

**EXAMINATION OF ECONOMIC DIPLOMACY IN PROMOTING  
INVESTMENTS: THE CASE OF TANZANIA, OMAN AND UNITED ARAB  
EMIRATES**

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**A THESIS SUBMITTED IN FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY OF  
THE OPEN UNIVERSITY OF TANZANIA**

**2015**

**CERTIFICATION**

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania thesis titled “*An Examination of Economic Diplomacy in Promoting Investments: The Case of Tanzania, Oman and United Arab Emirates*” in fulfillment of the Requirements for the Degree of Doctor of Philosophy of the Open University of Tanzania.

.....

Prof. Hossea Rwegoshora

(Supervisor)

.....

Date

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## DECLARATION

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## **DEDICATION**

The realization of this work after years of hard work was not easy given my personal official responsibilities. First at the Consul General of The United Republic of Tanzania to Dubai and Northern Emirates from 2005-2011 and later as Tanzanian Ambassador to the Sultanate of Oman from 2012 to date. A lot of Dedication and sacrifice have had to be made up to this day.

My lifetime professional achievement spanning 30 years in Tanzania Foreign Service and indeed this work is dedicated at first level to "ALLAH SUBHANAWUATAALLAH". For all of this has been realized by HIS will. Secondly to my two dear parents, my late father Shk Ahmed Bin Saleh Alismailly and my late mother Jokha Bint Ali Al Jabry for bringing me up. Last but not least to the man and women of my native Pemba Island, Zanzibar and indeed to the entire United Republic of Tanzania for it is only through their sweat and support in different ways as a fellow citizen that I achieved what I have and be what I am.

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Finally I am responsible for any shortcoming in this work. any errors that may appear are my sole responsibility.

## **ABSTRACT**

The purpose of this study was to examine why there has been low level of economic cooperation between in Trade and Investment between Tanzania and GCC member states. Specifically the study wanted to study wanted to find out the readiness of the private sector and how favorable were the structural trade mechanism and legal framework in promoting the trade and investment between Tanzanian and Oman and United Arab Emirate. A total of 69 respondents were engaged by the study (i.e. 40.4% female and 59.6% males). These included officials from the government ministries, chambers of commerce, investment promotion agencies, parliamentary committee, business community members among others. The main finding reveals that, there was low level of preparedness of the private sector to promote investment in Tanzania as compared with the strong and buoyant private sector in Oman and United Arab Emirates. It was further revealed that the existing trade structural mechanisms in Tanzania were different with the structural trade mechanism in GCC countries. The GCC countries had relatively better terms and conditions when comparing with that of Tanzania likewise the legal frame work existing in Tanzania and GCC played a different role to promote trade and investment. This was facilitated by different level of development as well as different of interests among different countries. The study recommends that, there is a need to promote an expanding role of the private sector in its broader context and revisit legal and structural trade mechanism in an effort to promote close economic links between Tanzania and the Gulf Cooperation Council countries.

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## **LIST OF ABBREVIATIONS**

ASEAN	Association of South-East Asian Nations
BIT	Bilateral Investment Treaty
BOO	Build-own-operate
BOT	Build-operate-transfer
CIS	Commonwealth of Independent States
COMESA	Common Market for Eastern and Southern Africa
CSR	Corporate social responsibility
EAC	East African Community
EMS	Electronics Manufacturing Services
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GFCF	Gross Fixed Capital Formation
GHG	Green House Gas
IIA	International Investment Agreement
IPA	Investment Promotion Agency
IPO	Initial Public Offering
IPRS	Intellectual Property Rights
ISDS	Investor–State Dispute Settlement
IT-BPO	Information technology and business process outsourcing
LDC	Least Developed Country
LLDC	Landlocked Developing Country
LNG	Liquefied Natural Gas
M&As	Mergers and Acquisitions

MFN	Most favored nation
MSI	Multi-stakeholder initiative
NAM	Non Aligned Movement
NAFTA	Northern America Trade Free Area
NEM	Non-equity mode
NIE	Newly industrializing economies
ODA	Official development assistance
OECD	Organization for Economic Co-operation and Development
PPP	Public-Private Partnership
QIA	Qatar Investment Authority
R&D	Research and Development
ROCE	Return on Capital Employed
RTAs	Regional Trade Agreements
SADC	Southern African Development Community
SAARC	South Asian Association for Regional Cooperation
SEZ	Special Economic Zone
SIDS	Small Island Developing States
SME	Small and Medium-Sized Enterprise
SOE	State-owned Enterprise
SWF	Sovereign Wealth Fund
TBT	Technical Barriers to Trade
TNC	Transnational Corporation
TRIMs	Trade- Related Investment Measures
TRIPs	Trade-Related Aspects of Intellectual Property Rights



## **CHAPTER ONE**

### **THE PROBLEM AND ITS CONTEXT**

#### **1.1 Introduction**

This study intended to examine challenges facing Tanzania in accessing available opportunities in Gulf Cooperation Council states through the economic diplomacy in international relations. This chapter provides background information and statement of the research problem and the subsequent sections covers the objectives of the research, research questions. The second part of the chapter is the significance of the study and the conceptual framework of this study.

#### **1.2 Background to the Problem**

The phenomenon of economic diplomacy is not new. It can be traced back to the commercial diplomacy of the European states in the 19<sup>th</sup> century. However, the increasing of the role of economic diplomacy in the international economical attitudes is promoted by quite a number of factors. Some of these factors include Internationalization processes and reinforcement of interdependence of the world economic system (i.e. global and regional integration). The other factor includes the expansion of market economy area, liberalization of national economies and their interaction via trade and international investments. Last but not least there has been an increasing number of global economy entities, i.e. transnational corporations, banks, investment groups, which have a serious influence on world politics, international relations, and existence of large-scale and expanding dependence of economies of new independent countries on world markets, investments, technologies forces them to correct its positions on political and military problems of international life.

Attraction of foreign investments is an essential issue of economic diplomacy. Basically, the main facility for its realization is a favorable environment creation for the meetings of exporters and their potential partners, undoubtedly, to define and formulate priorities, as well as to show all profitable sides of exported goods and technologies.

Nevertheless, it is necessary to emphasis on the importance of the minutely developed export strategy of country determining the basic directions of export of goods. On balance, it should be the primary goal of trade and economic missions. Strengthening of the institutional and organizational base, growth of status of economical diplomacy in the system of authority is observed practically everywhere.

The functions are expanding, the quality of work is improving and the number is increasing of the trade and economic missions of the country in the field of support of overseas trade activities, lobbying of interests of domestic companies abroad, trade and political assistance, mobilization of effective external resources on development purpose. In the final analysis, what economic diplomacy needs is to maintain the auspicious conditions of international economic cooperation that is able to promote and raise the level and quality of living of its population. To put it simply, the trade and economic mission is a small islet in strange country accumulating extensive knowledge on the host country and forming political direct contacts due to its long-term presence in other countries. Actually, their work should be directed on the collecting of the accessible and solid data about the level and gravity of priorities, objective interest in investments and mutual benefits of the host country. Even if it requires to compromise, benefit should be greater than the concession.

Experiences from many countries soon after their independence their diplomats concentrated mostly on political work, leaving whatever little economic work was there to specially appoint “commercial representatives”, many of whom were drawn from the Commerce Ministry and some from Finance Ministry. As the importance of economic diplomacy grew it was thought necessary to appoint Ambassadors to oversee economic work. In recent years, however, more and more Heads of Mission have been getting directly involved in economic work and are devoting the major part of their time to such work. It is necessary not only to encourage this trend but also to make our best talent available for it.

The most important task to be a Head of Mission today lies in identifying the ‘big interest’ for country concerned and generating specific and concrete proposals of a ‘big item’ nature. For instance, it should be possible to identify a scheme involving a country, which has iron ore and requires a steel plant, to be put in touch with both a Government entity and a private Indian entity, working in unison, to extract a major deal in the energy sector either there or through a third country/party. Similarly, it should be possible to identify a private sector Indian entity to make a major overseas investment in the IT sector in return for precious required minerals and metals. Some of this is already being done, but on a small scale. The need for such inter-linked action and the realization which is a prime requirement needs to be promoted through a change in the Foreign Service mindset.

In Tanzania like the rest of Africa was connected to the rest of world through different forms of trade and contacts, mostly notable long distance and slave trade (Barston 1997). The colonization process came to cement the then existing political

and economic relations between Africa and Europe by directly connecting African economies to the global markets. While the colonialists were basically interested with the abundant new raw materials available in Africa, they brought back the manufactured goods and hence turned Africa as a market for European manufactured goods.

