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Tanzania's Economic Diplomacy: Balancing EU, China, and EAC Relations.

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Introduction

With one of the highest birth rates in the world, ranked 10th richest country in Africa by overall GDP in 2023¹, one of the most stable and peaceful countries in its region, and with a recent change of status to a middle-income country, the Republic of Tanzania has seen a rapid growth (3rd fastest growing economy in Africa, behind Ivory coast and Rwanda)². Studying the success and evolution of countries with global potential and impact provides insightful information about how a developing country manages its international relations. As a result, an expanded perspective on the dynamics of economic involvement and strategic decision-making in a complex and interconnected world can be gained through comprehending Tanzania's diplomatic strategy.

The United Republic of Tanzania is establishing this year 2023, in its current revision of the foreign policy, a foreign policy centered on economic diplomacy to safeguard the fundamental national interest as a sovereign state in light of the economic and sociopolitical transition that has taken place on the domestic and international stage. The strategy is expressed through active international involvement, which essentially relies on the pursuit of economic goals, while simultaneously solidifying the fundamental tenets of Tanzania's conventional foreign policy and safeguarding prior accomplishments³.

Forging international partnerships, redefining bilateral diplomacy and strengthening multilateral diplomacy are all strategies that the United Republic of Tanzania aims to undertake to achieve its goals in economic diplomacy. This paper intends to shed light on Tanzania's relations with the European Union, the Eastern African Community as well as China in an attempt to have a larger understanding of its foreign policies and trade relations, from past, present to future.

Background

Tanzania's colonial heritage, independence, and changing political and socio-economic philosophies have all influenced the historical setting of its international relations and economic alliances. Julius Nyerere, Tanzania's first president after achieving independence from Britain in 1961, promoted a non-aligned foreign policy, allowing the country to interact with both Western and Eastern nations throughout the Cold War. A fervent advocate of Pan-Africanism, Nyerere also supported liberation struggles all across the continent and promoted unity and collaboration among African states⁴.

¹ World Population Review. Richest African countries 2023. (2023). <https://worldpopulationreview.com/country-rankings/richest-african-countries>.

² Overview. World Bank. (n.d.). <https://www.worldbank.org/en/country/tanzania/overview>. (2023).

³ Tanzania foreign policy the case of Economic Diplomacy. Ministry of Foreign Affairs and East African Cooperation. (n.d.). <https://www.foreign.go.tz/about/tanzania-foreign-policy-the-case-of-economic-diplomacy>.

⁴ Rutihinda, G. (1992). Policies for african development. *International Monetary Fund*. <https://doi.org/10.5089/9781557752321.071>.

Tanzania adopted market-oriented policies and economic reforms in the 1980s as a response to its economic problems after its socialist experiment under Nyerere. As a result, there was an improvement in ties with Western nations and international financial organisations. Additionally, Tanzania actively participated in the revitalization of the East African Community, placing a strong emphasis on intra-African commerce, regional integration, peace keeping (for instance the overthrowing of Ugandan Dictator in 1979) , and collaboration⁵.

Tanzania's main trading partners today are China (\$4,960 million total trade), India (\$2,313 million), the European Union (EU) (\$1,542 million) followed by Kenya, South Africa and the U.S. in 6th position with \$367 million. Germany's exports to Tanzania lays around 204 million \$. Neighbouring countries of the Southern African Development Community (SADC) and East African Community (EAC) countries make up a smaller, but still significant part of Tanzania trading relationship⁶.

EU-Tanzania relations

Since Tanzania's independence in 1964, there have been ties between Tanzania and the European Union (EU). A foundation for collaboration between the EU and ACP nations, such as Tanzania, was established by the first Lomé Convention in 1975. Since then, a number of agreements and collaborations have been formed to solve Tanzania's development issues, advance good governance, and stimulate economic growth. The Cotonou Agreement, signed in 2000, signalled a dramatic move towards a more thoroughgoing and strategic relationship with an emphasis on regional integration, poverty alleviation, and sustainable development. The EU still supports several programmes aiming at enhancing infrastructure, education, health, and agriculture, among other things, in Tanzania today-besides its controversial annual budget support.

