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Why Tanzania Withdrawn Its Membership from the Common Market for Eastern and Southern Africa Comesa?

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Abstract
The study has focused on analyzing the major factors influencing Tanzania to withdraw its membership form the Common Market for Eastern and Southern Africa (COMESA) in 2000. COMESA is the region economic integration where Tanzania joined in 1994 with the expectation of gaining more benefits through trade relations that existed between the member states. The article explains how the Common Market for Eastern and Southern Africa failed to meet the required targets to some of its member states particularly Tanzania and leading to withdraw its membership. The expectations of Tanzania to promote trade relations and improving exportations alongside with developing domestic industries and small and medium enterprises seemed to fail. The economic gap between Tanzania and other member states was increasing day to day to the extent in 1990's Tanzania was among of the poorest countries in the world. The efforts were taken to revive the economy, and one of the approaches taken was to withdraw from one of the regional economic integration that was COMESA. The findings show that zero tariff reduction agreement was the major influence of Tanzania to withdraw its membership from COMESA. Reducing tariffs to 100% was a threat for Tanzania because according to trade policy review of 2000 shows that Tanzania was heavily relying on revenues from trade tariffs and VAT. Therefore, if Tanzania would remain in COMESA and implementing zero tariff reduction could more affect its revenue collection. According to East African trade review, implementation of the new tariff regime would cost the government a total of US$80 million annually and also would affect the domestic industries due to unable to sustain the competitiveness of the market for imported goods from other member countries.According to Hon. Benjamin Mkapa (1999), the former President of the United Republic of Tanzanian President, the large part of Tanzania revenue was depending on tariffs charges from foreign goods particularly from neighboring land locked countries such as DRC, Zambia, Malawi, Burundi and Rwanda that have been using Tanzania as transit to import and export their goods through Dar es Salaam, Mtwara and Tanga ports and transporting to their countries. The products were usually imposed trade tariffs through customs border agents and forming necessary source of revenue to Tanzania. According to him, if Tanzania would agree to remove all trade barriers to zero tariffs would harm its revenue collection and leading economic instability.
Keywords: COMESA; Tanzania; regional integration; tariffs;
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1. Introduction

Regional economic integration has a long history within the African continent and it is almost 116 years since its establishment. South African Customs Union (SACU) was the first trading bloc that was established in 1910 and followed by the East African Community in 1919. From that time, numbers of regional trading blocs continued to be established all over the African continent particularly since the l970s. Today there is no single country in Africa that is not a member of at least on regional trading bloc. Currently there are more than 10 regional economic integrations in Africa; among them is the Common Market for Eastern and Southern Africa (COMESA). The Common Market for Eastern and Southern Africa (COMESA) is a free trade area was established in 1994 to replace the Preferential Trade Area existed since 1981 (Issam A.W. Mohamed, 2011). In accordance with the preferential trade agreement treaty, COMESA was established in 1994 to take the integration process to a higher level (economic commission for Africa, 2006). The Treaty of establishing COMESA was signed in November 1993 in Kampala, Uganda and was ratified in Lilongwe, Malawi in December 1994. The founder members of that regional bloc are Angola, Burundi, Comoros, D.R. Congo, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe (http://training.itcilo.it).There are some members such as Egypt and Mozambique joined later and forming 21 members. However, number of member states has been increasing and decreasing time to time caused by subscribing for new members and withdrawal for others where as currently there are 19 members.

The idea of establishing PTA and then COMESA began in 1963 when the ministerial meeting held in Lusaka, Zambia for the consideration of proposal. In March 1978, the proposal for the establishment of a sub-regional Preferential Trade Area was made during the meeting of Ministers responsible for Trade, Finance, and Planning in Lusaka, Zambia. December, 1981 a treaty to establish a Preferential Trade Area for Eastern and Southern Africa in Lusaka, Zambia was signed and ratified in 1982 (PTA Development Report, 1992). In

November,1993 the COMESA Treaty was signed by 19 founding members in Kampala, Uganda and was ratified in December 1994 in Lilongwe, Malawi.