Whereas the economic diplomacy had been in existence under the context of development and civilization of nations through traditional diplomacy, its importance and recognition became vivid with the end of the cold war. Today, the need for placing greater emphasis on economic diplomacy is universally recognized. As a result, politics no longer drives economics as it used to be, instead it is economics which drives politics. Economic considerations remain in the forefront to achieve foreign policy goals. Countries which have been slower in recognizing this than others have been disadvantaged.

It is against such background that as of now there has been a lot of definitions and interpretations on the term Economic Diplomacy. As such there is no such a definition which is considered self-sustaining and exhaustive. However, a brief review of the contents of the major diplomacy text books show that economic diplomacy is generally defined as the use of traditional diplomatic tools such as intelligence gatherings, lobbying, representation, negotiation and advocacy to further the foreign economic policies of the State (Hamilton and Langharne 1995, Johnson and Hall 2005, Marshall 1997; Watson 1982). Berridge (2002) however argues that “economic diplomacy” is an art of serving economic security and strategic interests of the country by the use of economic instrument in conduct of state to state

relations. Economic diplomacy is designed to influence policy and regulatory decisions of foreign governments as well as those of international organizations. It goes beyond trade and investment to the resolution of multiple causes of international conflicts. Some of the basic objectives of economic diplomacy include; the promotion of trade and investment, facilitate multilateral trade negotiations and realization of political objectives through economic action.

In view of the above, state entities, official agents, foreign and economic ministries, the diplomatic and commercial services, plus their promotion agencies now engage in dynamic partnerships with state and non-state actors. Indeed such collaboration is a sine qua non for effective external outreach abroad, in mirror fashion; the actions similarly address a wide field of foreign Stakeholders.

Trade Diplomacy is mostly devoted to issues of trade policies particularly with the developments in International trade relations with the growth of sub and regional trading blocs such as the East African Community (EAC), Southern African Development Cooperation (SADC) and so many other worldwide. It is further supported by International body such as World Trade Organizations (WTO) where issues of International trade practices and rules are the major agenda for negotiations is where the concept of Trade Diplomacy attains its definitions. This aspect. Similarly the emergence of an increasingly number of numerous bilateral trade agreements such as the North American Free Trade Agreement (NAFTA); European Union (EU); Southern Africa Development Community (SADC), South Asian Association for Regional Cooperation (SAARC) all extend the need for trade diplomacy.

The above discussions demonstrate the importance of the Economic Power in International relations of our times as a powerful weapon any country to have in exerting its positions, status and interests. This is where the concept of Economic Diplomacy comes in as a tool to achieve fresh goals while practicing any country's foreign policy agenda.

According to Brian Hocking (2005) the influence of the country's perception on the decisions accepted by foreign businessmen in the beginning stage of the business activity. Hocking asserts that there are 72% of the perceptions of the country as a base for decision making on investment projects or other forms of economic co-operation with the particular country. According to the publication of the World Bank "*Country Marketing: advertising, as the tool for foreign investment attraction*", where it is pointed out the key position of the positive image of the country for attraction of foreign investments. Above all, active economic exchange can take place even between countries that do not have diplomatic mutual relations or are burdened by serious political problems.

Eventually bilateral mutual relations based on positive perception of national identity form the basis for more dynamical and easy development of trade and economic mutual relations. Initiative, innovation and ingenuity are the qualities of successful organization of activities for diplomatic missions. It should be added here that all the methods of diplomatic activity management are substantially important, including consular and cultural enlightening work, relations with mass media, diaspora and other parts of diplomatic representatives' work which is directed on creation of positive attractive image of its country in the host country.

In 2001 Tanzania Government launched what was referred to as the “New Foreign Policy” with Economic diplomacy as its core agenda. one of the main objectives included) to project, promote and protect URT’s political, economic, social and cultural interests through active and sustainable economic diplomacy; (i) To ensure that URT’s relation with other nations and international entities are also driven in line with economic interests, (ii) To build a self-sustaining economy, preservation of national peace and security as well as supporting regional and international endeavor for the creation of better and peaceful world. (iii) and to accelerate the political and social economic integration for the region and the Policy manifest itself in active international engagement, which is basically leveraged upon the pursuit of economic objectives, while at the same time preserving the gains of the past and consolidating the fundamental principles of Tanzania’s traditional foreign policy.

**Table 1.1: Imports from GCC to Tanzania 2005 – 2008 in US\$ Million Dollars**

Country	2005	2006	2007	2008
Bahrain	472,450,856.95	418,137,934.47	176,627,926.26	43,072,620.05
Kuwait	9,373,448.94	3,482,090.03	44,207,697.69	66,243,575.21
Oman	8,184,640.78	7,093,346.46	22,078,455.17	7,918,255.42
Qatar	11,977,370.34	10,462,251.28	16,182,475.80	8,358,613.44
Saudi Arabia	40,821,410.46	258,654,644.89	226,911,569.56	253,932,587.97
UAE	192,265,863.16	516,254,198.28	803,072,802.63	878,065,720.61
<b>Total</b>	<b>735,073,590.62</b>	<b>1,214,084,465.42</b>	<b>1,289,080,927.11</b>	<b>1,257,591,372.70</b>

Source: Ministry of Industry, Trade & Marketing of Tanzania

As highlighted on the Table 1.1 the imports from GCC countries have not been fairly stable. The Table 1.1 indicates that the imports from Oman had been escalating. For example whereas in 2007 Tanzania imported products worthy 22,078,455.17 USD in 2007, the rate of importation went down up to 7,918,255.42. USD in 2008.

On the other hand the imports from United Arab Emirates increased from 803,072,802.63 in 2007 to 878,065,720.61 US \$. However the general picture which emerges from the above table is that the important has been fairly constant ranging from 1,214,084,465.42 in 2006 to 1,257,591,372.70 USD in 2008.

At another level when one examines the rate exports from GCC countries to Tanzania from 2005 to 2008 one can observe an escalating rate of volume of trade between different years. For example whereas in 2005 the general exports was 62,961,770.11 USD, in 2006 there were a slight decline of the export to 52,197,160.82 USD.

**Table 1.2: Exports from GCC to Tanzania 2005 – 2008 in Millions of USD)**

<b>Country</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Bahrain		232,530.70	292,974.82	1,249,276.09
Kuwait	140,041.20	55,170.71	1,929,278.29	12,401.08
Oman	1,207,770.78	250,504.49	246,289.45	10,291,193.62
Qatar	-	57,325.08	422,839.56	271,971.91
Saudi Arabia	28,380,001.36	2,815,543.32	10,111,698.94	15,155,020.69
UAE	33,233,956.78	48,786,086.53	91,703,727.83	64,437,800.98



<b>TOTAL</b>	<b>62,961,770.11</b>	<b>52,197,160.82</b>	<b>104,706,808.89</b>	<b>91,417,664.37</b>
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Source: Ministry of Industry, Trade & Marketing of Tanzania

In 2007 there were a big increase of exports from GCC countries from 52,197,160.82 up to 104,706,808.89 this was almost 100 per cent increase while in the following year the volume of trade again went down to 91,417,664.37 USD. Also important to was an increase exports from Oman and UAE. For example whereas in 2007 the volume of export was 246,289.45 USD in 2008 the volume has gone up to 10,291,193.62.