Benefits of EU trade and investment for Tanzania's economy

Tanzania's trade ties with the European Union (EU) have played a significant role in both import and export activities. Notably, the Netherlands stands out as the primary recipient of EU FDI with a substantial share of 54%, followed by the United Kingdom at 14.5%. Over the 2015-2018 period, the Netherlands consistently dominated with 66% of all EU FDI to Tanzania, with Germany at 17.7% and the UK at 13.2%. Diverse industries, such as mining, financial services, energy, agriculture, and ICT, attract EU businesses, contributing significantly to Tanzania's economy through tax and royalty payments. Additionally, Italy plays a vital role in the tourism sector, particularly in Zanzibar⁷.

The EU supplied various key products, including Tractors, Petroleum, Bituminous oil, human and animal blood, and motor vehicles for goods transportation. Despite Brexit, Tanzania's trade

⁵ Mugomba, A. T. (1978). Regional Organisations and African underdevelopment: The collapse of the East African Community. *The Journal of Modern African Studies*, 16(2), 261–272. <https://doi.org/10.1017/s0022278x00021716>

⁶ 1. (n.d.). *Tanzania - market overview*. International Trade Administration | Trade.gov. <https://www.trade.gov/country-commercial-guides/tanzania-market-overview#:~:text=Tanzania%27s%20main%20trading%20partner%20is,6th%20position%20with%20%24367%20million.>

⁷ Bank of Tanzania. (n.d.). <https://www.bot.go.tz/Publications/Other/Zanzibar%20Investment/sw/2020070616145217.pdf>

relations with the UK continue under the existing trade agreement from the UK's EU membership. However, adjustments were made to accommodate separate dealings with the EU27 and the UK. Throughout this period, the EU27 maintained its significance as an essential market for Tanzania's exports, receiving 12.3% of the country's total exports. Major exports to the EU included Tobacco, Fish fillets, Manganese ores, Coffee, and Precious metal ores. Interestingly, the shift from the EU28 to the EU27, following Brexit, did not lead to substantial changes in the structure of Tanzania's exports.⁸ The EU remains a crucial trade partner for Tanzania, promoting economic exchange and cooperation between the two regions, contributing to Tanzania's economic growth and development goals. In comparison, the EU is Kenya's second largest trading partner, and Kenya's most important export market.

Potential and drawbacks from the European Partnership Agreement

The EU and the EAC Partner States concluded the negotiations of an Economic Partnership Agreement (EPA) in 2014, but the agreement never entered into force because some EAC Partner States, including Tanzania, did not sign it⁹. The impact of the EPA between the EU and EAC on Tanzania has been a topic of various discussions. At the time, in 2014, Tanzania already benefited from preferential access as a Least Developed Country (LDC) under the Everything But Arms (EBA) programme without having to reciprocate with market access and didn't see the advantages it might gain in signing the agreement.

In a media interview¹⁰ conducted at the time with former president, Benjamin William Mkaapa, multiple concerns around the EPA agreement were raised which are still valid today and contribute to the continuous refusal to sign the agreement¹¹. In contemplating the ratification of the EPA, Tanzania would be subjecting its local sectors to fierce competition from EU imports, potentially jeopardizing established industries and hindering the growth of new ones. Moreover, the EPA might impede the region's ambitions for industrialization by permitting duty-free entry of EU goods into the EAC market. Additionally, the agreement restricts the use of export tariffs, which are valuable tools for promoting value-added processing and diversity. Furthermore, adopting the EPA could lead to significant tariff revenue losses for the EAC, raising doubts about the EU's promised development assistance¹².

⁸ Kweka, J., Sioi, F. (2022). Implications of the EU-EAC Economic Partnership Agreement (EPA) on EAC and Tanzanian Economies. Dar es Salaam: REPOA. [Implications-of-EPA-on-EAC-and-TZ_Final-Report.pdf \(repoa.or.tz\)](https://repoa.or.tz/implications-of-EPA-on-EAC-and-TZ-Final-Report.pdf)

⁹ *The European Union and Tanzania*. EEAS. (n.d.). https://www.eeas.europa.eu/tanzania/european-union-and-tanzania_en?s=124

¹⁰ Mkaapa, B. W. (2014). *Why the EPA is not beneficial to Tanzania*. The South Centre. <https://www.southcentre.int/question/why-the-epa-is-not-beneficial-to-tanzania/>

¹² Mkaapa, B. W. (2014). *Why the EPA is not beneficial to Tanzania*. The South Centre. <https://www.southcentre.int/question/why-the-epa-is-not-beneficial-to-tanzania/>

Concerns about the unequal impact the EPA has had on the EAC countries that did sign it are also part of the discussions¹³.