COMESA form the largest free trade area (FTA) in Africa and through its raft of programs and institutions it has made an indelible imprint on the continental integration process, not only through its sheer geographical and economic size, but more importantly through the pioneering nature of many of its programs and institutions. The integration programs of COMESA include the free trade area; the customs union; visa relaxation; infrastructure (transport, energy, ICT); agriculture (CAADP); industry and SMEs; gender; peace and security; science technology and innovation; intellectual property; and international negotiations (Francis Mangeni and others, 2014). All these programs are embedded in the COMESA Treaty, which has been in force since 1994. Its functions based on eight (8) organs namely: Authority (made up of Heads of State and Government); The Council of Ministers; The COMESA Court of Justice; The Committee of Governors of Central Banks; The Inter-governmental Committee; Technical Committees; The Consultative Committee and The Secretariat.

COMESA as a regional economic community has targeted to become fully integrated, internationally competitive, prosperous and peaceful with high living standards, and fully supportive of the continental integration process. The main objective is to attain sustainable growth and development of the Member States by promoting a more balanced and harmonious development of its production and marketing structures. To achieve this objective, the Member States made several undertaking, under which they “shall, in the field of trade liberalization and customs cooperation, establish a customs union, abolish all non-tariff barriers to trade among themselves; establish a common external tariff; cooperate in customs procedures and activities”. However, some of the member countries including Tanzania failed to fulfill the wishes of the community and decided to withdraw.

2. Economic factors influencing Tanzania to withdraw from COMESA

The withdrawal of Tanzania from COMESA did not come accidentally, but was due to fundamental reasons that the government deemed not realistic to continue to be a member in the community that does not have the benefits to Tanzania. Those reasons were almost influenced by economic factors which was the basic principle for the establishment of COMESA. Here I will discuss the key factors for Tanzania to withdraw its membership in 2000 and showing how it has benefited for almost 16 years now since its withdrawal.

2.1 Tariff reduction

For the low-income countries lowering import duties (tariffs) not only jeopardize direct revenue collection from imported goods from abroad and neighboring countries but also the government savings particularly foreign currency is reduced and leading the pool of credit available to the private sector declines. Thus, sectors producing investment goods, such as building & construction and manufacturing, experience a decline in output and reduced demand for labor. But also, the impact of imported goods normally affects the price of the domestic goods. Reducing in domestic price leads the decline of domestic production in several sectors including industrial and agricultural sectors. Following the implementation of free trade agreement, Tanzania was supposed to reduce tariffs for the imported goods form other member states. But also, was supposed to implement zero tariffs reduction by 2000 as identified in article 46 of COMESA treaty which urged all member states to reduce tariffs by 100% by 2000. Tanzania as a member of COMESA was responsible to follow the requirements of that article. However, the implementation of tariffs reduction was a big problem for other members state particularly Tanzania. The tariffs revenue collection seemed to decline to the lower amount and resulting revenue loss which threatened the national economy. But also, the external trade was affected and leading trade deficit. Following those outcomes and others, Tanzania tried to take some measures including protecting infants’ industries against importation of goods from outside of Tanzania.

2.2 Loss of trade tariffs revenue

Reducing or removing the trade barriers in economies where tariff revenue is one of the most significant sources of government revenue creates a problem for country’s economy and threatening the declining of growth domestic products as well as growth national products; this is because the chains of its impacts will spread and affect in most key economic areas. According to East Africa Trade review (2011), in Tanzania tax and nontax revenues collectively accounted for about 14% of GDP. Taxes on imports which included the imports tariffs and all applicable sales and excise taxes, together contributed more than 28% of total revenues, with about half derived from imports tariffs. Geographically Tanzania is located in very good place and forming one among of the important transit to the goods from some COMESA land locked countries such as DRC, Zambia, Malawi, Burundi and Rwanda whereas they use Tanzania to export their goods through Tanzania ports such as Dar es salaam, Mtwara and Tanga. The goods are transported from those countries to cross the Tanzania borders and normally are charged import duties.

The import duties imposed on those transit goods was and still one of the major sources of revenue. The dependence of imports revenues was seemed clear during 1991 – 1997 where the share of total revenue due to taxation of imports has increased by more than 6% points with most of the increase resulting from the increased collections of excise duties on imports (B. J. Ndulu, Charles K. Mutalemwa, 2002). However, despite of that increment seemed in that particular period, in reality the revenue collection was severely declined compare to 1960's. The decline of import duties as a percentage of total revenue from their highest level of 42.3% in 1968 to about 14% in 1997 was resulted by reduction of trade barriers particularly from COMESA countries. Implementation of free trade agreement resulted to serious fiscal problems to Tanzania as it relied on international trade taxes for a large share of its total revenue.