**Table 1.3: The Pattern of Investment by Company, Country of Origin and Sector as of 2008**

<b>Company</b>	<b>Sector</b>	<b>Home country</b>
Barclays Bank (T) Ltd	Finance	United Kingdom
Brooke Bond Tanzania Ltd	Food, beverages and tobacco	United Kingdom
City Water Services Ltd	Electricity, gas and water	United Kingdom
Gailley& Roberts (T) Ltd	Wholesale trade	United Kingdom
Glaxo Welcome Tanzania Ltd	Wholesale trade	United Kingdom
Rentokil Initial Tanzania Ltd	Other business activities	United Kingdom
Standard Chartered Bank Tanzania Ltd	Finance	United Kingdom
Unilever Tea Tanzania Ltd	Food, beverages and tobacco	United Kingdom
Aon Tanzania Limited	Insurance	United States
Body Care Ltd	Chemicals and chemical products	United States
Citibank Tanzania Ltd	Finance	United States
Price water house coopers	Other services	United States
Matsushita Electric Company (E A) Ltd	Electrical and electronic equipment	Japan
D T Dobie & Company (Tanzania) Ltd	Wholesale trade	France
Mic Tanzania Ltd	Wholesale trade	Luxembourg
Tri Telecommunications Ltd	Telecommunication	Malaysia
Karibu Textile Mills Limited	Textiles and clothing	Mauritius
T P C Ltd	Agriculture and hunting	Mauritius
Sadolin Paints Tanzania Limited	Chemicals and chemical products	Oman
Alliance Gineries Ltd	Agriculture and hunting	Kenya
Desbro Tanzania Ltd	Wholesale trade	Kenya
Kibo Breweries Ltd	Food, beverages and tobacco	Kenya
Regional Air Services	Air transport	Kenya
Service And Computer Industries Ltd	Wholesale trade	Kenya
Tread setters Tyres (T) Ltd	Rubber and plastic products	Kenya
Tri Clover Industries (T) Limited	Chemicals and chemical	Kenya

	products	
Geita Gold Mine (T) Ltd	Mining and quarrying	Ghana
National Bank Of Commerce Limited	Finance	South Africa

Source: World Investment Directory (2008)

On the other hand the volume of the exports from United Arab Emirate decreased from of 91,703,727.83 in 2007 to 64,437,800.98 USD in 2008. In view of the above findings it is fair to argue that the volume of trade has not been on the steady increase. In as far as the investment pattern is concerned the World Investment Directory (2008), among several GCC countries it was only Oman which had invested in Tanzania. Table 1.3 elaborated this point more.

The general impression from the above data is that up to 2008 the United Kingdom was leading country in terms of having many investments i.e. 28.2 percent followed by Kenya 25 percent and USA 14 percent. African countries which had invested in Tanzania by then were only Ghana, South Africa, while Oman was the only state from GCC member states with only 3.2 percent participation in the investment pattern.

### **1.3 Statement of the Problem**

Tanzania is one of the developing countries in the world. As a country it has various natural resources which have not been exploited fully to make it realize the desired development of its people. Whereas Tanzania has long outstanding relationship with GCC member countries (e.g. political, blood relationships and long local trade links) there is generally very low trade and investment among these countries despite their long historical link. This is particularly glaring when one looks at the trade and investment figures.

According to TIC (2009) the top ten investors in Tanzania does not include an Gulf Cooperation Council member states. In terms of the value the top ten investors in dollars include United Kingdom (5 billion dollars), United States of America (4 billions), china (3.3 billion), India (2 billion), Kenya (1.6 billion), Netherlands 1 billion, south Africa (767 million) Canada (546 millions); Germany (515 millions) and Italy 131 (millions).The major problem is that, whereas GCC countries have capital emanating from oil products, the GCC is net importer of food. As if this is not enough, GCC states depend on imported food products from other countries in Asia while Tanzania has land, water, resources, and labour which GCC states could also exploit for the mutual benefit of these countries. The GCC states could and should by now have established the long talked initiative of establishing Strategic Partnership in Food, Security with Tanzania in a bid to secure their guaranteed food imports.

Hence whereas in its new foreign policy of 2001 Tanzania emphasis economic diplomacy why is it difficult to enter into such strategic partnership with GCC member countries and exploit the existing opportunities. This study wanted to examine the reasons why there is low level of interest to forge a strong partnership in trade and investment between these entities.

### **1.3.1 The General Objectives**

The general objective of this study was to examine economic diplomacy in promoting trade and investment in Tanzania, Oman and United Arab Emirates.

### **1.3.1.1 Specific Objectives**

The study was guided by the following specific objectives

- (a) To find out the level of readiness of the private sector in Tanzania and Oman and United Arab Emirates in the promotion of trade and investments.
- (b) To examine if structural trade mechanism are favorable or unfavorable in terms of Tanzania collaborating with GCC member states.
- (c) To examine the nature of legal framework operating in Tanzania, Oman and united Arab emirate (GCC countries) in relation with the promotion of trade and investment among these countries.

### **1.3.1.2 Research Questions**

The study will be guided by the following key questions:

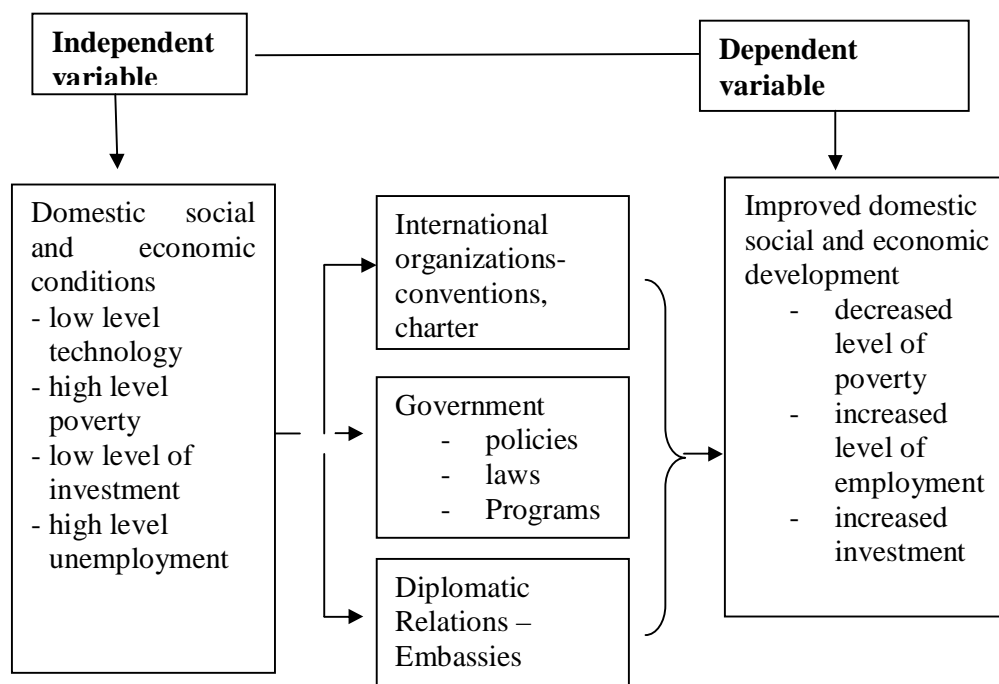
- (a) To what extent is the private sector in Tanzania and selected GCC countries promotes the economic cooperation in these countries?
- (b) How favorable/unfavorable are the structural trade mechanism in Tanzania, Oman and United Arab Emirates
- (c) How friendly are the legal frameworks in Tanzania, Oman and United Arab Emirates in promoting the cooperation among these countries?

## **1.4 Significance of the Study**

The study is significant in the sense that it find out what have been the major obstacles hindering the cooperation between Tanzania and GCC member countries and thereby revisiting their new approach to enhance the long term relationships.

Secondly, the study is important in the sense that, it will not only reveal weakness and strength of the private sector in Tanzania, Oman and United Arab Emirates, but also the study will make these countries revisit their strategies of cooperation by looking at their legal and trade structural arrangement which will help to promote their relationships.

It is also envisaged that the study findings will help the policy makers to identify areas which need to be examined in order to promote the relationships between two countries. Such areas may include the discovering new opportunities where these countries can engage for the benefits of their sister countries. Last but not least the study is significance because the findings generated by the study will help the concerned countries not only to understand the existing weaknesses in their economic cooperation but rather the findings will further help these countries to strategize how best to enhance their cooperation.



### **Figure 1.1: Conceptual Framework**

The major thesis of this study was to find out why there has been low level of cooperation among selected GCC countries and Tanzania. This assumption was based on the ground that Tanzania has had a long history between for example Tanzania, Oman and other GCC countries. It was therefore assumed that Tanzania as a country has low level of economic development, high level of poverty characterized by high level of unemployment while it has various opportunities which can be exploited by Tanzanians themselves and the investors from Oman, UAE and other GCC countries. In order to develop economically there are policies formulated by the government, laws enacted to facilitate the implementation of these policies.

Further there are diplomatic relations which motivates investors to come and invest in Tanzania. It is therefore envisaged that with existence of strong policies and legal procedures and good use of existing diplomatic relations the changes are that the poverty will be reduced as the investors from different GCC countries would invest in Tanzania in various areas and thereby helping to reduce the level of unemployment, poverty and to promote economic prosperity. On the other hand it is envisaged that the GCC countries would also benefit from the opportunities available in Tanzania which have not been exploited fully.