Challenges in maintaining a balanced economic relationship with the EU

Tanzania and the EU face several obstacles in their collaboration, including discrepancies in development funding, trade restrictions, and market access, which can weaken their economic connections. Differences in governance, environmental regulations, and human rights standards, along with migration, security, and regional integration challenges, necessitate good communication, compromise, and meaningful dialogues that respect sovereignty and benefit both parties¹⁴, instead of causing conflict.

The East African Community (EAC) has set lofty targets for industrialization, envisioning a surge in manufacturing's contribution to GDP from 8.7% in 2012 to an impressive 25.0% by 2032, driven by its abundant natural resources. Tanzania, in alignment with its government's agenda, is marching vigorously towards industrialization and export promotion. The EU eagerly anticipates Tanzania's signature on the EU-EAC trade deal, as it holds the potential to bolster Tanzania's industrial aspirations by facilitating broader market access for its products. With a clear understanding of industrialization's role in fostering structural transformation and creating quality employment opportunities, Tanzania has committed itself to achieving semi-industrialized status by 2025, focusing on elevating tech-related goods production in its GDP and amplifying the number of exporting enterprises. This steadfast determination underscores Tanzania's unswerving dedication to fostering economic growth and development in the region.

Aid from the EU and its impact on Tanzania's development

OECD data shows that the EU and its Member States were the largest donors to Africa, contributing approximately €20 billion per year in development aid¹⁵. The effectiveness of development assistance for Africa has sparked debate. Senegalese President Abdoulaye Wade and economist Dambisa Moyo question if long-term financial transfers strengthen African economies or exacerbate poverty. Conversely, proponents see development aid as a moral imperative to address historical injustices, citing Asia's success in poverty reduction through capitalist reforms without heavy reliance on charity. Africa's potential, they argue, lies in the rise of mobile and internet technology,

¹³ Kweka, J., Sioi, F. (2022). Implications of the EU-EAC Economic Partnership Agreement (EPA) on EAC and Tanzanian Economies. Dar es Salaam: REPOA. [Implications-of-EPA-on-EAC-and-TZ_Final-Report.pdf \(repoa.or.tz\)](https://repoa.or.tz/implications-of-EPA-on-EAC-and-TZ_Final-Report.pdf)

¹⁴ Delputte, S., & Orbie, J. (2014). The EU and donor coordination on the ground: Perspectives from Tanzania and Zambia. *The European Journal of Development Research*, 26(5), 676–691. <https://doi.org/10.1057/ejdr.2014.11>

¹⁵ *Press corner*. European Commission - European Commission. (2021). https://ec.europa.eu/commission/presscorner/detail/en/ip_21_2543

fostering a new generation of entrepreneurs. This approach suggests a shift towards fostering entrepreneurship and capitalist principles, moving beyond aid as the sole solution¹⁶.

Tanzania, with its new status gained in 2020, faces a 5 to 6 year window to transition from concessional lending to market-based financing. Policymakers are urged to focus on openness, international trade, and FDI, aligning with President Samia Suluhu's non-alignment policy, to drive economic growth.

Conclusion

EU investments and aid are essential for meeting both short-term and long-term demands in Tanzania. However, the EU alone cannot close Africa's funding shortfall, emphasizing the necessity of a strategy that includes key allies like China and the US¹⁷. Remittances, often surpassing all other international aid, are crucial for economic development in the Global South, improving the livelihoods of receiving households and promoting economic growth and poverty reduction in recipient nations¹⁸.

China-Tanzania cooperation

China's remarkable growth over the past decades, propelling it to its current status as a global power, has not gone unnoticed. By studying China's ascent and engaging in collaborative endeavours with the East Asian giant, Tanzania and other developing nations seek to tap into China's expertise and emulate its path to progress. Inspiration in China's achievements is particularly found in the realms of science, technology, skilled labour, and human resources. As the world witnesses intensifying geopolitical and geo-economic competition, these partnerships represent a strategic move to foster growth, self-reliance, and resilience in an ever-changing global landscape where China tends to become more attractive than the West.

