Do Trade Potentials In Tanzania Allow A Country To Participate In Regional And Global Economies?

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ABSTRACT. *The study highlighted the Tanzanian's trade potential to participate in regional and global economies. As a country, Tanzania is with immense potentials of mineral and agricultural resources as well as other natural resources that are essential inputs in productive activities. Recently, it has experienced impressive rates of exports and economic growth. Given the country's potentials and market opportunities articulated in "Tanzania Development Vision 2025", there is a miss of a country's broad development philosophy which is reflected by a country's development ideology. The absence of the broad development philosophy leads to policy space, diverse laws and regulations. The paper reveals that contrary to the excellent resource endowment situation, Tanzania lacks essential capacities to stimulate development. i.e., financial resources (FiR) and non-financial resources (NFiR). The former is demonstrated by the underdevelopment of the financial sectors. The latter is mirrored by gaps in entrepreneurial capacities, institutional, physical infrastructural, skills, and technological capacities. The paper concludes that, for Tanzania to be competitive in regional and global markets, it should revisit its broad development philosophy to provide a robust foundation to guide its development efforts. This should ensure a smooth flow and dynamically interrelated policies, laws, and regulations, which will be best placed to serve the country's development agenda.*

Keyword: trade potentials, participation, regional and global economies, Tanzania.
JEL classification: M16, F2, F15.

GENERAL INTRODUCTION

The attractiveness of Tanzania as an investment and production location is underlined by its endowments in terms of significant quantities and varieties of natural resources, which include forests and woodlands, wild animals, rivers, lakes and wetlands to mention just a few. Its diverse land and marine and natural resources can be leveraged to build productive and trade capacities, which will make the country competitive in regional and global markets. These resources are of great socio-economic value which can be leveraged for the country's development. The country has both marine and inland fisheries potential. The marine water covers 64,000 square kilometers, which includes the Indian Ocean, and the Exclusive Economic Zone, which covers 223,000 square kilometers. Currently, the fisheries sector contributes about one-third of the animal protein or 30 percent of the total intake to the Tanzanian population. Tanzania seems to be a magnet for lovers of nature. Accordingly, tourism is one of the fastest growing sectors with significant economic impacts. For instance, by 2014[1] the direct contribution of tourism to GDP was 1,831.4US$m while the total contribution to GDP was 5,079.3US$m [1].

Tanzania is also blessed with a huge reserve of mineral resources. This is according to a database available at the Ministry of Energy and Minerals. The minerals that are found in the country can be classified into five groups: Metallic minerals group which includes gold, iron ore, nickel, copper, cobalt and silver; Gemstone groups which includes diamond, tanzanite, ruby, garnets; Industrial minerals group which includes limestone, soda ash, gypsum, salt and phosphate; Energy-generating minerals which includes coal and uranium and Construction minerals which includes gravel, sand and dimension stones. Traditionally, gold and diamonds production have been the mainstay of mining production for the country. In 2007 Tanzania was the third most important Sub-Saharan gold exporter, behind Ghana and Mali, and the 32nd most important diamonds exporter in the world [2]; [3].

Nevertheless, there are genuine concerns about the sustainability of Tanzania's export performance. This is because of the saliencies of the country's production, which is dominated by commodity production, so the bulk of its exports are agricultural

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[1]Constant prices & exchange rates.

and mineral commodities [4]. Hence, the relative achievements observed in some years are eroded by the fact that commodity dependence does not provide a good basis for sustainable export growth due to commodity price fluctuations. A related factor is that most agricultural and mineral commodities, which dominate its production and exports are of less strategic importance and do not enjoy a robust and sustainable global demand.

However, given the country's potentials and market opportunities, "Tanzania Development Vision 2025" (TDV, 2025) reiterates the ambition to build a competitive economy, capable of making the country a meaningful player in the global economy. It stipulates that, by 2025 the country should have created a robust, diversified, resilient and competitive economy, capable of effectively coping with the challenges of development besides being able to adapt to the changing market and technological conditions in regional and global economies. It also recognizes that the essential competence and competitiveness for meaningfully positioning of the country in the global economy will be realized through, *inter alia*, the sustenance of sound macro-economic policies, capable of inspiring the growth of a strong domestic industrial base [5].

It should be noted that the main philosophy inspiring this analysis is that, a country's trading capacities are logically influenced by three sets of factors: First, the readiness of a given country to produce goods and services for export. Expressed otherwise, this readiness mirrors a country's productive capacities to support the export economy. Second, the conditions under which the goods and services produced by the country access destination markets. Invariably, these refer to market access conditions. The last factor is the characteristics of destination markets (particularly the state of competition) and the capabilities of exporting the country's firms to fulfill them. In other words, these refer to market entry conditions and the capabilities of firms in the exporting economy under analysis to fulfill them. The above three factors that determine the prospects of a country's competitiveness in regional and global markets are also logically influenced by three sets of factors, that is, *created productive capacities*[2] (this acquired productive capacities) are central to a country's trading capacities, alongside access to natural resources (which serve as inputs into the economic production processes)[3], and the type of *economic development governance framework* (at the meta, macro and sectoral levels).