### **1.6 The Organization of the Study**

This thesis is structured around five chapters. Chapter one provides the context of the research problem. In so doing the chapter provides the background information of

the study, the statement of the problem, the general and specific objectives of the study. The chapter further highlights on the significance of the study by indicating the contribution of the study to the policy makers, business people and academicians. The second chapter provides a review of literature. The major purpose of the review of literature is to reveal what is already known about the research problem and what is not known by identifying the knowledge gap which the study was attempting to fill. Chapter three is basically a chapter dealing with the methods and processes which were used by the study. The chapter highlights on the research design, study areas, target population and data collection methods. Chapter four presents and discusses the research findings while chapter is conclusion and recommendations from the study.

### **1.7 Chapter Summary**

The chapter has dealt with definition of the research problem. The chapter has further explained the characteristics of the research problem by showing the specific objectives, research question and significance of the study. The following chapter deals with review of literature.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents various views presented by different scholars on economic diplomacy. It reviews various theories and empirical studies which have been made concerning economic diplomacy. The chapter is divided into four main sections. The first section discusses the concept of Economic diplomacy; It does so by highlighting on the genesis of diplomacy in historical context while the second part examines the link between globalization and Economic diplomacy. The third part highlights the theories related International economic relations. The fourth part reveals some experiences and successes of countries which have practiced and benefited from Economic diplomacy. The last part shows the knowledge gap identified in the review of literature.

#### **2.1 Definitions of Economic Diplomacy**

Economic Diplomacy had been in existence and practice in history, development and civilization of nations under the general term of traditional diplomacy. But its importance and recognition became vivid and demanding as stated earlier on with the



demise of the Cold War era and the emergence of globalization. It is during this period that the term Economic Diplomacy has gained some special importance among both the academics and practitioners (governments and precisely the diplomats). It is against such background that as of now there has been a lot of definitions and interpretations on the term Economic Diplomacy. As such there is no such a definition which is considered self sustaining and exhaustive. However, a brief review of the contents of the major diplomatic text as diplomacy show that economic diplomacy is generally defined as the use of traditional diplomatic tools such as intelligence gatherings, lobbying, representation, negotiation and advocacy to further the foreign economic policies of the State Barston 1997; Berridge (2002; Hamilton and Langharne 1995, Johnson and Hall 2005, Marshall 1997; Watson 1982).

At the power play end of economic diplomacy is what Baldevin (1985) calls economic Statecraft which is the strategic use of positive and negative economic sanctions such as trade embargos as well as aid programmes by State and other actors such as the United Nations to convince other states to cooperate (see also Davis 1999; Hogan 1987; Kunz 1997; Zimmerman 1993). Thus economic diplomacy conceived in this realist way is concerned with economic agenda in diplomacy which can be distinguished from the political agenda although the truth is and remains that the politics and the traditional diplomacy are inherently the two faces of the same coin. In other words State actors role in diplomacy and International relations remain basic as it has been.

Furthermore and as stated earlier very early diplomatic exchanges in early civilization were basically aimed at facilitating trade (see Lee & Hadson 2004). Thailand provides an example in the argument given its own account by its historical development (Keith 1999) emphasizing how trade interests in China drove Thai diplomacy in the 13<sup>th</sup> Century and Thai diplomatic relations with Europe in the 17<sup>th</sup> Century. Prof. Marjan Svetlicic defines Economic diplomacy “as bilateral, regional or multilateral realization of economic interests predominately by diplomats, but also other civil servants and/or state actors in order to maximize national interests or maximize welfare of the population of the home Country.

It is therefore not advisable to distinguish between different kinds of economic diplomacies (economic; commercial; business or even intro business (see more in Udovic 2009) Amra Nusinovic and Erkan Ilgun defining Economic diplomacy and Business Negotiation from managerial approach argue that “ Economic diplomacy is a specific combination of Classical diplomacy, economic Science and managerial sciences, methods and techniques for negotiation with foreign partners, public relations and collecting economic information of interest for the economy of one’s country or company with the aim of penetration into the world market”.

Kishan S. Rama a former veteran Indian diplomat (from 1960-1995) and who has written extensively on the subject on his many years of diplomatic services broad and a as a practitioner in diplomacy views Economic diplomacy,” as the process through which countries tackle the outside world, to maximize their national gain in all the fields of activity, including trade, investment and other forms of economically

beneficial exchanges where they enjoy comparative advantages; it has bilateral, regional and multilateral dimensions, each of which is important.

No longer the monopoly of State entities, official agents the foreign and economic ministries, the diplomatic and commercial services, plus their promotion agencies now engage in dynamic partnerships with array of non state actors. Indeed such domestic collaboration is a sine qua non for effective external outreach abroad, in mirror fashion; the actions similarly address a wide field of foreign Stakeholders.

### **2.1.1 The History of Diplomacy**

Diplomacy has been defined by many authors and experts alike in different manners. Ronald Peter Barstan has defined Diplomacy “as an art and practice of conducting negotiations between representatives of States. It usually refers to International Diplomacy, the conduct of International relations through the intercession of professional diplomats with regard to issues of peace making trade, war, economics, culture, environment and human rights” Oden Ishmael defines Diplomacy “as the channel for excellence in executing foreign policy in the context of their proper implementation and usually has an influence on the choice of the appropriate strategy to enable the proper course to make the best decisions for the interest of the nation” But the definition given by Sir Earnest Satow has been the most widely accepted definition of Diplomacy for sometimes now “as the application of intelligence and tact to the conduct of official relations between governments of independent states extending sometimes also to their relations with vassal states.

Diplomacy and diplomatic practice have been in existence since the early times of human evolution and civilization. The foregoing details shall attempt to detail in a very brief manner the early history of diplomacy, an exercise which some scholars have argued that is hard to trace.

According to some most notable authorities on the subject, the major issue of concern in the field of diplomacy has been its practice (Derian, 1981). Some of the world renowned and widely acknowledged Guides who have written on the practice rather than the origin of diplomacy are Abraham de Wickqu efarts's "L'Ambassadeur et Ses Souverains" (1681), Earnest Satow's "Guide to Diplomatic Practice" (1971), Harold Nicolsm's "Diplomacy" (1939) Henry Kissinger's "Diplomacy" (1994). In all these publications, and numerous others on the subject of Diplomacy, the historical aspect on the origin of diplomacy tend to be sketchy but richer on the practice.

In view of the above, suffice it to say that the attempt that follows to trace the "origins" of diplomacy will be seen to reflect the practice of Diplomacy in some of the ancient parts of the world where such activities have been documented. It is against such a background that despite the hard fact that some form of Diplomacy was also practiced in ancient Africa but very little have been written at least compared with other regions of the world. The very fabric of African traditions as it is known is acknowledged to carry with it a lot of what the contemporary Diplomatic Practice manifests. The chiefdoms that existed in Africa had all the ingredients of civilization of what is a widely publicized value of today like Democracy, judicial system ceremonial practices and the like. All and most of these were scuttled by the

arrival of colonial powers by way of disrupting the natural evolution of Africa norms and values of African societies and instead impose those of their own.

The African diplomatic history has as well not been researched and written by Scholars of Africa history themselves. The notable challenge in this regard can at least be observed and to be seriously done by Dr. Fermi Adegbulum who at least had made an attempt to detail not on the Africa Diplomatic history but rather on its nature, and impact but again limited to Pre colonial West Africa only. Records on Foreign relations of Imperial China show that one of the earliest realist in International relations then was the 6<sup>th</sup> century BC military strategist SUN TZU (d 206 BC) author of The Art of War. Tzu lived during the Zhon Dynast (c.1050-256 BC) when there was a great deal of diplomacy between warring States and the itemized role of the “persuader/diplomat” developed during numerous bargains including treaty signing and the like

On the other side during the Tan Dynasty (618-907) AD the Koreans and Japanese looked to the Chinese Capital of Chang’an as the hub of civilization and envied the then existing central bureaucracy as the model of governance. The Japanese sent frequent envoys to China during this period till the collapse of Tang. In the consequent years there were also a record of intense diplomatic activities in the area and during the Mongul Empire (1206 – 1294). The Monguls are reported to have created something similar to today’s category of passports ranging from “diplomatic ones and two others of what could be today’s service and ordinary passports granting each respective holder certain respects and privilege. These were called Paiza and which were in gold, silver and copper.