Evolution of China's Economic Engagement with Africa

The historical socialist ideological connections that fostered Sino-African development have played a significant role in shaping China's approach to overseas assistance. Leveraging aid as a political instrument, China garnered diplomatic recognition from Africa while vying for support against the backdrop of the Cold War, competing with the likes of the US and the Soviet Union¹⁹.

¹⁶ Zitelmann, R. (2019, August 5). *Africa doesn't need more development aid, it needs more capitalism*. Forbes. <https://www.forbes.com/sites/rainerzitelmann/2019/08/05/africa-doesnt-need-more-development-aid-it-needs-more-capitalism/?sh=731f27a36ba2>

¹⁷ Tshuma, D. (2022). WHAT IF AFRICA STOPS RECEIVING FOREIGN AID? *European Union Institute for Security Studies*. https://doi.org/https://cadmus.eui.eu/bitstream/handle/1814/74111/EUSS_Brief_1_2022_Imagine%20Africa.pdf?sequence=1

¹⁸ *Global philanthropy tracker*. Global Philanthropy Indices. (n.d.). <https://globalindices.iupui.edu/tracker/index.html>

¹⁹ Schmidt, E. (2013). *Foreign intervention in Africa: From the cold war to the war on terror* (No. 7). Cambridge University Press.

The People's Republic of China's (PRC) economic engagements with African nations have undergone three distinctive phases. Phase One, spanning from the 1950s to the late 1970s, was characterized by ideology-driven development aid, aimed at fostering anti-colonial and anti-imperial solidarity. Back then, China actively supported Africa's liberation struggle, training freedom fighters for countries such as Angola, Mozambique, and South Africa. This also saw the TAZARA project come to light in Tanzania as a counter-project to infrastructure projects in colonial southern Africa. In Phase Two, which extended from the 1980s to the early 2000s, Chinese migrant entrepreneurship (individual and private ventures) emerged as a prominent feature. Finally, Phase Three, from the mid-2000s to the present, witnessed a blend of state-led initiatives alongside market-driven strategies in their engagement with African countries. These phases delineate the evolution of China's approach to economic cooperation in Africa over time, reflecting shifts in political ideologies and economic strategies.²⁰The construction of the Tanzania Zimbabwe railway, aptly known as the "freedom railway," exemplified China's commitment to assisting African nations in achieving and safeguarding their national independence and fostering economic development.

Forum on China-Africa Cooperation (FOCAC)

The establishment in 2000 of the Forum on China-Africa Cooperation (FOCAC) signifies a transformation in Sino-African collaboration, moving beyond purely ideological foundations. FOCAC's principles now encompass mutual respect for sovereignty, non-interference in internal affairs, and equality, providing a robust framework for advancing bilateral and multilateral economic cooperation between China and Africa²¹.

Implications of China's Investments and Loans on Tanzania's Development

China avoids the baggage of colonialism and highlights its cooperation as ideologically driven. They focus on financing hard infrastructural projects, unlike traditional donor countries that prioritize soft infrastructures and democracy promotion. China's loans to Africa often come with fewer conditions related to domestic matters, whereas traditional donor countries usually demand governance improvements. Additionally, Chinese firms are seen as more competitive due to economic efficiency, cost-effective labor, and willingness to invest in politically risky areas.

Tanzania's debt situation exhibits a commendably restrained portion requiring immediate repayment, with short-term debt representing merely 12% of its overall debt burden²². Given the elevated risks associated with short-term debt this offers the Tanzanian government a favorable position, considering the potential troubles that countries with substantial short-term debt might

²⁰ Monga, C., Lin, J. Y., Akyeampong, E., & Xu, L. (2015). The three phases/faces of China in independent Africa. *The Oxford Handbook of Africa and Economics*. <https://doi.org/10.1093/oxfordhb/9780199687107.013.048>

²¹ Forum on china-africa cooperation. (n.d.). <http://www.focac.org/eng/>

²² *Short-term debt (% of total external debt) - Tanzania*. World Bank Open Data. (n.d.). <https://data.worldbank.org/indicator/DT.DOD.DSTC.ZS?locations=TZ>

encounter when struggling to generate sufficient revenue or secure additional funding to meet their obligations promptly.