Moreover, two issues related to the domestic market are crucial for the evolvement of a strong domestic entrepreneurship, which is another necessary condition for a country to exploit opportunities in the international trading system for its development. These include the *Domestic Market Development(DMD)*. This is essential because entrepreneurship cannot evolve without markets. Local demands, and hence local markets, provide the training ground for entrepreneurs. Commonly, entrepreneurs will strive to produce products, which have a demand in their local markets. Implicitly, what eventually transforms into international business competitiveness actually begins at home. The *Domestic Market Integration(DMI)*, just like the integration of global markets, which reduces the cost of international business transactions, the integration of domestic markets reduces the cost of doing business domestically. As such, domestic market integration can be seen as a first and essential step towards market integration.

It is from this background, the study will assess the potentiality of Tanzania for participating in regional and global economies to achieve TDV 2025 by highlighting the Tanzania's locational characteristics, which shapes the country's productive capacities. The paper encompasses the entire spectrum of the business environment and analyze the relevant variables under six major dimensions. These dimensions are presented in the proceeding sections as follows; Section two presents the methodology adopted to this study. Section three present the integrated governance framework. Section four highlights the resource environment, while section five presents physical infrastructural environment. Section six presents the development of the business sector, and the summary and conclusion of the study are also presented in the last section.

1. THE STUDY METHODOLOGY

The methodology seeks to establish an uncomplicated analytical basis for periodic review of Tanzania's integration in the international economic system. It combines lessons learned (i.e., from comparable analyses) and innovations (taking into account

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[2]These are important sources of *created* or *dynamic* comparative advantages.

[3]A country can be *naturally endowed with resources,* or *access resources on international resources markets* (under the existing global market structures and dynamics).

Tanzania's particularities). It also comprises a survey of the domestic market development and integration and simple models in the form of *robust and simple indicators.* These simple models include *the Human Development Index (HDI), ICT Development Index (IDI), Technology Achievement Index (TAI)* and *Global Competitive Index (GCI).*Both primary and secondary data have been used in the analysis. Primary data (e.g., on such parameters as price variations by location) were essential for the measurement of *DMD* and *DMI*. Secondary data has been largely used for the analyses of investments, production, and trade. Furthermore, the analyses of such variables as development finance, education, domestic market development also required secondary data.

2. INTEGRATED GOVERNANCE FRAMEWORK

2.1 Tanzania's development policies and its broad development philosophy

The feasibility of Tanzania's participation in the regional and global economic system in order to achieve development aspirations as expressed in the TDV 2025 cannot be attained without proper and efficient economic development governance framework. The governance framework is expressed in terms of the country's broad development philosophy which are reflected by a country's development ideology. Since 1967, Tanzania followed the policy of *self-reliance* (as outlined in the1967 Arusha Declaration), which in effect was a *special brand of socialism* that also emphasized self-reliance. It was through this development philosophy that all the policies were based and derived from. By the mid-1980s Tanzania realized that her development policies and strategies had proved failure as far as socio-economic development was concerned. Thus in 1986 onwards, by accepting World Bank terms and conditions on structural adjustment programs, the fate of *self-reliance* was sealed. Subsequently, since then Tanzania has had a lot of strategies and policies to guide her economic development without having a broad development philosophy to guide her development policies, plans, programs, projects and concrete actions. Even the TDV 2025 is not anchored in any development philosophy. The absence of the broad development philosophy leads to policy space, diverse laws and regulations.

Ironically, Tanzania is documented to follow the policy of self-reliance[6], but looking at what is happening on the ground, the country does not seem to follow the noted policy. Instead, it has embraced capitalism development model, though without defining which kind of capitalism is guiding its development efforts. Thus while, *de jure*, Tanzania claims to be a socialist state, *de facto* it is a capitalist state despite not being clear about the brand of capitalism that it is pursuing. It is very necessary at this stage for Tanzania to redefine its development philosophy. If it is socialism then what kind of socialism or if it is capitalism what form of capitalism. There are four known forms of capitalism in the world. These are Social democratic capitalism, Liberal capitalism, conservative capitalism and predatory capitalism. In terms of the above, Tanzania should be able to single out the specific type of capitalism or socialism which all the policies are to be anchored at or emanated from. As rightly put by [7], the general assessment of the Declaration was that Tanzania was "*neither socialist nor self-reliant*".

