth of Tanzania and the contributions of intra-EAC trade liberalization to the economic growth of the country.

It has found that the EAC CMP is significantly linked with the economic growth that Tanzania has witnessed over the past 7 years since the establishment of the EAC CM. However, it is worth noting that not all of Tanzania's economic growth is directly attributable to the EAC CM as there are other exogenous and endogenous factors such as political leadership and non-EAC FDI whose contributions to Tanzania's growth is not so explicitly associable with the EAC CMP. The next chapter which is Chapter Five provided the summary of the major findings of the study, the conclusion and the recommendations.
CHAPTER FIVE

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the conclusions of the study based on the research objective and drawing from the major findings of the study. This chapter also provides the recommendations of the study according to this study. It however commences with the summary of the study including the summary of the research methodology and the major findings of the study according the researcher objectives that the study sought to address.

This study utilized a descriptive research design.

This design was considered appropriate for the study as it provided a platform for examining and portraying an accurate or precise profile of Tanzania’s economic development, the EAC CMP especially the four freedoms and most importantly how each of the four freedoms have in particular affected Tanzania’s economic growth. This study was essentially a qualitative or a desktop review.

In accordance with this nature of research, the study relied exclusively on secondary data. Most of these sources were available at the USIU Library and Information Center. The researcher utilized a background approach (or historical technique) for collecting data from qualitative or secondary sources of information.

A combination of thematic (implying theme) and content analysis techniques of qualitative data analysis was used in this study. The choice for the adoption of a mixture of these two approaches was informed by the fact that the study was essentially historical in nature and mainly descriptive.
5.2.1 Contributions of Intra-EAC Trade Liberalization on Economic Growth

This study has found that the EAC CMP by encouraging intra-EAC trade liberalization has contributed to the economic growth of Tanzania. The study has found that since the entry into force of the EAC CMP, Tanzania intra-EAC trade has increased constantly and has surpassed the total trade value that the country had realized prior to the establishment of the EAC CMP. The freeing of intra-EAC trade has allowed Tanzania greater access to markets within the EAC and as such has resulted in increased exports and imports for Tanzania.

It has found that while in 2010 the value of exports was estimated at US$ 690.2 million in 2014 it stood at 779.5 million which translated to a 97.6 percentage change. Between 2010 and 2014 it was also found that the total value of Tanzania's trade with the rest of the EAC increase from US$ 690.2 million in 2010 to US$ 1,489.3 million in 2014 (Mwamgi, 2017). A percentage change of 115.8). The study has further found this trade creation brought about by the EAC CMP's has enabled Tanzania to realize a positive balance of trade with the rest of the EAC states.

However, the study also found that between 2005 and 2010, Tanzania’s total trade value with the rest of the EAC grew from US$ 298.4 million in 2005 to US$ 690.2 million, a percentage change of 138%. It has found that between 2005 and 2010 Tanzania was already experiencing an average increase in its trade with the rest of the EAC of 6.6% (Tanzania Bureau of Standards, 2017). This considered, it is hard to tell whether the EAC CMP had was the cause of the increase or whether increase was a result of trajectory that began before the EAC CMP. The study established that between 2012 (just a year after the entry into force of the EAC CMP) Tanzania experienced a positive trend in trade in two significant economic growth indicators.
namely; the GDP per capita and Real GDP which increased from US$ 862 million to US$ 976 million, and from US$38.7 billion to US$ 47.5 billion between 2012 and 2016 respectively (Mwamgi, 2017).

The country however maintained a negative current count balance throughout the period 2012 to 2016 and sustained trade balance with the rest of the world. This is means that while Tanzania has experienced a positive trend in its trade with the rest of partner states, it external trade with other states has been skewed in favor of those states (The East African, 2014b).

5.2.2 Contributions of Free of Movement of Labor and Persons on Economic Growth

The study has found that the intra-EAC free movement of people and labor facilitated economic growth for Tanzania. The free movement of labor has contributed to Tanzania's economic development through various ways especially skills transfer, addressing skills challenges in some key sectors in the country's economy as well as information exchange, and foreign remittance inflows. The study has established that professional mobility of labor has facilitated the narrowing or addressing of the skills shortages in Tanzania's most important sectors such as education, engineering, finance, management and technical jobs.