## **2.2 The Genesis of Economic Diplomacy**

Some of the aforementioned types of diplomacy had existed for a very limited period of time during the circumstances that demanded their and have since remained only in history of diplomacy and diplomatic practice. But of course some have been growing and continue to be in use. These include Multilateral and Public diplomacy. But of course and particularly following the demise of the Cold War followed by the era of Globalization priorities and demands of nation states have changed a lot. Notably in this regard is the realization of the ECONOMIC power as an effective tool in international relations and politics. This is by no means in substituting the Military power completely which remains to maintain its role between and amongst nations. Military power remains a vital ingredient of power politics and a deterrence between nations and there is no doubt about it as has always been said that use of force implying War is another form or is an extension of Diplomacy when negotiations seems to fail. But practice and experience on several major Wars and limited ones have demonstrated that at the end of the day use of force does not guarantee a solution to several conflicts. The warring parties would eventually sit down and negotiate through diplomatic means. And what has been more obvious through experience is the fact that it would be more prudent to deploy all available means to secure the required results rather than resort to immediate use of force.

This includes the use of Economic Power or in other words use of “soft Power” (concept developed in 1980s by Joseph Nye) which has in most cases involved Economic Sanctions and boycotts. There have been several cases in demonstrating

this as in the then Unilateral Declaration of Independence ((UDI) of the then Rhodesia now Zimbabwe by white minority rule and indeed during the South Africa apartheid era. The current Western economic sanctions against Iran on its disputed nuclear programme is also a case in point.

In view of the importance of Economic power as very briefly stated above in International relations, nations, big and small, weak and powerful nations have therefore each in its own way and given the available means have therefore resolved to seek economic strength to supplement/support their military capabilities in their International relations. In much as it is undoubtedly important to have several Nuclear War heads for deterrence purposes yet Gross Domestic Product (GDP) and the Strength in ones economy through International Trade has of late been seen a strong indicator of power and well being. China's current surge, ascendance and recognition of its role in International relations and politics is not only because of its nuclear arsenal and population but indeed because of its strong emerging economic strength. According to the Economist International 2013-today China is leading as the world's largest economy on the Purchasing Power Parity (PPP terms).

On the same note, the current on-going saga between the West and Russia on allegations of the latter's "annexation" of Crimea from Ukraine proves the same point. While the situation remains tense and potentially dangerous between East and West on the issue, negotiations have been given priority with sanctions being used against Russia as opposed to use of military force. Optimism still exist that this dangerous dispute and stand-off shall be resolved amicably with all parties refraining from the use of force.

The above argument albeit very condensed and very brief indeed for the sake of this work, definitely demonstrate the importance of the Economic Power in International relations of our times as a powerful weapon any country to have in exerting its positions, status and interests. And this is where the concept of Economic Diplomacy comes in as a tool to achieve its goals while practicing any country's foreign policy agenda. This concept is not as new as it is perceived to be by many as it had been in practice for sometimes now though without much publicity. The case of the famous Dutch company Philips that was established way back in 1891 proves the point. A Dutch newspaper Volkskrant in its edition of 7<sup>th</sup> May 2014 writing about Philips under the heading "Philips Sees Opportunities in more prosperous Africa" says "Philips has been active in Africa for at least a hundred years. At its African headquarters in Johannesburg, the letter Anton Philips the founder of Philips Company sent to the (Dutch) Consul in 1895 still hangs on the wall asking for the Consul's help to introduce (then) the light bulb in South Africa". It is therefore very clear that the concept of Economic diplomacy as we know it today is not new as it appears and as seen by many. In 2001 Tanzania Government launched what was referred to as the "New Foreign Policy" with Economic diplomacy as its core agenda. The idea here should be seen to be the New priority and agenda in our foreign policy rather the policy itself.

So this phenomenon/concept was not born yesterday but only got its prominence, acceleration and capitalisation by the process of Globalisation. So this means that policy emerging from commercial activity has always been an important area of diplomatic service. It may be therefore that this policy/concept could be termed as



Modern rather than New Economic diplomacy which took its importance around early 1990's. When we also trace the origin of diplomacy it would be discovered that it was trade that actually stimulated the crossing of national borders and created development of interaction between nations.

Historical examples confirms that extensive trade, regulated by trading contracts was inherent in civilization of ancient Egypt and Western Asia and South America. These development therefore marked and provided among the first foundation of the establishment of mutual official and agreements between different entities and regimes. Suffice to say therefore and for the sake of this work that the process and acceleration of globalization with all its dictates, and competitiveness with global scale repercussions, the economic aspects in all its forms have come much more to the fore in the International relations and politics to which all nations have embarked on in their foreign policies agenda with Economic diplomacy taking the centre stage.

On the same there are different opinions regarding Economic diplomacy, trade diplomacy and commercial diplomacy. The broader definition by different parties of Economic diplomacy is as consider it as the main concept and mostly covering mainly economic policy issues under which fall the commercial and trade diplomacy as its branches under its umbrella. The last two mainly represents the more visible parts of the concept of Economic diplomacy on the ground which in turn are considered to bear the manifestation and significance of globalization in diplomacy.

These aspects are considered by some parties as key models of economic diplomacy which they see as critical to managing contemporary globalization. These modes of

economic diplomacy have shaped the way we think about who diplomats are, what diplomats do, and how they do it? One of the key developments of Globalization is the Commercial Diplomacy which has seen fast growth in Economic diplomacy within the “National Diplomatic System” (NDS) (Coolsaet 2004; Lee 2004; Potter 2004; Rana 2004 as well as Internationally (Kostecki & Navay 2007) in a nutshell Commercial diplomacy can be said to be primarily involved in export and investment support and advocacy for domestic business. It is as well focuses on building networks of diplomats and business groups based in overseas missions to promote trade and investment as well as business advocacy. For a developing country like Tanzania this basically involves search for markets for its agricultural good and promotion of tourism. Diplomatic networks provide commercial intelligence, tourism marketing, business links and partner searches as well as business assistance. Conceptually, studies of Commerical diplomacy point to complex organizational networks involving Ministries of Commerce (often with trade promotion agencies/depts.) trade and finance in addition to the foreign Ministry (which in most case acts as a coordinating ministry) Business groups such as National and local Chambers of Commerce are also key (Stakeholders) in these networks and many in cases are formally placed into overseas missions and consulates through secondment programmes.

Trade Diplomacy is mostly devoted to issues of trade policies particularly with the developments in International trade relations with the growth of sub and regional trading blocs such as the East African Community (EAC), Southern African Development Cooperation (SADC) and so many others worldwide. And supported

by International body such as World Trade Organisations (WTO) where issues of International trade practices and rules are the major agenda for negotiations is where the concept of Trade Diplomacy attains its best definition. Similarly, the emergence of an increasingly number of numerous bilateral trade agreements such as the North American Free Trade Agreement (NAFTA); European Union (EU); Southern Africa Development Community (SADC), South Asian Association for Regional Cooperation (SAARC) all extend the need for trade diplomacy.

### **2.3 Theoretical Approaches to Economic Diplomacy**

The question is how Economic Diplomacy is viewed from different theoretical directions can be argued in a very compact manner as follows: As said in the proceeding explanation there is no single theory of Economic Diplomacy and theories that are concerned with the subject, must necessarily make certain simplifying assumptions. This is the case as the practice of Economic Diplomacy has by far superseded its theoretical development and research. This is the case because since the wave of Globalization and the consequent emergence of Economic Diplomacy decision making processes have been important and immediate rather than research and theorization of the subject.

According to a realistic theory of International Relations this greatest emphasis is placed on the relative economic power of individual states (as key stakeholders). Hegemonic Stability theory argues that the cooperation in the relationship between the government and Parliament. The theory of individuals deals with the importance of an individual on the final form of politics. These theories also have both domestic and international dimension.

The above major theories of International relations can then deliver a number of specific models that could better explain the phenomenon of Economic Diplomacy as for example Constructivist models of the two – level game by Professor Putnam or the model of Professor Odell focused on bargaining and markets economic sphere will occur when there is a dominant state, which ensures that this happens. Regime theory pays particular attention to looking at how state cooperates, whether in formal or informal processes or not. Alongside with the system of theories in which rather dominates the International element as stated above there are also theories that deal with more aspects of domestic Economic Diplomacy in an attempt to explain how domestic decision making processes affect the international behavior of States. For example the societal theory is seen as an outcome of interaction between different interest groups, where government and representatives play role as negotiators. These interest groups can then obtain the international as well as the cross border dimension. State centered theory emphasizes the role of institutional structures and relations particularly between different branches of government.