The lack of the development philosophy makes the country leave the lifestyle of "ambulance chaser", that is, whenever an alarm is raised in any part the ambulance should rush to, thus at the end of the day, the making of the policies becomes ambulatory or event-led policy making, thus before one policy is fully implemented another policy is made. Overall, looking at the relationship between strategies and policies, it is evident that there is no value chain approach, i.e., starting from a broad developing philosophy, moving to policies, and ending with laws and regulations. In practice, these three components of broad governance must be integrated and dynamically interdependent. It is the development philosophy that will create values that will be taken into consideration whenever every policy is made or implemented.

2.2 Challenge facing the management of policies in Tanzania

An equally import question relates to whether the sectoral policies are harmonized, coherent and complementary. In this connection, many of the country's policies are not in harmony with each other, as every ministry seems to implement their own policies in isolation to the other sector ministries. In this regard, the following key factors were observed as challenges in managing policies in Tanzania.

(a) *Poor policy coordination.*There is no policy coordination unit that will make sure that the policies are harmoniously implemented and when they are made by each ministry are subject to scrutiny by this unit to make sure that they are complementary to each other.

(b) *Lack of holistic approaches in implementation.*The problem with most of the policies in Tanzania is the lack of holistic implementation by a particular ministry. This is due to the fact that, there are policies which are cross-cutting and those which are sector-specific. In an implementation of these policies, it is necessary for each ministry to not only take into account its own sector-specific policy but also other sector policies.

(c) *Lack of community involvement in policy making process.* Furthermore, the policy making process usually does not involve wider community, this may be attributed to lack of financial resources to reach the wider community, however sometimes even where there is fund certain portion of the society has been ignored or forgotten, for instance, people leaving with disabilities, private sector etc. Furthermore, the policy making process which tries to involve wider community coverage is bogged down by the involvement of very junior officers who do not know of the existing policy.

(d) *Lack of resources to support policy implementation.*The implementation of many policies is limited by lack of FiR and NFiR. For instance, enrollment of more students in higher learning institutions is hampered by the lack of loans, funds for securing learning facilities and paying the teaching and administrative staff.NFiR limitations are exemplified by the lack of human capital to execute tasks that may fulfill its objectives and even those available may not be enough. Lack of technology and low technology level is also another problem that affects the implementation of most policies in developing countries like Tanzania.

Generally, there is a need of having a critical legal review to meet the current economic needs including the effort to remove all monopolistic vestiges. Members of the parliament should help by taking the opinion of the stakeholders in the private sector for the appropriate discussion in the house and there should be more responsibility on the part of the government to the electorate by giving them a feedback on their suggestions. It is suggested that there is a need of having a standing committee to pass through different legislations to see if they do more harm than good to the business sector; similar exercise was done in England.

3. RESOURCE ENVIRONMENT

Tanzania is a country with abundant natural resources, including agricultural land, forests, and woodlands, mineral resources, unique landscapes (e.g., Mount Kilimanjaro, Ngorongoro Crater, Serengeti National Park, etc.) which attract tourists from all over the world, wild animals, rivers, lakes and wetlands just to mention a few. Tanzania is strategically located on the east coast of Africa. This gives the country a huge comparative advantage, in terms of providing trade and transport services to neighboring, landlocked countries (e.g., Burundi, Rwanda, Uganda, Malawi, Zambia) and other hinterland regions (such as eastern part of the Democratic republic of Congo). Surprisingly the large area of the costal land (about 90%) are underutilized.

3.1 Tanzania's natural resources

Indeed, many of the policy documents in Tanzania, including TDV 2025 itself, declares that the country is endowed with many resources (natural and human), which with a proper strategy, can be leveraged for the development of a strong domestic market as well as for supporting competitive entrepreneurial undertakings. The basic resources needed for implementation TDV 2025 are both NFiR and FiR. In deciding how to use them, the first thing to do is to make an opportunity cost analysis, then the cost-benefit analysis that will help to prioritize particular resources in the implementation framework and the costs associated with the use of resources. The implementation cost will enable the government to plan a budget that best suits the implementation costs, which in turn will build financial capacity for the institutions designed to implement the vision.

3.2 Tanzania's financial resources capacities

Tanzania's financial sector is generally at the same level of development with the country's income group peers, but smaller than the regional average. Based on a cross-country comparison, net interest margins, bank cost-income ratios, and bank overhead

costs show that the efficiency of the banking system is broadly in line with income-group and regional peers. However, the ability of the financial sector to channel funds to the private sector, as indicated by the ratio of private sector credit to GDP, remains limited as it appears in table 1. Nonetheless, Tanzania is in the bottom ten percent of the world's economies in terms of per capita income. Its economy depends heavily on agriculture, fisheries and farming, which accounts for more than 40 per cent of Gross Domestic Product (GDP), provides 85 percent of exports and employs 80 percent of the labor force.