It has also determined that the ability of EAC nationals to contribute to Tanzania's economic growth has been hampered especially in the period after the establishment EAC CMP with Tanzania's indifference to the provision and Tanzania's introduction of bottlenecks against inflow of EAC nationals into the country. The study has found that Tanzania's introduction of several sub-classes of work permits and its expulsion
of EAC nationals led to drastic reduction in EAC immigrants in the country to 0.9% of the labor force in Tanzania, down from 20% in 2003. The study found that due to Tanzania's indifference towards the freedom of movement the country has suffered great skills shortages in some key sectors of the economy such as education and finance.

Nonetheless, it has found that the few EAC nationals that form part of the labor force in Tanzania have contributed economic growth in Tanzania since 2010 as they are employed mainly in professional positions in key sectors such as education, finance, mining and private sector. The study found that a comparison of the contributions by EAC immigrants to Tanzania economic growth before and after the establishment of the EAC CMP, evident is found suggesting that EAC immigrants contributed more to the country economic growth before the EAC CMP was established than after.

The study has established that free movement of labor and persons within the EAC has facilitated Tanzania's economic growth by allowing Tanzania citizens to move to other EAC countries. by 2017 it is estimated that there were at least 500,000 Tanzanians living and working in Kenya alone (Marindany, 2017). It found that Tanzanian's have been able to get employment elsewhere in EAC thereby contributing to reduced unemployment rates and poverty reduction in Tanzania. At the same time, Tanzania citizens in other EAC countries have been able to remit finances back to their family and kin thereby contributing to the increase in household income for families.

Furthermore, they have been able to acquire skills which they pass to other back in Tanzania. Thus, the study has found that while the EAC CMP has contributed much to Tanzania's economic growth by creating opportunities for Tanzanians to seek
employment elsewhere in the EAC, remit money back to Tanzania and acquire skills which some have brought back to Tanzania (Onduko, 2013).

5.2.3 Contributions of Free Movement of Capital on Economic Growth

The study found that the EAC CMP through free movement of capital has contributed to the economic growth of Tanzania. It has found that free movement of capital has resulted in significant positive impact on the country's growth in many ways including increase in FDI, Stock market development and bank development. It has found that the Tanzania has been able to realize increased FDI since the establishment of the EAC CM and that the country has been leading the region as the most attractive FDI destination. It found that while in 2014 the total FDI inflows to the EAC stood at US$ 7.09bn., Tanzania accounted for 30.1% of this receiving US$ 2.1bn. The study found that while between 1995 and 2012, Tanzania had accumulated FDI inflows estimated at US$ 12 billion, it reached US$ 19.8 billion between 2010 and 2016. This increase is significant given the fact that it occurred after the entry into force of the EAC CMP.

The study has found that in the period between 2010 and 2016, Kenya's FDI in Tanzania was estimated US$1.7 million accounting for between 5% and 7% of total FDI in the country as compared to the period up 2009 when the Kenya's FDI was US$1.5 million. As such the investment increased by 13% between 2009 and 2016. The study found that the FDI has facilitated economic growth in Tanzania through investments in key sectors such as mining and quarrying, manufacturing, finance and insurance, information and communication, electricity and gas, agriculture, education and real estate. Furthermore, the study has found that FDI investments have facilitated job creation in the projects and sectors in which the funds have been directed.
According the findings of the study, at least each of the three theories outlined the theoretical framework explain this study. The neoclassical theory gives insight into how capital and labor facilitate economic growth. In this study, it has been found that the capital inflows into Tanzania have facilitated sector performance. Furthermore, the study has also found that labor inflows and outflows into Tanzania have facilitated the country's economic growth in terms of employment creation, skills exchange, remittances and addressing of skills shortages.

The endogenous growth theory which upholds the primacy of savings, technology, human capita and investments also relates very closely with the findings of this study. The study has found that free capital movement into Tanzania has facilitate the development of the DSE and led to increased FDI. The study has found that increased FDI has facilitated economic growth through investments in key sectors and job creation. It found that FDI investments in the mining and quarrying sector increased by 44.4% between 2009 and 2011, manufacturing 16.4%, Finance 8.4% and Real Estate 1.1%