One of the major challenges to Tanzania was how to implement the ambitious timetables and goals as well as principles set but COMESA member states while pursuing a strategy designed to promote both intraregional integration and multilateral liberalization. The timely arranged for the implementation of preferential tariffs on intraregional trade has proved especially difficult thus why Tanzanian authorities declared their intention to exit from COMESA in late 2000, in order to avoid the implementation of the requirement under the treaty to fully eliminate the preferential margin. Budgetary difficulties have persuaded the authorities to introduce ad hoc or discretionary measures, including the recurrent use of temporary duties and "minimum dutiable values" for import tax assessment, that have reduced the efficiency and transparency of the tariff system (Oussama Kanaan, 2000).

However, the trend of tariffs revenue collection began to increase gradually once Tanzania exited from COMESA, although some reports show Tanzania is still loses 1.87 billion USD every year in tax revenue collection due to cheating by dishonest companies in import and export transactions. The benefits started to be seen in the early years of 2000's after the import duty revenues start to increase. The import duty revenue collection increased with the average of 12.7 percent from 21,415.1 million Tanzania shillings in 1999/2000to 272,209.7 in 2015/2016 (TRA quarterly tax revenue collections 1998-2016). That's good indication on how tariff/import duty was and still important for the economic development. Currently, Tanzania has become one of the fastest growing economies in Africa where the efforts have been strengthened in increasing the revenue collections and also to initiate new revenue sources instead of relying on the current ones. Tanzania has decided to abolish the problem of tax evasion and increase revenue collection in order to achieve and to be middle level economy as identified in Tanzania development vision 2025 and stop relying on foreign aid from development partners.

2.3 Decline of External Trade

In the late 1980's, Tanzania under the leadership of Ali Hassan Mwinyi initiated the opened door policy that allowed trade liberalization for indigenous and foreigners to open the business within and outside of the country and allowing more foreign direct investments. That policy was also supported by proceeded President, Hon Benjamin William Mkapa in 1990's through privatization policy for state those investments. Besides, the international financial institutions such as WTO and WB bank initiated several policies for the aim of developing Tanzanian economy. However, despite of several measures such as Structural Adjustment Programs (SUPs) designed to increase exports and encourage economic growth and increase the number of investments, Tanzania has suffered from a chronic negative balance of payments. Moreover, instead of progressively diminishing, the balance of payments deficit has actually increased. Indeed, several studies show that, the country's deficit grew from US$650 million in 1996, to US$1,000 million in 1999 (Musonda, 2000). The worse situation happened during that five years whereas in 1999 the value of exports dropped to roughly one third of the value of total imports, and causing in a trade balance deficit of over one billion US$. It was seemed that Tanzania was importing more goods than it exports to the regional market and leading trade deficit. As shown earlier, in 1999 the volume of Tanzania's imports from the region was 265% higher than exports (Musonda, 2000).

Exports had picked up after a continuous decline in previous years, but not by enough to make up for what seems to be a steady positive trend in imports, leading to an increasing negative trade balance. A further reduction of import tariffs is likely to exacerbate this worrying situation, at least in the short run. In recent export growth, major agricultural crops have played a declining relative role and goods exports declined relative to services, especially tourism, with services earnings reaching between 43 and 48 per cent of total export earnings in this period. This reflects the slump in world prices for agricultural products as well as the fast growth of the mining and tourism sectors (Wuyts, 2003)

3. Other factors influencing Tanzania's withdrawal from COMESA

Regional economic integrations have become one of the main accelerating factors for the development of the member countries of the community. The objectives of those trade blocs are to get the mutual benefits towards economic growth along with improving the welfare of their communities. However, sometimes the integrations fail to attain their desired goals and leading some members fail to get the opportunities that might enable to boost their economy. The similar situation happened in COMESA whereas Tanzania was one among of the member for almost six years was not benefited properly. Therefore, this chapter will proceed to show the influential factors that led Tanzania to be no longer COMESA member since 2000.