Strong financial systems provide reliable and accessible information that lowers transaction costs, which in turn bolsters resource allocation and economic growth. The functioning of financial markets significantly affects economic growth, including by determining how businesses raise and manage funds. The domestic credit to the private sector by banks, if not functioning properly, may fail to direct available funds/savings to where they can be invested most efficiently or used to respond to temporary adverse situations faced by economic agents. Table 1 summarizes the financial sector development indicators capturing the functioning of the financial system in Tanzania.

Domestic credit to private sector by bank (GDP %)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	8.1	9.3	11.3	11.9	11.2	11.7	12.5	12.9	12.8	13.8
Stock traded, total value (GDP %)	0.09	0.06	n.a.	0.10	0.19	0.08	0.10	0.07	n.a.	n.a.
Money & quasi-money growth (annual %)	34.8	21.5	20.5	19.8	17.7	25.4	18.2	12.6	9.8	15.6
Lending interest rate (%)	15.3	15.7	16.1	14.9	15.0	14.6	15.9	15.5	15.8	16.3
Remittances received (GDP %)	0.11	0.08	0.12	0.13	0.14	0.10	1.21	1.00	0.86	0.81
GDP growth (annual %)	8.17	4.66	8.46	5.57	5.38	6.36	7.90	5.14	7.26	6.97

Source. IFM, WEO Database, October 2015.
Table 1. **Selected financial sector development indicators**

In addition, the financial indicators measure the country's position as far as the issues of development are concerned. For example, the GDP Growth (Constant Prices, National Currency) for Tanzania in the year 2015 was 6.869 percent, this makes Tanzania No. 15 in world rankings according to GDP Growth. Therefore, Tanzania is 6.87 more than the average. Thus there is an increase of the GDP annually, however, the increase does not reflect the real situation in the country. The indicators presented in Figure 1 as well as in Table 1 give useful clues about the financial sector development in Tanzania.
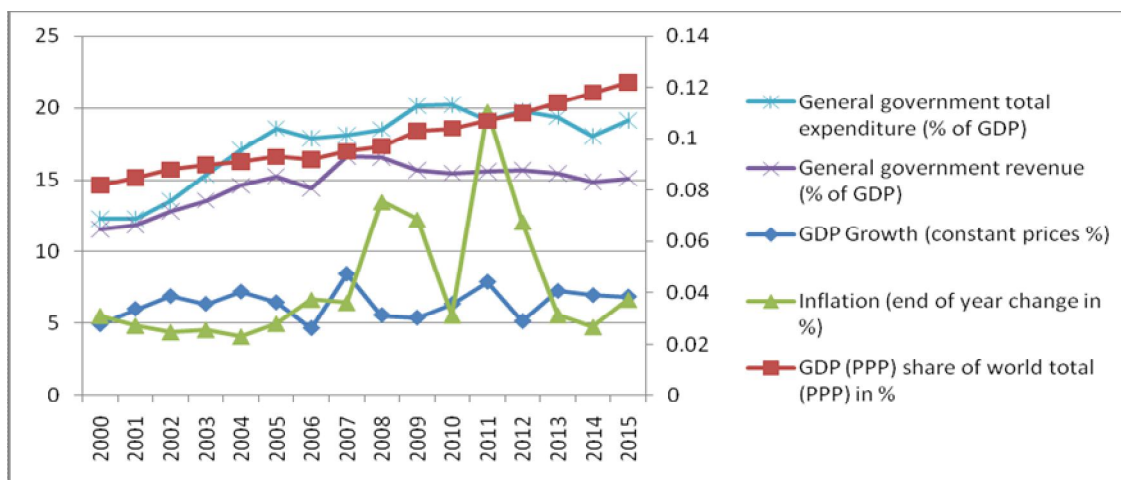
Source: IFM, WEO Database, October 2015.
Figure 1. **Economic Indicators for Tanzania 2000 - 2015**

Overall, Tanzania continues to lack the FiR capacities, which are however essential for the country to be able to fully exploit its endowments and leverage them for development through competitive production and trade.