The trade creation and trade diversion theories also provide perhaps the most perceptible understanding of the EAC CMP on Tanzania. The EAC CMP by encouraging free intra-EAC trade has facilitated trade creation rather than trade diversion. Trade creation is assumed to have happened if the signing of a trade agreement between two countries shifts trade from a higher-cost producer to a lower-cost production. Within a liberalized intra-EAC trade, Tanzania acts as either a lower-cost producer of imports for other partner states compared to non-partner state courses thereby leading to increase in Tanzania’s exports to the EAC states. At the same time, the EAC partner states act as lower-cost producer of imports for Tanzania's imports also leading to Tanzania importing more from partner states of the EAC.
The neo-classical growth theory helps account albeit to an extent for the link between openness brought about by the EAC CMP. This is because the availability of capital, technology and labor brought about by the Protocol ensures influence the growth of an economy (Ross, 2015; Njuki, 2016). This theory therefore forms the framework for examining the influence of labor, capital and technology inflows into Tanzania and how these may have shaped the country’s economic growth. It is should be noted however that this theory treats improvements in productivity purely as independent or exogenous of capital investment.

By adding the concept of knowledge transfer and human capital to the determinants of economic growth, the endogenous theory provides another relevant means of conceptualizing the contributions of the EAC CMP to the economic growth of Tanzania. The EAC CMP has provides for four fundamental freedoms; free movement of persons, free movement of services, free movement of labor and free movement of capital across the borders of the partner states (Adar, 2010). In line with the endogenous growth theory it can be assumed that these freedoms have not only contributed to imports, exports and FDI for Tanzania from the other partner states but have also precipitated technology spill over and knowledge exchanges that may have influenced economic growth.

Applied to the case of Tanzania, trade creation and trade diversion theory implies that the country may experience an expansion in the regional market for its exports and an increase in production through inflow of skilled laborers from other partner states which ultimately lead to greater economic growth. However, the inflow of workers and products from partner states may have detrimental consequences on Tanzania’s economy. For instance, Namata (2014) contends that the inflow of skilled worked workers may lead to
their relatively greater intake in Tanzania’s job market and precipitate unemployment for a significant number of Tanzanians.

The inflow of products from producers from a relatively larger economy such as Kenya may result in the increase in domestic prices for local products leading to consumer preference for cheaper imported products which would greatly affect or lead to collapse of local industries and ultimately poor economic performance. The trade creation and trade diversion theory therefore provide a means as well for examining the benefits of the EAC CMP to Tanzania’s economic growth.

5.3 Conclusion

5.3.1 Contributions of Intra-EAC Trade Liberalization on Economic Growth

The enhancement or improvement of intra-EAC trade was one of the primary goals of the EAC and EAC CMP. Tanzania has experience an increase in its trade with the rest of the EAC since the introduction of the EAC CMP. This goes to account for the contributions of the EAC CMP. In fact, since the introduction of the EAC CMP the country has not only increased its imports and exports to the rest of the EAC but has allowed Tanzania to maintain a positive balance of trade with the EAC partner states.

Tanzania's total value of trade has also risen since the establishment of the EAC CMP. However, the Tanzania’s sustained balance of trade deficit with the rest of the worlds has undercut the real potential of the EAC CMP to lead to any real growth in the country’s economy. Nonetheless, creation of trade for locally produced goods is directly associated with sector growth and for Tanzania this has been most true in the agricultural sector.
5.3.2 Contributions of Free Movement of Labor and Persons on Economic Growth

Tanzania has continued to be indifferent with the idea of greater integration with the rest of the EAC partner states for several reasons. This is evident in Tanzania’s continued imposition of stringent entry rules for EAC citizens and its failure to eliminate work permit requirements for EAC citizens. However, the idea of free movement of labor has been the most controversial for Tanzania. Nonetheless, by providing for the free movement of labor, the EAC CMP has contributed Tanzania economic growth through expansions of job opportunities for Tanzanian's in EAC partner states.

Tanzanian's living in other EAC states have been able to remit funds back to Tanzania and to acquire skills, education and other necessary competencies that have directly and indirectly contributed to the economic growth in the country. The country has also been able to realize the inflow of skilled laborers who have directly contributed to sector performance in Tanzania through exchange of skills, technical know-how and other relevant information.