In January 2021, the Tanzanian President John Magufuli asked Chinese Foreign Minister Wang Yi to cancel three overdue interest-free loan debts²³. During the global covid Pandemic, China made several announcement about global Chinese Debt relief, particularly towards African countries. Although they lacked specific details regarding the countries or the amount of loan forgiveness, analysts believe that since 2000, China has regularly forgiven loans, particularly when accused of debt trap diplomacy by the West, that are nearing their end but have a small balance. It is important to clarify that this action does not constitute a complete loan cancellation; instead, it involves the cancellation of the remaining unpaid portion of interest-free loans that have reached maturity. For instance, if a loan was supposed to be fully paid off over 20 years but still has an outstanding balance, China cancels that outstanding amount²⁴.

Chinese investments have been crucial in funding important infrastructure projects like energy and transport hubs, which may boost Tanzania's economic development and connectivity. Additionally, by generating employment opportunities and luring foreign direct investment, these projects help Tanzania achieve its industrialisation goals and raise the country's competitiveness on the world market. However, there are worries about the possible debt load brought on by these loans, which might strain the economy and affect the stability of the financial system. Tanzania must carefully manage its debt, negotiate favourable terms, and give top priority to initiatives that support its development goals.

Additionally, while Chinese investments may promote economic development, they can harm social and environmental standards in industries like mining and agriculture. Tanzania's natural resources and ecosystem must be safeguarded by ensuring ethical and sustainable resource extraction practises. To guarantee that the rewards of these investments are shared fairly among Tanzanians, a balance must also be struck between local engagement and skill development. Geopolitical factors are also relevant; China's engagement may have an impact on Tanzania's diplomatic ties and international reputation²⁵.

Since the mid-2000s, the Chinese government has taken on a more assertive role in steering its foreign investment endeavours. In May 2023, China exported \$673M and imported \$24.1M from

²³ Ng' Wanakilala, F., & Kavanagh, M. J. (2021, January 8). *Tanzania asks China for debt write-off, approves rail deal*. Bloomberg.com. <https://www.bloomberg.com/news/articles/2021-01-08/tanzania-asks-china-for-debt-write-off-approves-new-rail-deal>

²⁴ Brautigam, D., & Huang, Y. (2023). *Integrating China into Multilateral Debt Relief: Progress and Problems in the G20 DSSI*. *China Africa Research Initiative*. <https://doi.org/https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/64303cd252cc4045dafc811f/1680882899126/Briefing+Paper+9+-+China+and+DSSI+-+April+2023+-+V5.pdf>

²⁵ Xia, Ying. 2019. *Chinese Manufacturing and Agricultural Investment in Tanzania: A Scoping Study*. Working Paper No. 2019/31. China Africa Research Initiative, School of Advanced International Studies, Johns Hopkins University, Washington, DC. Retrieved from <http://www.sais-cari.org/publications>

Tanzania, resulting in a positive trade balance of \$649M.²⁶ Accumulating substantial foreign exchange reserves through export-driven development has endowed China with the means to bolster the global expansion of its businesses. Learning from the experiences of other East Asian nations, China has harnessed foreign investment as a catalyst for accelerating domestic industrial restructuring, leveraging access to raw materials, international markets, and cost-effective labour while relocating surplus production capacity. Notably, China's engagements in East Africa have also been shaped by strategic considerations, driven by its aspirations to cultivate political alliances and extend soft power on the international stage. This orchestrated approach reflects China's evolving approach to foreign investment and its pursuit of strategic objectives in the global arena.²⁷

Balancing economic benefits from China while safeguarding national interests

In the realm of Sino-African cooperation, it is imperative to place a strong emphasis on achieving win-win outcomes, ensuring mutual benefits and fostering local content development. Firstly, Chinese Foreign Direct Investment (FDI) in Africa remains limited²⁸, often accompanied by the importation of Chinese labor instead of promoting local employment opportunities. Secondly, concerns about debt trap diplomacy raise alarm bells regarding potential economic control and fears of recolonization. Thirdly, recognizing that self-interest is inherent in international cooperation highlights the imperative of transparency and citizen involvement.