3.3 Tanzania's non-financial resources capacities

3.3.1 Human capital development

The term human capital is recognition that people in organizations and businesses are an important and essential asset which contributes to development and growth, in a similar way as physical assets such as machines and money. The collective attitudes, skills, and abilities of people contribute to organizational performance and productivity. Any expenditure in training, development, health and support is an investment, not just an expense. For that case, the Government of the United Republic of Tanzania has been implementing the Primary Education Development Programme (PEDP, 2002-2007) and the Secondary Education Development Programme (SEDP, 2004-2009) both of which have been successful in increasing students enrolments and outputs. The outcome of the PEDP and SEDP is to provide a pool of students to join the Universities and other higher learning institutions in the country and thereby improving Tanzania's participation rate. The quality of the SEDP graduates will very much depend on the availability of up to date teaching and accommodation facilities including libraries, laboratories, teaching staff as well as staff housing and hostels for students.

3.3.2 Primary education development in Tanzania

Enrollment expanded both in terms of absolute numbers and enrollment rates. The number of seven-year-olds (the official entry age) in primary schools increased from 7,541,208 (2005) to 8,231,913 (2013)[4], implying that these numbers increased by 9.2 percent over the course of 8 years. At primary school level, education performance during the period from 2000 to 2013 showed high dropout and failure rates in the primary school leavers' exam results; this happened in a high share of the population, who had not acquired the necessary skills and knowledge to be able to engage gainfully in a modern economy [8]. According to world development indicators, 2016, the net enrolment ratio[5] of seven-year-olds went down from 90.5 to 83.5 percent over the same time period. Nevertheless, the country is on track to meet the target of 100% net enrolment by 2015. Retention of girls is slightly better than that of boys [9].

3.3.3 Secondary education Development in Tanzania

There has been an unprecedented expansion of secondary schools constructed since the start of Secondary Education Development Program (SEDP) in 2004. Part of this came from increased demand due to tuition fee reduction in 2005 and part of it from the increased government financing under SEDP. The program accelerated the enrolment number of secondary schools from 433,286 in 2004 to 1,222,403 in 2008, enrolment has more than doubled in a period of four years, most of which was due to the community school movement. The number kept on increasing to 1,804,056 in 2013 (see Table 2). Thus, enrollment growth has exceeded the high growth scenario as an option only if sufficient resources would be available.

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[4]According to WB_World Development Indicators, 2016.

[5]Net enrolment ratio is defined as enrollment of the official age-group for a given level of education expressed as a percentage of the corresponding population.

Year	Enrolment primary school	Enrolment Secondary school	Out of school primary school	Primary completion rate (%)
2003	6,562,772	345,441	1,266,341	n.a.
2004	7,083,063	433,286	979,505	58.14
2005	7,541,208	524,325	674,100	55.18
2006	7,959,884	675,672	282,148	72.42
2007	8,316,925	1,020,510	n.a.	82.97
2008	8,626,825	1,222,403	168,478	n.a.
2009	8,441,553	1,466,402	n.a.	102.61
2010	8,419,305	1,638,699	694,158	89.49
2011	n.a.	n.a.	n.a.	n.a.
2012	8,247,172	1,884,272	1,100,399	80.75
2013	8,231,913	1,804,056	1,423,949	75.90

Source. IFM, WEO Database, October 2015.
Table 2. **Proxy for educational development in Tanzania**

With respect to primary school, there has been less dramatic enrollment increase. As seen from Table 2, there are no greater differences on primary school enrolment compared to secondary school. This concretizes the significance of SEDP and possesses the challenges to PEDP as the number of pupils out of primary school kept on increasing yearly. This transcends the information that, the greater deal of pupils was not joining the primary school and were not able to get the basic knowledge of reading, counting, and writing. The completion rate for primary school also is questionable as the percentage was not stable. For example in 2010 and 2013, the completion rate was 89.49 and 75 percent respectively. Viewing from the enrolment of primary school on the same year, the reverse of the completion rate was expected. The primary school completion rate, defined as the number of completers over the number in the relevant population age group (usually 7-13year olds), must have increased dramatically as well since the numerator increased dramatically but the denominator only gradually.

3.3.4 Challenges facing PEDP and SEDP in Tanzania

Initially, the improving results were cited as evidence that PEDP was having the desired impact on quality of education. There appeared to be a clear connection of inputs (funding) to outputs (enrollment, textbooks) to outcomes (exam result as proxy). However, the sharp decline of pass rates in 2008 and 2009 came as a shock and was widely reported and debated in the Tanzanian media. There is still no compelling explanation, although [10] did a preliminary investigation. The reasons identified were: 1) shortage of qualified teachers; 2) shortage of materials and; 3) lack of regular in-service training and school supervision. Another factor could be the large enrollment increases, especially among children from poorer households, since 2007 would be the first year that the large cohort that entered after school fee abolition would have reached standard 7 and taken the primary school leaving examination (PSLE). The percent of the cohort completing Standard 7was 82.97 percent in 2007 and has gone down to about 75.9 percent in 2013. Perhaps the transition to a mass primary system with increased numbers of low-income households is a factor here, with those not performing well in school dropping out to join the wage labor force or work on the family farm. Another factor to consider is pregnancy of girls in the upper grades of primary, who usually then drop out.