3.1 Low economic benefits

One of the major reasons of African regional economic integrations to fail to meet their targets is the eternal debt burden. The scope of COMESA's external indebtedness was the major source of serious concern and for the great extent drew back the progress of member states. The external debt of the COMESA region increased much more since the existence of PTA in 1980's to COMESA itself in 1990's. The debt reached to the average of 45 per cent of export earnings in 1990's which made the region to be one of the heavily indebted in the world. The debt has increased when the member states tried to borrow heavily from international institutions such as World Bank (WB) and International Monetary Fund (IMF) for the aim of establishing investments. Unfortunately, despite of heavily borrowing but it was seemed that the revenue of those countries was still low and could not manage to reduce their debt. On the production side, both industrial and agricultural sectors were in decline. For instance, the average growth of agricultural production was only 2 per cent annually that has barely matched with population growth, so it did not contribute to economic development.

Some studies show that there were some reasons influenced agricultural exports in COMESA countries to decline. Among them are limited budget allocated for the development of that sector, poor agricultural policy across of the region alongside with over taxation of agricultural products and insufficient investment in research of domestic foods. Importation of goods including foods was increasing by 8 per cent annually and COMESA's bill was so high.

Many regional trading arrangements among developing countries including COMESA were marked by low significant gains in exports, output, or other measurable economic benefits. In COMESA the value of general export was about US$ 5 million in 1995 to US$ 7 million in 2000, while SADC and EAC was about from US$ 29 million in 1995 to US$ 40 million in 2000. the value of agriculture exports in COMESA was about US$ 3 million in 1995 to US$ 4 million in 2000. While to the other integrations was about US$ 12 million in 1995 to US$ 22 million in 2000, This shows how Tanzania was not enough benefited in COMESA compared to other regions (SADC and EAC). That was proved by President Mkapa when he said that "The idea of African brotherhood is often just a cover-up for laziness. We must see what is achievable in our circumstances and evaluate all decisions. In terms of regional economic integration, sentimentality is not enough. We really have to be frank and honest." In other words, there is no need for economic integration for the sake of being seen to work together while the integration does not make economic sense." The most striking characteristic of many countries in Africa except the Arab north has been their unsatisfactory economic performance in terms of economic growth over the past two decades. One of the most vital criteria for assessing the success of integration deals with the question of whether a "trade creation" effect within COMESA or simply a "trade diversion" effect away from the rest of the world has occurred. As is well known, trade creation (a positive effect of integration) occurs when a shift in product origin occurs from a higher resource cost producer to a lower resource cost producer.

This positive effect of integration occurs when the elimination of tariffs and other barriers on member countries products motivates domestic consumers to demand imports from other member country producers rather than higher cost (and previously protected) domestic producers. Trade diversion (a negative effect) implies a shift in product origin from a lower resource cost nonmember to a higher resource cost member producer. This negative effect of integration occurs when the institution of a common external tariff on nonmember countries renders their imports uncompetitive (from a market price perspective) with duty-free member country exports. (Gerry Nkombo Muuka, 1998).

Members of COMESA including Tanzania have experienced very little change, neither significant trade creation nor trade diversion in the structure of their international trade. First, intra-COMESA trade was estimated at only 5-7 percent of total COMESA world trade in 1985 (when it was PTA - see, among others, Hess, 1994, p.19; and Mutharika, 1994). Intra-COMESA trade in 1993 amounted to US$1,634.72 million (when it was PTA). This is only 6.25 percent of the US$26,131 million total trade with the world in 1993, no change against the 1985 percentage figure. The average annual growth in intra COMESA trade between 1985 and 1993 was 7.8 percent. For a significant net trade creation effect to be revealed, intra-COMESA trade as a proportion of total COMESA world trade (the 6.25 percent above) should have been larger in 1993 (Gerry Nkombo Muuka and others, 1998). It appears that other "external" forces are determining the structure of these countries' international trade.

The major conclusion to be drawn from the above analysis is that there has been no increase in intra COMESA trade creation no any evidence yet of dynamic benefits as a result of integration. In addition to the other economic statistics cited earlier, this leads to major question: What have been the impediments to achievement of the integration objectives and ideals? This question, addressed next, forms the bulk of this study. I'm looking at factors that have nothing (or very little) to do with structural adjustment programs (SAPs) that most of these countries have implemented only slightly above the level of the region's population growth. Most COMESA countries were individually too small to achieve economies of scale in the production and marketing of their products and needed to work together as a region if they were to achieve significant levels of economic growth and compete in the world market which was becoming increasingly dominated by large trading blocs. Low economic benefits of COMESA countries included Tanzania was normally contributed by the following bottlenecks:

3.2 Dependence on a few, primary, exports

A major congenital rigidity of most COMESA economies is that their colonial masters encouraged the development and export of a few primary raw material products meant to service factories in Europe, a situation that has changed very little in the 1990s. Oxfam 1993 went so far as to explain that overdependence on products exports on depression prone world markets is at the heart of COMESA's trade crisis. Most of African regional economic integration including COMESA relied and still relies on production of primary goods such as coffee, cocoa, cotton, copper and other related commodities and exporting to foreign countries such as EU countries to generated foreign exchange aiming to develop the region and country's economy in particular. For historical/colonial reasons, Africa's major export markets are also identical, a fact which causes its own problems. Primary commodities constituted an average of 82.6% of total export earnings for these countries, of which 59.4% are from single commodities. Apart from creating balance of payments problems if production of the single commodities is disrupted, any slump in world commodity prices eroded the ability of COMESA economies to maintain investment in infrastructure, to say nothing about the negative effects on regional integration efforts.

3.3 Capital versus labor intensity

Another structural bottleneck of COMESA economy is their reliance more on capital rather than labor intensive techniques of production, a situation many critics attribute to the nature of the import substitution industrialization (ISI) strategy embarked upon after independence for most of these countries. Donges and Heimenz (1991) point out that import substitution policies tend to favor: (1) production of relatively capital-intensive products as typically the industrial structure gets diversified in the vertical direction; (2) the application of capital-intensive technologies because of relatively low barriers to imports of capital goods; and (3) an inefficient use of capital owing to the lack of competition in domestic markets. All this happened at the expense of labor intensity, of which COMESA has a relatively large endowment.

3.4 Unstable world economic conditions

Exacerbating COMESA's troubled economies (and therefore inhibiting integration) have been a succession of unfavorable world economic conditions. COMESA economies, as well as those of many other developing nations, have suffered as a result of negative developments in the wider world economy. The IMF (1994) points out for instance that the most adverse effects have come from changes in the terms of trade. Two major recessions in the industrial countries since 1980 depressed demand for developing country output and put downward pressure on commodity prices and, hence, on the commodity export prices of these countries. Negative terms of trade movements, as the IMF observes, also reduce output by increasing the cost of imported intermediate and capital goods, on which all COMESA members are heavily dependent (Gerry Nkombo Muuka,1998).

3.5 Dis-equalizing effect of COMESA integration

Some COMESA member states particularly Kenya and Zimbabwe were seemed to nominate intra-COMESA exports. These countries economically were more advanced compare to other countries including Tanzania. In the early stage of COMESA, it worked on the premise that the benefits gained among member states will be distributed among other members in equitable manner. However, the elimination of trade barriers and the introduction of common investment policies did not lead to such an equitable distribution, but stimulated the tendency of promoting their economies and being more advanced.

4. Multiplicity of membership to several regional integrations

It is an option for the country to join in any regional economic integration by considering the benefits gained in such integration. Tanzania is a member of different integrations both at the regional and multilateral. Multiplicity of membership sometimes causes the difficulty in coordination and commitment for the member country in terms of adequacy and efficiency of human and financial resources. For poor country such as Tanzania with insufficient resources human capacity and inefficient institutions became the big problem because it hindered the implementation of rules and regulations set by the COMESA member states. However, it is important to note that RIAs have different objectives based on their establishment, so that Tanzania might have different reasons for joining or leaving different regional trade arrangements and hence may decide to speed up the integration process of one while slowing on another based on a perceived cost-benefit analysis. Objectives of different RIAs range from purely market/economic integration to socio-political cooperation agreements.

According to Wolfe Braude, 2008, the market integration model is based on Viner's custom union theory associated at increasing trade flows amongst member states. The theory predicts two possible outcomes of eliminating trade barriers in a regional context: trade creation (increased trade flow from efficient producers in the region) and trade diversion (increased trade flow from inefficient producers in the region). The development integration model of RIAs follows a conscious intervention by member states to pursue certain benefits of cooperation. This is particularly relevant when there are barriers to realizing economic benefits to trade and investment. The model includes the common provision of regional public goods such as regional infrastructure and other public utilities. However, one of the criticisms of development integration model is that the need for flexibility may entrench backwardness since there are no specific time frames or quantifiable benchmarks for the achievement of targets.