Equally important, on interpreting the applications of different theoretical approaches it is not difficult to note that the potential friction and contradictions on the ground. The first tension could be where one can draw a line between economics and political issues at domestic level as well between internal politics and International Economics. Despite the fact that a State is surely a political entity rather than economic yet and as per the functioning of Economic Diplomacy there has to be a co-existence and consensus in decision making by involving all stake holders. The above argument could provide an answer to the popular argument as to which entity

(politics or economics) that leads the other and if should politics dictate the economic strategy or the other way around at domestic stage.

Another controversial point is the relationship between domestic and international pressures, especially with regards to the formation of economic policy. This relationship is complicated by domestic decision making process by different institutions such say between private sector, the government and parliament. Numerous Countries have and continue to suffer from the aspect sometimes resulting to expensive deadlocks and the like. In the Economic Diplomacy there is often, at the national level a problem and views of different and even rivalry Ministries and there is no clear indication which one has got the leading role. While traditionally in many countries it is the Ministry of Foreign Affairs which is officially entrusted and dominate the day-to-day management of all foreign policy related issues yet with more economic issues gaining the international dimension there is a need to involve other government ministries department, agencies and indeed private sectors and NGOs in this sector. And this has now been the rule rather than exception all over the world, Tanzania included fallowing its adoption of the New Foreign Policy of Economic Diplomacy in 2001. This set up is the first imperative step in discussing and negotiating a joint domestic action and strategy of Economic Diplomacy before selling the same at bilateral or multilateral level. The Cyclicity of Economic Diplomacy can be a very interesting aspect as well.

In the case Economic Diplomacy and its tools in fact come to the fore especially when acceleration in the globalization process is not general accepted roles of behavior. In other words, the government proceeds to the use of economic

instruments to meet the foreign policy goals when the legitimacy and prior of existing structures in International cooperation has decreased. In other words this statement underlines the ever increasing use of soft power prior rather than the direct traditional use of force in achieving national goals and interests.

## **2.4 Operationalization of Economic Diplomacy**

In practicing the Economic Diplomacy successfully and effectively and as detailed in the proceeding explanation it is imperative to have new approach to this subject. In the first place, economic diplomacy has to be recognized as a key strand in diplomatic strategy and therefore it becomes necessary for states as the main actors and coordinators to develop an integrated and coordinated diplomacy. This coordinated diplomacy should and necessarily involves a multiplicity of actors and individuals (Stake holders) build around policy networks drawn from several relevant key government ministries, such as the Foreign Ministry (as the main coordinator) as well as the private and civil sector placed in national, regional and international level. (Hocking 2004). This set up essentially and precisely involves the Government, Chamber of Commerce, think tanks, private business entities as well as civil organizations, and NGOs and academia in order to deliver the desired diplomatic goals and results. The more useful concept in this regard is as referred earlier as well as the National Diplomatic System (NDS). This concept better captured the desire and complex nature of coordinated diplomacy.

In order to take care of the set up some countries have as stated earlier on have seen it necessary to merge their trade and foreign ministries or have created joint bodies for easy working relationship and formalizing this coordination role. In a global,

interdependent economy, economic diplomacy assumes wider responsibilities and diverse issues thus expanding the potential number of national and systemic players with economic interests and responsibilities in the diplomatic process (Bayoe & Woolock 2007).

Within this understanding of diplomacy it is necessary for scholars to identify the linkages between this diverse set of public and private actors and interests that is the nature of its diplomatic networks and the relationships between public and private within diplomatic system. Consequently, changes to diplomatic practice can be understood in terms of changes to diplomatic networks and to the National Diplomatic System (NDS) within States that vary through time and across issues.

## **2.5 Diplomacy and Globalization**

For much of the 20<sup>th</sup> Century onwards the global economy has become more integrated either through regionalization or a process many describe as ‘Globalization’. Indeed globalization is currently one of the most widely used – and contested - concepts in International Relations.

Some scholars of diplomacy have been fairly slow to fully address the impact of the process and effects of Globalization upon diplomatic practice and organization. This neglect both derives from, as well as exposes, the limitations of conventional realist approaches to diplomacy already discussed. And yet, as we have also already indicated, diplomats can be seen as the agents of globalization given their direct involvement in the creation, development, and regulation of markets and capital through trade and finance negotiations, as well as commercial activity.

In the context of this changing environment caused by globalization, economic diplomacy commonly drives the development of qualitatively different diplomatic practices in new and existing economic forums. It involves networks of state and non-state actors at domestic and systemic levels in pursuit of private as well as public interests. These networks operate in, influence and are influenced by, an increasingly integrated and interdependent world economy; that is a globalizing economy.

For the purposes of this necessarily brief piece, let us set aside the many critiques of the concept of globalization and assume that it is primarily an economic process driven by new technologies which heightens interdependence and integration. Put simply, globalization means that there is much more economic activity occurring in national, regional and international markets due to ever increasing flows of capital, trade, services, people, ideas and information between states, firms and individuals. Such changes, quite naturally, have increased the need for and significance of integrated diplomacy to help facilitate as well as manage and govern economic development and market integration.

Furthermore, if we understand globalization to include higher levels of integration of progressively more competitive markets as a result of increasing liberalization of international trade and finance, then diplomacy becomes an important tool for managing increased economic risks and opportunities. Finally, since globalization is one of many processes (such as regionalization and dependency) which breaks down the barriers between the domestic and the international, the agendas of economic diplomacy are found more at the fading boundaries between international and domestic relations. Climate change, for example, is an issue that transcends national



boundaries yet has enormous economic implications in relation to low carbon economic growth strategies.

Equally interesting is the need for studies of diplomacy to encapsulate the increasing domestication of diplomacy which results from the breakdown of domestic-systemic barriers in the world economy. This is encapsulated in the growing concern in NDSs with Public diplomacy. Increasingly, this is seen as more than the management of image such as the UK's 'Cool Britannia' branding exercise designed to attract foreign direct investment into the British economy. Public diplomacy also has a broader concern with promoting the strategic objectives of the state in the economy, such as Canada's public diplomacy on climate change.

The impact and significance of globalization for diplomacy has been highlighted in a number of ways. Here we focus on four key modes of economic diplomacy which are seen as critical to managing contemporary globalization; commercial diplomacy, trade diplomacy, finance diplomacy, and consular visa services in relation to increased migration flows. How has the development of these modes of economic diplomacy shaped the way we think about who the diplomats are, what diplomats do, and how they do it?

### **2.5.1 Commercial Diplomacy**

One of the key developments has been the growth of commercial diplomacy within the NDS (Coolsaet 2004; Lee 2004; Potter 2004; Rana 2004) as well as internationally (Kostecki&Naray 2007). Globalization in this sense is seen to increase economic vulnerability and/or opening up new opportunities for trade and

investment growth in the world market. Globalization has also facilitated the growth of international business and generally increased competitive pressures on business. The impact on diplomacy is twofold.

First has been the institutional impact. Throughout the last two decades in particular governments have increased commercial diplomatic activities by increasing funding for export and investment support in foreign ministry s and other agencies as well as creating new or bolstering existing institutional frameworks. Second has been the drawing in of private actors from business. Responding to competitive pressures and the need to find and exploit new markets for domestic goods and services, commercial diplomacy primarily involves export and investment support and advocacy for domestic business. Commercial diplomacy focuses on building networks of diplomats and business groups based in overseas missions to promote trade and investment as well as business advocacy. For many developing countries, commercial diplomacy also includes tourism promotion as a primary activity.

Diplomatic networks provide commercial intelligence, tourism marketing, business links and partner searches, as well as business assistance. Conceptually, studies of commercial diplomacy point to complex organizational networks involving ministries of commerce (often with trade promotion agencies/departments), trade and finance, in addition to the foreign ministry. Business groups are also, not surprisingly, key players in these networks and in many cases are formally placed into overseas missions and consulates through secondment programs. Business involvement is also channeled through other government departments as well as though links with national and local chambers of commerce. In this

conceptualization of commercial diplomacy, business actors are merged with the state rather than autonomous and as such both public and private interests are included in diplomatic representation.

### **2.5.2 Trade Diplomacy**

The scholarship on trade diplomacy has also begun to shape the way we re-think diplomacy by highlighting the role of non-state actors, networks, ideas and institutions in diplomatic processes and outcomes. New ways of conceptualizing diplomacy have emerged from studies of trade. Developments in international trade relations such as the growth of regional trade organizations, the creation of the World Trade Organization (WTO), the extension of the trade talks agenda to include new issues such as internet gambling, highlight the need to recognize and understand the new actors, new topics and new forums of economic diplomacy point to the necessity of moving beyond the predominant realist conception of diplomacy. Earlier conventional classic studies of trade diplomacy such as Curzon (1965) and Hudec (1975) provide state-centric accounts of power-based diplomacy in the General Agreement on Tariffs and Trade (GATT).