3.3.5 Higher learning and technical education

In a period of fifty-four years since independence, the education system in Tanzania has grown from only one institution of higher education (the University College of London) in 1961 to more than 200 tertiary training institutions by now. The massification of these tertiary institutions catering basically for Ministries and Parastatals is a manifestation of increasing demands for personnel with higher education background from both the public and private sectors.

Universities and other higher learning institutions are key players in indigenizing knowledge and diffusing it into the national economy. As frontiers of knowledge and technology, rapidly advance and competition between industrial firms and nations becomes fierce, industries have tended to turn to higher learning institutions such as universities for assistance to keep abreast

with the frontiers of knowledge. While there is a positive correlation between participation rates in Higher and Technical education and development; [11]; [12], higher and technical education participation rate in Tanzania of 1.3 percent of the age cohort is one of the lowest in the sub-Saharan region where average participation rate is below 5 percent while that of the many high-income countries is well over 60 percent.

Long-term progress can be usefully assessed relative to a country's neighbors - both in terms of geographical location and Human Development Index (HDI)[6] value. However, our comparison is for selected countries and regions for 2015. Thus, Tanzania's 2015 HDI of 0.521 is above the average of 0.518 for countries in Sub-Saharan Africa. It is also above the average of 0.505 for low human development countries. From Sub-Saharan Africa, the Tanzania's 2015 "HDI neighbors", i.e. countries which are close in HDI rank and population size, are Uganda and Côte d Ivoire, which had HDIs ranked 163 and 172 respectively. The United Republic of Tanzania is also compared to South Africa, a medium human development country (see Table 3).

	HDI Value	HDI Rank	Life expectancy at birth	Expected year of schooling	Mean years of schooling	GNI per capita (2011 PPP US$)
Tanzania	0.521	151	65	9.2	5.1	2,411.5
Uganda	0.483	163	58.5	9.8	5.4	1,612.6
Côte d Ivoire	0.462	172	51.5	8.9	4.3	3,171.3
South Africa	0.666	116	57.4	13.6	9.9	12,122.3
Sub-Saharan Africa	0.518	--	58.5	9.6	5.2	3,363
Low HDI	0.505	--	60.6	9.0	4.5	3,085
World	0.711	--	71.5	12.2	7.9	14,301
Notes: HDI ... Human Development Index *Source:* Human Development Report, 2015. *Table 3:* **Tanzania's HDI Indicators for 2015 Related to Selected Countries and Region**						

3.3.6 Technological Capacities (TC) and Information and Communication Technologies (ICT)

Technology, both in hard and soft forms, enhances growth and competitiveness. Rapid advances in ICT have eroded the strength of long-standing "comparative advantage" theory in international trade as far as the availability of factor inputs is concerned, at the same time lowering transaction costs considerably. Space, time and endowments no longer dictate production as ICT advancement allows the production of customized goods and services more readily. Lessons can be drawn from developed economies like the US and Japan. The results of Technology Achievement Index (TAI), which compares the creation and diffusion of technology and the building of a human skills base, show great disparities in the dynamism of technological progress in developing countries. Tanzania features as a marginalized country, scoring 0.127 (90 ranks) and being the last but one before Cambodia with 0.111 (91 ranks), while South Korea leading with a value of 0.765[7][13]. The interpretation is that Tanzania has to invest more in technology diffusion and skills building and that the majority of the population has yet to benefit from the diffusion of technology.

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[6]The Human Development Index (HDI) is a summary measure of human development. It measures the average achievements in a country in three basic dimensions of human development: along and healthy life, access to knowledge and a decent standard of living. The HDI is the geometric mean of normalized indices measuring achievements in each dimension.

[7]Ranking of 91 countries based on the Technology Achievement Index 2009 (TAI-09).

Access to ICT infrastructure by the rural population in Tanzania (about three quarters of the population) is further limited by lack of electricity in such areas (total electricity coverage amounts to only 15.3 percent countrywide, thus, only 3.6 percent coverage go to rural areas and the remaining 46.4 percent to urban areas[8]), so that such access is the privilege only of urban dwellers. The Information and communications technologies also have considerable potential to promote trade and economic growth. These can foster innovation and as such contribute to the improvement of factor productivity. Efficient ICT activities related infrastructure would make it possible to substantially reduce transaction costs. ICTs are recognized as being able to bring important gains in employment in developing countries, especially if made available to small and medium-sized enterprises. With respect to Global Competitive Index the ICT represented by main telephone lines, Tanzania was ranked no. 133 out of 140 countries[9]. This gives a call to develop the sector in order to reap the benefit of it.