Tanzania withdrew membership from COMESA in 2000 because it was a member of several regional economic integrations. That is a factor resulted to be inactive in some of the activities under other trade blocs. That caused by lack of sufficient funds to contribute in some development projects operated by those integrations, because the operational budget of those integrations relied on the donation from their member states. All in all, being a member of several integrations while you do gain sufficient benefits to develop your economy is a problem. Based on that matter, Tanzanian government perceived fewer economic benefits from COMESA compared with EAC and SADC, and believed that the agendas of those organizations (EAC) were better and incompatible with COMESA. Thus, why it decided to pull out from it and concentered with bilateral relation. Currently the Tanzania's leading trade partners are members of EAC (Kenya) and recently SADC (South Africa) make it unlikely that Tanzania can benefit significantly from COMESA. Moreover, multiple memberships complicated the decision-making process and trade regime. Deciding on how the country benefits from its regional economic partnership arrangement (REPAs) or how it chooses a regional bloc through which it can best benefit are important considerations.

5. Conclusion

With the underlying causes and some benefits gained by Tanzania after withdrawal from COMESA, but still losing some economic opportunities for the government itself and business fraternity, particularly exporters and small domestic enterprises. The current world, regional economic integrations have become the key pillars towards advanced and sustainable economy. All over the world the countries have been motivated to join with various regional communities in the efforts to create more economic opportunities to boost the internal economy and improving the social welfare. The decision to be non-COMESA member has revealed the great weakness and indicated how the government of Tanzania failed to take proper actions and use various opportunities existed in the community to strengthen its economy. The market that comprises people from more than 19 up to 21 countries is the only opportunity that might be used strategically to develop trade creation and diversion where it might provide relief to commodities prices, but also may provide an opportunity for local producers to sell their products outside of the country and raising the collection of foreign currency.

The argument issued by the Tanzania on duplication of memberships as one among of the key reason of its decision to withdraw from COMESA is irrational and unrealistic, because there are some COMESA member states such as Djibouti, Egypt, Eritrea, Ethiopia, Comoro, Libya and Sudan are not members of SADC and EAC. This means that, Tanzania cannot have free trade agreements with those countries because it is not a member of COMESA. From this factor, Tanzania has lost the reliable market from those countries with high population. Doing the business with those countries would help to increase external markets for domestic products, regarding that currently Tanzania has become one of the fastest growing economy in eastern and southern Africa. The small and medium industrial producers have been applying more advanced technology that enable to produce the best products that can compete within the regional and international market.

The issue to withdraw its membership not only affected local businesses and industrial producers to sell their products to the community member states, but also has affected the opportunity of Tanzania to be the hub of business in southern African countries. Geographically Tanzania located in strategic position that could enable to be the gateway for most of COMESA member states. But being out of it annulled all targets that focused to be an important commercial center for eastern and southern African countries.

Following inconvenience situation, the debate on whether Tanzania should rejoin to the Common Market for Eastern and Southern Africa has been discussing since 2001where some of the business communities claim that the country has lost business opportunities by staying out of that trading bloc. For instance, in 2007, the Business stake holders, grouped under the Tanzania Private Sector Foundation (TPSF) held the debate and urged the Tanzania government to rejoin to the bloc from which it withdrew many years ago. According to the several studies conducted by TCCIA and CTI, the withdrawal had harmed some business sectors. Among the victims are metal products manufacturer Aluminium Africa (Alaf Ltd) and Kioo Ltd, a glass manufacturer. Due to the above challenges and losses, is obviously that it was unwise decision, henceforth, it should reconsider its decision and finding proper ways to rejoin its membership.

However, Tanzania still has an opportunity to extend external market by having several trade partners such as China, India, Japan, United Arab Emirates and some European and African countries whereas in 2014 exported goods with the total value of $6.4billions and making it the 102nd largest exporter in the world. In order to promote good trade and achieving the desired targets, the government has to take the following measures for the wellbeing of Tanzanian economy.

First, to establish conducive environment to enable local industrial producers to improve and producing quality products in order to dominate the internal, regional and international market. This might be achieved if the Government and commercial Banks will provide low-interest loans and subsidies as financial support to lower and middle level entrepreneurs to increase their capitals and enhance their level of production.

Second, there should be good foreign trade policies that have an ability to protect local producers against imported goods. The simple approach to be taken is increase trade barriers where it is seemed to be the best way for many developing and developed countries in making sure the domestic industries are not affected against importation from abroad.

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