5.3.3 Contributions of Free Movement of Capital on Economic Growth

Free movement of capital is essential for economic growth. With free capital inflows, a country can experience not only financial sector, equities market development and FDI increases, but it can also experience poverty reductions, job creation and sector development. Free movement of capital precipitated by the EAC CMP has facilitated Tanzania's economic growth in all these ways. FDI inflows into Tanzania increased with the establishment common market. While it is difficult to quantify the exact amount of FDI inflows from the EAC countries into Tanzania, it is apparent from Kenya's FDIs in Tanzania that intra-EAC FDI has contributed to Tanzania's economic growth.
Furthermore, the development of the countries stock market, the Dar es Salaam Stock Exchange (DSE) since 2011, can be attributed to the EAC CMP provision which allowed for the integration of the EAC stock markets. This has allowed the government of Tanzania to trade its bonds and treasury bills all over the EAC region, giving it quick access to funds that it may utilize to fund its supplementary budget. Nonetheless, Tanzania remains wary of the EAC CMP on the grounds that it may expose its citizens to aggressive competition by citizens and corporations from the rest of the region. This has hindered the country's ability to realize even greater benefits from its membership in the EAC. As such there is pressing need for the leadership to consider certain recommendations that this study makes in order to realize the full benefits.

5.4 Recommendation

The study makes the following recommendations as per each objective or the study and in accordance with the major findings of the study. Recommendations made concerns policy improvement and for further study or research.

5.4.1 Recommendations for Improvement

5.4.1.1 Contributions of Intra-EAC Trade Liberalization on Economic Growth

The leadership of Tanzania needs to change their indifferent attitude to the EAC CMP due to fear of aggressive competition and enhance their level compliance with the protocol in order for Tanzania to harness the benefits of intra-EAC trade. The leadership needs to consider that the EAC CMP has precipitated the increase in the country's intra-EAC trade and led to trade creation opportunities for the country. Hence, the leadership and policy makers in Tanzania must perceive of the EAC CMP in terms of trade creation for the country as opposed to trade diversion.
The leadership of Tanzania should take the country towards greater integration and cooperation by working with other partner states to establish enabling physical and financial infrastructure that would boost its trade with the rest of the partner states. It is important for the leadership of Tanzania to remain cognizant of the fact that economic growth trajectory of Tanzania is dependent on the country's compliance with the EAC CMP and its commitment to intra-EAC trade expansion.

5.4.1.2 Contributions of Free of Movement of Labor and Persons on Economic Growth

The leadership and policymakers in Tanzania need to reverse Tanzania's immigration policy that affects the EAC immigrants to the country. The country should eliminate work permit requirements for EAC nationals in order to benefit from skills, technological and information exchanges between its citizens and the rest of the EAC that would enhance the performance and professionalism of its citizens in the job market. The leadership needs to consider that its current policy is not in conformity with the promises of the EAC CMP to which it is a signatory.

Furthermore, the leadership of Tanzania should realize that there are real economic growth benefits that could accrue to the country in terms of addressing skills shortages in key sectors especially in education and finance sectors. The leadership needs to encourage the uptake of EAC nationals in its labor force to ensure full exploitation of its key sectors to sustain the economic growth that it has realized since 2010.

5.4.1.3 Contributions of Free Movement of Capital on Economic Growth

The leadership of Tanzania should appreciate the contributions of the freedom of movement to Tanzania's economic growth. The leadership needs to take specific steps to
encourage capital inflow be it through FDI, remittance or investment in securities at the DSE. The leaderships should most importantly appreciate the link between the EAC CMP-enabled capital inflows and job creation and funding of public budget.

It should appreciate the manner in which investments by other partners states has facilitated service provision and job creation in the country. As such, the leadership of Tanzania should take decisive and rapid steps to comply with the provisions of the EAC CMP regarding free movement of capital in orders to harness the full potential of the EAC CMP for the growth of Tanzania's economy.

5.4.1.4 Suggestions for Further Research

Future researchers need to conduct more research on the EAC CMP particularly on its economic growth benefits to partner states. Hence, researchers need to focus more on the effects of the provisions of the EAC CMP that individual partner states have complied with and the impact of this on their economic growth. Scholars need to conduct comparative studies of the contributions of the EAC CMP to partner states economic growth.

As such, further researcher need to conduct further studies to determine the nature of the relationship between the perceived potential benefits of the EAC CMP for partner states' economic growth and the actual economic growth of the partner states. This study has been essentially a qualitative or desktop review, researchers should adopt quantitative research methodology to determine if the results of this study are supported by quantitative data.
REFERENCES


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