Component of Transport Infrastructure	Tanzania	Kenya	Uganda	Burundi	Rwanda
Quality of road	112 (3.0)	59 (4.2)	105 (3.2)	101 (3.2)	46 (4.7)
Quality of railroad infrastructure	88 (2.0)	71 (2.5)	101 (1.5)	n/a	n/a
Quality of port infrastructure	106 (3.3)	61 (4.3)	118 (2.8)	119 (2.8)	98 (3.6)
Quality of air transport infrastructure	131 (2.8)	54 (4.8)	124 (3.2)	135 (2.6)	73 (4.3)
Quality of electricity supply	125 (2.5)	95 (3.9)	114 (2.9)	132 (2.1)	92 (4.0)
The quality of overall nfrastructure[10]	117 (3.2)	65 (4.3)	104 (3.5)	131 (2.8)	68 (4.3)
Source: The Global Competitiveness Report 2014-2015. *Table 4:* **Rankings of EAC on infrastructure development for 2014-2015**					

3.4 Physical infrastructural environments

3.4.1 Transport infrastructure

The transport infrastructure system in Tanzania consists of road, railway, air, water and pipeline modes. The total road network length is 85,517 km including trunk and regional roads (28,892 km) which are under Ministry of Work while the urban, district and feeder roads with a total of 56,625 km are under Local Government Authorities. The Tanzania railway system has a total length of 3,676 km of which 2,706 km is operated by Tanzania Railway Limited (TRL) and 975 km by Tanzania Zambia Railway Authority (TAZARA). There are three major sea ports, Dar es Salaam, Tanga and Mtwara, and several inland ports. There are four international airports namely: Julius Nyerere, Kilimanjaro, Zanzibar, and Mwanza. The pipeline system consists of 1,750 km used to transport crude oil products from Dar es Salaam to Ndola refinery in Zambia, and 232 km used to transport natural gas from Songo Songo to Dar es Salaam. Table 4 presents the findings of a survey conducted in the context of the Global Competitiveness Report (GCR)[11], for Tanzania and comparators.

With respect to the overall quality of national infrastructure, Tanzania ranked 117th out of 144 countries surveyed in the context of the Global Competitiveness Report (GCR). This compares unfavorably with Kenya (65th), Rwanda (68th) and Uganda (104th), but slightly ahead of Burundi (131rd). Basing also on four components of transport infrastructure: roads, the railroad system, port facilities and passenger air transport. Almost nine out of ten respondents (86 percent) considered that Tanzanian railways were underdeveloped, followed by port facilities (74 percent), roads (71 percent) and air passenger transport (53 percent). Results are summarized in table 4 above.

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[8] According to WB_World Development Indicators, 2016.

[9] Global Competitiveness Report, 2015.

[10] Note: Executives in Tanzania and Kenya were asked to assess the port facilities in their countries, while Uganda and Burundi (both landlocked countries) were asked about their access to port facilities. The ranking is for 2014-2015 (out of 144 countries).

[11] World Economic Forum; the Global Competitiveness Report 2014-2015; Date of data collection or released: 3rd September 2014; www.weforum.org/gcr.

Among the EAC countries, Kenya's infrastructure is most developed. Tanzania is ranked lower (131st) but ahead of Burundi (135th), in air transport infrastructure, electricity supply (125th), and port infrastructure (106th). The general perception among businesses of the poor quality of infrastructure and the country's low ranking among EAC members pose significant challenges to Tanzania in attracting investment. Therefore infrastructure development should be thought of as an integrated system comprising ports, railways, and roads if Tanzania is to become a regional hub in term of transit trade.

3.4.2 Logistic performance index

Domestic Logistic Performance Index (DLPI)[12] describes the domestic logistic environment which may promote or erode country's competitiveness indicators. Tanzania is ranked poorly in most aspects of the DLPI. For example, Quality of infrastructure is below SSA average and the worst case being railways. Since about one-third of goods handled in the country are cargos on transit, rails transport remains key in integrating both the domestic and regional market. Efficient infrastructure is a significant determinant not only of export but also provide the potential likelihood for export to take place [14]. Empirical literature suggests that combined impact of upgrading infrastructure quality and improving trade facilitation appears likely to produce gains well in excess of those that could be expected from comparable tariff reductions [15]. In fact, the sub-optimal outcome of policy reforms has largely been due to underdeveloped infrastructure that fails African integration into the global economy [16].