This is not surprising given the intergovernmental nature of the GATT/WTO regimes. Recent work continues to emphasize the roles of states in trade diplomacy but also points to the role of non-state actors in multilateral, regional and bilateral trade relations (Hocking and McGuire 2004; Heron 2007; Pigman 2004). Indeed, in an early attempt to reconceptualize diplomacy in order to reflect the growing interaction of the foreign ministry with other non-state actors Hocking (1999b)

developed the concept of catalytic diplomacy to highlight the growing linkages between official and non- official diplomatic actors in diplomatic machinery.

The world economy is now governed by a set of economic institutions with rules and procedures. With the creation of the WTO in 1995, trade between states is increasingly governed by international rules which have to be negotiated and implemented. The first decade of the 21<sup>st</sup> Century has also witnessed an increase in the number of bilateral free trade agreements between states which, added to the network of regional trade agreements such as North American Free Trade Agreement(NAFTA), the European Union(EU), Southern African Development Community(SADC), and South Asian Association for Regional Cooperation(SAARC) all extend the agenda and need for trade diplomacy. Much of the literature on trade diplomacy focuses on multilateral trade negotiations and particular providing detailed accounts of GATT/WTO Rounds (Croome 1999; Lee 2000; Lee & Wilkinson 2007; Winham2010). Trade diplomacy is often regarded as a zero sum game of hard intergovernmental bargaining between rational-actor states in pursuit of maximum concessions from others whilst conceding little as possible (Odell 2000; Steinberg 2003). Much of our understanding of the diplomacy of economic negotiations has been imported from prominent IPE scholars such as John Odell. Odell (2000) makes use of game theoretical models to tease out the diplomatic processes involved in negotiations in the world economy in order to explain cooperative behavior bargaining and outcomes among self-interested states in forums such as the WTO.

Adopting a similar neo-liberal game theoretic approach, Putnam (1988) has been influential in highlighting the importance of domestic as well as international factors in international economic negotiations. In this seminal work he developed the highly influential concept of 'two-level games' and, with others, also introduced the concept of 'double-edged diplomacy' (Evans et al. 1993) to highlight how diplomatic processes involve bargaining at both domestic and systemic levels, as well as the opening up of economic diplomacy to include legislators and, consequently, domestic based interest groups.

This work usefully details the complicated diplomatic process in international economic negotiations in which diplomats must not only negotiate with other states at the systemic level but also negotiate with powerful political actors back home in the national sphere. In so doing he highlights the endogenous and exogenous sources of diplomatic processes and practice.

Putnam's insights into the domestic context of trade negotiations at least begin to recognize the conflicted nature of states' interests in trade diplomacy. Stopford and Strange (2008) also highlight these conflicts within states by underscoring the complex and dynamic character of trade relations in a continuously changing international political economy structure {cross reference to IPE and negotiation theory}. In drawing in the changing structural context to economic diplomacy they successfully challenge the assumption built into rational actor models of trade diplomacy that state interests can be fixed and, indeed, known. Stopford and Strange (2008) conceptualize economic diplomacy as 'triangular' dominated by state-state, state-firm and firm-firm relations.

In this triangular diplomacy business diplomats are key players and a strategically successful state will seek allies with powerful firms to increase its structural power. Langhorne (2005) has referred to the ambassador-like role of the CEO of Microsoft Bill Gates, for example, in his study of the growing influence of transnational firms in contemporary diplomacy. One of the key issue areas where transnational business has been active in trade diplomacy is in intellectual property rights (IPRs).

Susan Sell's seminal work on IPR negotiations demonstrates not only the large number of players (business, states, lawyers, inter-state organizations, IP users) involved in the negotiations but also that the network of players functions quite differently from one period to another as the nature of, and conflicts within, the issue changes (Sell 2003). Business groups were, for example, a key promoter of the 1995 WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) during the Uruguay Round talks in order to protect their knowledge capital, whereas when the issue shifted to one of global public health in the Doha Round business groups retreated and public health NGOs became the prominent actors {cross reference to IPE section}. As the issue of IPRs clearly shows, it is important not to limit our conceptualization of agency in trade diplomacy to states and firms. Other influential studies of trade diplomacy suggest an even more complex process of trade negotiations. Hocking (2004) introduces the concept of 'multi-stakeholders' to the study of economic diplomacy to highlight the growing involvement of private actors. In trade diplomacy, business is seen to operate within and merge with the state such that the distinction between public (state) and private (business) interests is difficult to draw.

International trade governance has become increasingly contested since the infamous ‘Battle of Seattle’ at the 1999 WTO Seattle Ministerial Meeting. Other actors such as NGOs and civil protest groups have been drawn into trade diplomacy as part of this contestation. Some are directly involved in the negotiations (Oxfam and International Centre for Trade and Sustainable Development are often members of smaller and developing country delegations because they can provide much needed expertise and resources). Others form highly visible protest groups challenging the WTO process (which is seen as undemocratic and unaccountable) as well as the dominant neo-liberal ideas which, they argue, create poverty in developing countries and increase inequality between the powerful industrialized countries and the powerless less developed countries (Scholte et al. 1999; Wilkinson 2006).

The study of trade diplomacy has certainly improved our understanding of the WTO process and the workings and effects of institutional environments on trade talks whether it be the very detailed discussion of WTO negotiations (see Jawara & Kwa 2004) or the more historical institutional approach of Wilkinson (2006). Studies of the recent emergence of developing countries in WTO negotiations (Clapp 2006; Narlikar 2003) are also significant not least because they bring a welcome move away from a focus on the major industrialized countries, thereby making the study of diplomacy more inclusive.

In this context there has also been recent analysis of the diplomatic strategies – mainly focusing on strategic alliance building – of the new coalition groups within the WTO such as the G20 and the Africa Group (Lee 2006; Narlikar & Tussie 2004; Taylor 2006) which usefully discusses and draws attention to the diplomatic

practices of otherwise neglected countries in the study of economic diplomacy such as Brazil, India and many African states, the BRICSAM states (Antiewicz & Whalley 2005) as well as regional organizations such as the Caribbean Community, the East African Community and so on.

### **2.5.3 Finance Diplomacy**

Another key issue area in the global economy is international finance and in the context of globalization, finance diplomacy is mainly concerned with attempts by governments to create stability in a regime which lacks the rules and laws of the international trade regime. Much like studies of trade diplomacy, the literature goes a long way to shaping a broader conceptualization of economic diplomacy since it points to the role of nontraditional diplomatic actors such as finance ministries, central banks such as the Bank of England, business groups and the banking sector, as well as non-traditional diplomatic forums such as the World Economic Forum (WEF). Influential work on the Group of Seven (G7) Russia Group of Eight (G8) as well as the IMF and WB not surprisingly (since G7/G8 summitry is wholly intergovernmental and the IMF and WB are instruments of governments) tends to reinforce a state-centric approach to financial diplomacy (Bayne 1998; Budd 2003; Kirton 1999; Wicks 2007). Most studies of financial diplomacy are concerned with the failure of financial diplomacy to avert the various financial crises of recent years such as the Asian Financial Crisis of the 1990s and studies of the IMF and WB generally focus on the economic effects of the policies of these organizations rather than the diplomatic process of the negotiations.



In one notable exception, Kahler (1993) adopts the two-level approach to financial diplomacy developed by Putnam to account for the failure of the IMF to reach agreement with developing countries. Kahler finds Level II factors within the IMF as well as the recipient countries best explain the failure to reach agreement despite the apparent structural power of the IMF. Recent developments such as the G20 meetings of Finance Ministers as well as the now regular meetings of the fast developing countries and interested parties through the newly created BRICSAM organization which is a network of states, NGOs and business (Cooper et al. 2008) have expanded analysis of finance diplomacy to include networks of state and non-state actors as well as new regimes.

## **2.6 Theoretical Discussions**

There are numerous schools of thought that can explain the phenomenon of the economic diplomacy which Tanzania is strongly pursuing in its foreign policy. However the present study is guided by the conceptual theoretical framework that look the economic diplomacy from the perspective of international political economy in contemporary International Relations and foreign policy making. Hence, the theoretical approaches for the present study are the present studies are essentially based on the theories of international political economy. There are five theories that can explain the phenomenon of economic diplomacy in international political economy.