Transparency and accountability must take center stage in agreements with China, subjecting them to thorough scrutiny to guarantee fair deals concerning natural resources. To optimize economic advantages and drive sustainable development in Tanzania, a meticulously formulated agenda and strategy for engaging with China is of paramount importance. Corruption issues demand immediate attention, necessitating the fortification of governance mechanisms to safeguard against misusing funds and loans from China and other partners. An unwavering focus on developing local content, technology transfer, and negotiation skills will serve as the catalyst for harnessing the maximum benefits of cooperation, propelling Tanzania towards profound socioeconomic transformation.

Conclusion

Many people attribute China's interest in Africa to commercial motives, particularly China's growing domestic demand for industrial raw materials, such as minerals, wood, and leather, and China's need to increase export markets for its manufactured goods, signalling a change from third world solidarity to profit-focused capitalism in line with its Belt-and-Road-Strategy. Others categorize contemporary China's stakes in Africa as multi-pronged, embodying political, economic, ideological,

²⁶ *China (CHN) and Tanzania (TZA) trade*. OEC. (n.d.). <https://oec.world/en/profile/bilateral-country/chn/partner/tza>

²⁷ Xia, Y. (2021). Chinese investment in East Africa: History, status, and impacts. *Journal of Chinese Economic and Business Studies*, 19(4), 269–293. <https://doi.org/10.1080/14765284.2021.1966733>

²⁸ Chow, L. (2023, February 16). *Overview of China outbound investment of 2022*. EY China. https://www.ey.com/en_cn/china-overseas-investment-network/overview-of-china-outbound-investment-of-2022

and security objectives²⁹. It is also clear that China strategically utilizes its assistance to secure backing for its foreign policy goals, effectively garnering support from African nations multiple times³⁰.

Tanzania must improve its negotiating skills if it wants to avoid making unfavourable agreements with China over aid and trade treaties. For agreements to be fair, equitable, and mutually beneficial, it is essential to comprehend China's goals, cultural quirks, and negotiation tactics. By cultivating strong relationships, emphasizing win-win solutions, and adopting a patient approach, Tanzania can enhance its capacity to negotiate effectively, securing better deals and advancing its development objectives while safeguarding its national interests.

East African Community (EAC) and Tanzania

The EAC aims to achieve prosperity, competitiveness, security, stability and political unification in East Africa. Kenya, Uganda, Tanzania, Rwanda, The Democratic Republic of Congo and Burundi are the member nations. They want to establish a federation that will strengthen and advance economic, political, social, and cultural integration. Through higher security, more competitiveness, value addition, trade, and investment, people's quality of life will be improved.

The EAC has acknowledged that regional peace, stability, and security are necessary for economic integration to flourish. Therefore, it concentrates its efforts on small arms and light weapons control, conflict resolution, crisis prevention, and the advancement of good governance. However, the EAC secretariat's poor institutional structures, particularly the absence of a Directorate for Peace and Security and the ineffective application of regional standards and policies inside member nations, are impeding these efforts³¹.

It is shown that while China is indirectly promoting or facilitating the EAC's integration by financing and building infrastructure projects (i.e., ports, hydro-electric power plants, telecommunications, roads and railway), its current trade policies vis-à-vis the bloc significantly threaten to derail the integration efforts³². To successfully mitigate such a blowback, the EAC and its partner states will need to adopt unified policies in dealing with Beijing, both for infrastructure development projects and trade relations. In this regard, the EAC could learn from China's relationship with ASEAN. But to succeed, the EAC should be given a more prominent role to play in coordinating relations with the Asian giant. Not only will that help streamline interactions between the two parties and foster transparency, it will also ensure cooperation and coordination within the East African bloc. Moreover, the East African regional body could also work better with Chinese financial institutions dealing with regional infrastructure development in the region to ensure more transparency and

²⁹ Ofose, G., & Sarpong, D. (2022). China in Africa: On the competing perspectives of the value of Sino-Africa Business Relationships. *Journal of Economic Issues*, 56(1), 137–157. <https://doi.org/10.1080/00213624.2022.2020025>

³⁰ Nantulya, P. (2023, April 17). *Africa's role in China's multilateralism strategy*. Africa Center for Strategic Studies. <https://africacenter.org/spotlight/africa-china-multilateralism/>