In explaining Africa's economic performance [17] argue that poor public services impinge on manufacturing productivity. The unreliability of power supply, poor transport, inadequate information and communication, water supply rationing are few critical problems affecting firms competitiveness. Similarly, using new indices for factor prices to calculate total factor productivity growth pre-war and inter-war for five major global routes, [18], concludes that the commodity market integration in the 19th (century?) must have been due to decline in transport costs in land and sea. There are several other studies that categorically points out that despite the significant positive impact of trade policy reforms in Tanzania, transport sector is a major deterrent to trade for almost all tradable goods. The most vulnerable sectors are beverages, tobacco, cash crops, and manufactured foods and building materials [19][20]. Thus, to upgrade productivity, Tanzania has to upgrade its infrastructure because good infrastructure lowers transaction costs associated with exporting, facilitates diversification and integration in international production networks and enhances industrial agglomeration.

3.4.3 Tanzania's domestic market characteristics

With a population of around 52 million people[13], Tanzania has a potential market base. However, the country's domestic markets are dominated by two negative features, i.e., underdevelopment of domestic market, and spatial fragmentation of the domestic market. The significance of these two issues is underlined by the fact that, they determine the prospects for the evolvement of domestic entrepreneurship, which is another necessary condition for a country to exploit opportunities in the international trading system for its development. Hence, DMD is essential, because entrepreneurship cannot evolve without markets. Local markets provide the training ground for entrepreneurs. Commonly, entrepreneurs will strive to produce products, which have a demand in their local markets. Implicitly, what eventually transforms into international business competitiveness actually begins at home. In practice, DMD in Tanzania is restricted by small earnings, which restrict a number of disposable incomes. Likewise, just like the integration of global markets reduce the cost of international business transaction costs, the integration of domestic markets reduces the cost of doing business domestically. As such, DMI can be seen as a first and essential step towards market integration. In Tanzania, however, it's constrained by poor transport connections, underdevelopment of marketing institutions, etc. As a result of transaction costs associated with these gaps, there are substantial spatial price differences–with building materials such as cement costing 50 percent more in lake zone regions compared to Dar es Salaam.

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[12]DLPI is measured on the basis of such indicators as infrastructure quality, competency and quality of services, an efficiency of processes, fee and charges etc.
[13]According to WB_World Development Indicators, 2016.

4. SUMMARY OF OBSERVATIONS

The attractiveness of Tanzania as an investment and production location is underlined by its endowments in terms of significant quantities and varieties of natural resources, which include forests and woodlands, wild animals, rivers, lakes and wetlands to mention just a few. Its diverse land and marine and natural resources can be leveraged to build productive and trade capacities, which will make the country competitive in regional and global markets. However, contrary to the excellent resource endowment situation, Tanzania lacks essential capacities for stimulation of development, i.e., Financial Resources (FiR) and Non-Financial Resources (NFiR). The former is demonstrated by the underdevelopment of the financial sectors. The latter is mirrored by gaps in entrepreneurial, institutional, physical infrastructural, skills, and technological capacities. Also, Tanzania framework for the governance of its development efforts reveals many gaps, which must be addressed. Among other things, the country urgently needs to revise its broad development philosophy, so as to provide a robust foundation to guide its development to efforts. This should ensure a smooth flow and dynamically interrelated policies, laws, and regulations, which will be best placed to serve the country's development agenda. In this context also, Tanzania should establish a results-oriented system for monitoring and evaluation of the implementation of TDV 2025.

CONCLUSIONS

The paper concludes that an ideal export development model should seek to harness Tanzania's immense potentials, and thereby transform the comparative advantages that the country possesses on the virtue of its resource endowment, into competitive advantages. Also, the analysis demonstrates that Tanzania still largely lacks the capacity to harness its productive potentials, and thereby to produce and trade more competitively in domestic and external markets. The gaps in productive potentials are manifested by, *inter alia*, input resources gap (labor, capital, etc.), deficits in entrepreneurship and enterprise development, inadequate provision of physical infrastructure, institutional weaknesses, inadequate technological capacities, and fragile systems of governance.

In order to eliminate the gaps between Tanzania's potentials and actual trade performance, a multi-tier set of measures is recommended: (i) measures at country level (to deal with country-specific issues) (ii) measures at the level of regional economic blocs (to deal with common issues in Africa's economic blocs), and (iii) measures at the pan-African level (to deal with Africa-wide issues). These strategies should be well harmonized and complementary. Therefore, it is essential to reiterate that, success in expediting Tanzania's meaningful integration in the regional and global trading system depends on the ability to address the highlighted challenges. Therefore, Tanzania's development strategies based on its own initiatives, as well as in the context of co-operation with its development partners, should seek to effectively readdress the highlighted challenges. However, the formulation of governance framework should at all originate from a broad development philosophy.

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