³¹ Giz. (2023, July 31). *Support to East African integration*. Startseite. <https://www.giz.de/en/worldwide/115017.html>

³² *SIPR Lema and Ngwenya*. Stanford University. (n.d.). <https://fsi.stanford.edu/sipr/content/sipr-lema-and-ngwenya>

accountability in order to avoid financial burdens arising from unsustainable projects and corrupt deals.³³

The significance of the EAC for regional integration and intra-African trade

Numerous studies have been conducted on the economic impacts of regional integration in East Africa, especially within the East African Community (EAC). Traditional trade theories have been challenged by contemporary trading patterns, which has resulted in a trend towards intra-industry trade, in which nations trade items that are comparable but somewhat different. The theory that economies of scale and imperfect competition may drive trade, regardless of comparative advantage, was formalised by Paul Krugman's work³⁴.

The establishment of the Customs Union (CU) and Single Customs Territory (SCT) inside the EAC has greatly increased markets, reduced trade expenses, and promoted intra-industry trade. Trade volumes have increased as a result, helping nations like Tanzania. According to studies, the EAC-CU's success increased bilateral commerce between member nations by 213%, which improved welfare and strengthened stability. It is estimated that real GDP grew by about 0.45% as a result of this accomplishment. Tanzania's strong participation in the EAC has boosted intra-regional commerce and industrialisation, creating chances for the region's economy to flourish and for collaboration³⁵.

Tanzania's role in fostering economic cooperation within the EAC

Tanzania's trade relations with its East African Community (EAC) counterparts have shown promising potential since the establishment of the EAC in 2000. The subsequent development of the EAC-CU in 2005 and EAC-SCT in 2014 aimed to expand the market for Tanzanian exports and reduce trade costs for imports and exports within the region. As a result, Tanzanian exports to EAC markets increased significantly, reaching a peak of approximately 16% by 2015, before stabilizing around 10% in 2017. However, total imports from the EAC markets experienced a decline, falling to about 2% in 2015 and rebounding slightly to 4% in 2017. Despite the growth in intra-regional trade, Tanzania still conducts a significant portion of its trade with countries outside the EAC. Approximately 70% of exports are destined for the rest of the world, and 20% are with other African countries, highlighting the importance of global trade linkages for Tanzania's economy. An intriguing observation is the sharp decline in Tanzanian exports to and imports from EAC markets after 2015, which coincided with the

³³ Ngwenya, S., & Lema, A. R. (n.d.). *China's Role in Regional Integration in Africa: The Case of East African Community*. Stanford University. <https://fsi.stanford.edu/sipr/content/sipr-lema-and-ngwenya>

³⁴ Neary, J. P. (2009). Putting the "new" into new trade theory: Paul Krugman's Nobel memorial prize in economics. *Scandinavian Journal of Economics*, 111(2), 217–250. <https://doi.org/10.1111/j.1467-9442.2009.01562.x>

³⁵ Leyaro, V. (2021a). Trade effects of the East Africa Customs Union in Tanzania: Application of a structural gravity model. *WIDER Working Paper*. <https://doi.org/10.35188/unu-wider/2021/993-8>

creation of the EAC-SCT and a new government in Tanzania. This raises concerns about policy coherence and potential non-tariff barriers that may be affecting trade flows within the region³⁶.

Further analysis of Tanzania's trade patterns within the EAC reveals fluctuations in exports and imports shares with specific partner states like Kenya and Uganda. On the other hand, there is a consistent high export share to Rwanda and Burundi, with relatively low imports from these nations. Understanding these trade patterns can help Tanzania's policymakers formulate effective strategies to promote regional integration, reduce barriers, and foster sustainable trade growth within the EAC, ultimately contributing to Tanzania's economic development and regional cooperation³⁷.

Challenges and opportunities in strengthening ties within the EAC

One significant concern is the existence of protectionist and discriminatory strategies within regional integration agreements, potentially limiting Tanzania's access to markets and causing unfair competition. Moreover, the influence of politics on regional integration is evident, leading to conflicting interests and a lack of policy coherence among member states. This may hinder effective collaboration and cooperation within the regional bloc.

Another important challenge lies in harmonizing foreign policy predispositions of individual member states within the regional bloc. These policies are shaped by diverse ideologies, interests, and rivalries, making it difficult to create a unified and comprehensive approach to regional integration. Additionally, the observation that integration in the Arab world faces difficulties due to political instability, disunity, and external manipulation serves as a reminder for Tanzania to address internal political and stability issues that may affect its own integration efforts, especially if it looks at integrating Somalia too, marking an important shift for the EAC.

The dilemmas faced by the European Union in its external relations also provide valuable insights for Tanzania. Striking a balance between individual state sovereignty and collective impact in foreign policy is crucial to successful regional integration. Furthermore, the macroeconomic challenges associated with free movement of capital in the East African Community, such as among member states and slow implementation of agreed plans, require careful consideration and proactive solutions³⁸.

³⁶ Karingi, S., O. Pesce, and L. Sommer (2016). 'Regional Opportunities in East Africa'. WIDER Working Paper 2016/10. Helsinki: UNU-WIDER. <https://doi.org/10.35188/UNU-WIDER/2016/204-5>

³⁷ Etyang, D. (2019). 'Baseline Survey Report on Status of Non-Tariff Barriers in East African Community'. Report. Arusha: East African Business Council; Nairobi: Trade Mark East Africa.

³⁸ Wakhungu, J. P., Okoth, G. P., & Odhiambo, E. O. S. (2021). Challenges and Opportunities Constraining and Enhancing Kenya and Tanzania Participation in the EAC Econo-Political Integration Process. *Open Journal of Political Science*. https://doi.org/https://www.scirp.org/html/9-1671235_106731.htm#

Conclusion

All in all, EAC markets constitute only a small portion of Tanzania's overall commerce, accounting for around 10% of exports and 5% of imports on average. To tap into the EAC's enormous resources and prospects, Tanzania must focus on reducing trade diversion, raising productivity, and enhancing trade facilitation measures to expand export diversification and improve competitiveness in regional markets and beyond. For Tanzania's future economic performance and long-term viability within the EAC, addressing non-tariff obstacles and policy incoherence is essential to avoid past mistakes that led to the first EAC's collapse.³⁹

Final Conclusion

In conclusion, this paper aimed to understand better Tanzania's economic diplomacy through the analysis of its policies and trade treaties, as well as the strategic decision process behind its international cooperations and partners. In the context of strong economic diplomacy, Tanzania must adopt a balanced and pragmatic approach to navigate the relationships between the East African Community (EAC), China, and the European Union (EU). Firstly, Tanzania should prioritize regional integration and cooperation within the EAC to enhance intra-regional trade and economic growth. By fostering closer ties and pursuing shared development goals with neighboring EAC member states, Tanzania can strengthen its position as a regional player and leverage collective bargaining power when engaging with external partners like China and the EU.

Tanzania should situate itself within the 21st century global economy with its new drivers, promoting a rules-based system in order to mitigate Great Power tensions, and recognise that all foreign economic policy is ultimately also domestic. Challenges arising from different regulatory frameworks and standards across the EU, China and the EAC raise the prospect of a fragmented global trading system, indicating complex strategic decisions and navigation of Tanzania's economy⁴⁰.

Finally, in dealing with China and the EU, Tanzania should adopt a nuanced and strategic value-based approach. While China's investments and economic support have played a significant role in Tanzania's development, it is crucial to ensure that such engagements adhere to sustainable development principles, respect environmental standards, and safeguard local industries. Similarly, engaging with the EU should focus on mutually beneficial partnerships that promote trade diversification, technology transfer, and capacity building. By maintaining a balanced stance, Tanzania can optimize the advantages of its relationships with both China and the EU, while safeguarding its national interests and preserving its sovereignty.

³⁹ Leyaro, V. (2021). Trade effects of the East Africa Customs Union in Tanzania: Application of a structural gravity model. *WIDER Working Paper*. <https://doi.org/10.35188/unu-wider/2021/993-8>

⁴⁰ Ideas, L. (2020, August 27). *Economic diplomacy in the 21st Century: Principles and challenges*. Medium. <https://lsideas.medium.com/economic-diplomacy-in-the-21st-century-principles-and-challenges-adce88916be4>