These are economic nationalist, economic internationalist, economic structuralism, dependency and world system theories, according to Rourke(2005).Rourke (2005:373-378) argues that these theories are both descriptive in that they purport to

describe how and why conditions occur and they are also perspective in which case they argue about how policy should be conducted. Let us examine these theories as describe by Rourke.

### **2.6.1 Theory of Economic Nationalism**

The economic nationalism theory is centred on the state use of its economic strength to further national interest. This theory advocate the use of state power to build its economic strength (Rourke, 374). Economic nationalist therefore believe the conflict characterizes international economic relations and that the international economy is a zero-sum game in which one side can gain only if another loses. They rely on a number of political-economic strategies including imperialism. According to economic nationalist, countries that offer economic carrots, such as foreign aid and favorable trade policies, or that use economic sticks, such as sanctions, to promote states national interest are practicing economic nationalism (Rourke: 375-376). They would look at protectionism and domestic economic support as tools that should be used to promote national power; and from this perspective, economic nationalists are suspicious of economic interdependence on the grounds that it undermined state sovereignty and weakens the national economic strength. They would therefore refer that their respective countries use trade barriers, economic subsidies and other policies to protect national industries.

### **2.6.2 Theory of Economic Internationalism**

The second theoretical and policy approach to IPE is economic internationalism. This approach is associated with such terms as economic liberalism and free trade. In this approach, economic internationalists believe that international economic

relations should and can be conducted cooperatively because in their view, the international economy is a non-zero-sum game in which the prosperity is available to all. They contend that the best way to create prosperity is by freeing economic interchange from political restrictions; and therefore, they oppose tariff barriers, domestic subsidies, sanctions and other economic tool that distort the free flow of trade and investment capital.

### **2.6.3 Theory of Economic Structuralism**

The third major theoretical approach to IPE is economic structuralism in the economic structure determines politics; and that the conduct of world politics is based on the way that the world is organized economically. Those who follow this approach believe that the world is divided between the have and the have-not countries and that the haves, Economically Developed Countries (EDCs). Work to keep the have-nots, the least Developed Countries (LDCs), weak and poor in order to exploit them. The economic structuralism theory divides its followers into two camps: Marxist theories who see the state and capitalism as inherent sources of economic evil and Dependency and world system analysts who advocate fundamental reforms to end economic oppression. Both camps believe that significant changes have to be made in the way international politics works in order to promote Least Developed Countries (LDCs) development (Rourke:377).

### **2.6.4 Dependency by Theory**

It is argued in this approach that the economically underdeveloped conditions of the LDCs is caused by their exploitation by the EDCs; and this is accomplished by the EDCS through the indirect control of the LDCs and is driven by the EDCs need for

cheap primary resources, external market, profitable investment opportunities and low wage labor. Hence, the South produces low-cost, low-profit primary products such as agricultural products and raw materials to supply the EDCS production of high-prices, high profit manufactured good some of which are sold to the LDCs at overstated prices.

### **2.6.5 World System Theory**

This theory traces the current global economic inequality to the rise of the western political and economic domination, especially the acceleration of that control after onset of the western-centred industrial revolution in the mid-1700s. Theorists who take this perspective contend that the evolution of the western- dominated capitalist system has distorted development, leaving vast economic, social and political disparities between the core (the EDCS) and the periphery (the LDCS of the international system (Rourke: 378)). Having highlighted some relevant theories on global political economy, the following section looks at the concept of regional economic integration which is an important component in the study of the Gulf Cooperation Council (GCC) States and Tanzania reactions.

### **2.6.6 Regional Integration Schemes**

Schiff (2003) observes that regional trade blocs have been one of the major developments in international relations in recent years. According to him virtually all countries are members of a bloc and many belongs to more than one. He then puts regional trade blocs into the category to what he calls Regional International Agreements (RIAS).

Schiff (2003) points out several objectives for the RIAS which including Governments wish to bind themselves to better policies and to signal such binding to domestic and foreign investors; desire to maintain sovereignty by pooling it with others in areas of economic management where most nation-states are too small to act alone and the pressure for globalization, foreign firms and countries to seek efficiency through larger markets, increased competition and access to foreign technologies and investment.

Other objectives include the desire to jog the multilateral system into faster and deeper action in selected areas by showing that the General Agreement on Tariffs and Trade (GATT) was not the only game in town and by creating more powerful blocs that would operate within the GATT system a the fear of being left out while rest of the world swept into regionalism, either because this world be actually harmful to excluded countries. The South-South Cooperation fits in exactly in the RIAS objectives and the concept of economic diplomacy which is central in the present Tanzania foreign policy comes in. This is discussed in the following section.

### **2.6.7 The South-South Cooperation**

Sylvester (1981) discusses the Arab-African cooperation and observes that it is a relationship between two communities of the Third World which has more to gain than to lose by working together in the political as well as in the economic fields (1982:221).He traces this cooperation from the political struggle against racism in which the Arabs fought for the rights of Palestine while the African fought for the liberation of the Southern Africa (1981).However, he observes that there has far less achievement on the economic front where the underprivileged nations are fighting

for a New International Economic order which would be more economically productive and beneficial to all concerned (2008:17).

Wai (2000) discusses the triangular cooperation among Africa, Arab and member countries of the Organization for Economic Cooperation and Development (OECD) to promote complementary linkages between resource based and development processes to idea to triangular cooperation he observes that some African countries have investment potential to increase trade and income for the benefit of participating partners. In his observation, on one hand a number of African countries have enormous investment potential for improving their agricultural production while others have mineral resources that could be developed but they lack capital, technology and trained manpower necessary for the development of their natural resources (1982:1).

On the other hand some Arab oil-production and oil-exporting countries have surplus petro-funds buying power but lack other resources such as agricultural potential to diversify their economies and to absorb the funds domestically (1982:1). Further, the OECD member's posses technology, trained manpower, banking facilities for recycling the Arab petro funds, purchasing power and marketing expertise. He argues that from these assumptions, flows the hypothesis that a tripartite partnership in development among African, Arab and OECD countries would promote the complementary linkages between resource bases and development processes, thereby increasing trade and income to the benefit of the regions (1982:1).

The south Commission (1990) traces the south-south economic links from the founding of the Non-Aligned Movement (NAM) in 1961 and the Group of 77 in 1964 which marked the collective action between the south to advance its common interests (1990:144). “In recent years much more cooperation has been taking place between business concerns in the south. At the regional level, initiatives to encourage cooperation in the business sector are visible in SEAN and in the Arab World”, the commission observes, citing the formation of GCC and SADCC and other regional groupings as active measures to enlarge the cooperation. (1990:183). The commission calls for broad policy agreements among the development countries to establish more favorable environment for joint ventures, investment flows, technology transfer and to invite and encourage direct business initiatives (1990:183).

## **2.7 New Actors and New Issues in Inter-State Relations**

Globalization has not only brought in new actors it has also introduced new issues in interstate relations. This has implications for the conduct of modern diplomacy. In the first instance, it increases the complexity of relations and the possibility of conflict. By forcing actors into increasingly smaller spaces, globalization heightens tension and makes diplomacy a lot more complex. It also widens the scope of diplomacy as it is increasingly difficult to clearly identify the blurred line that connects domestic to international affairs. The impact of globalization has also greatly enhanced the cross border relevance of many issue areas in international politics. Chief among these is climate change.

It has also heightened the relevance of issue linkages. Climate Change politics therefore has Human rights implications, regional security policy has implications for democracy, good governance has implications for peace and stability. The new issues brought up by globalization include increased linkages in the International Political Economy, refugee crisis, international pandemics like Ebola and HIV and terrorism and resistance, instantaneous international communication and travel, regionalism and the like. The pressures brought to bear on the conduct of diplomacy by a growing population of knowledgeable and actively interested public is also a critical new issue that modern diplomats have to contend with.

There are also unique new challenges faced by various regions of the world that are reflective of the context and patterns of relations in those regions. These challenges are often historically and geographically specific so much so that it is difficult to universalize the practice of diplomacy without qualification. In Africa, for instance, the spectra of intra-state conflict has had serious implications for diplomatic practice. It challenges the traditional dominance of concepts like non-interference and the inevitable direction of state security strategies towards external threats. This situation presents complex analytical challenges for both scholars of international strategy and practitioners of diplomacy.

This much was inferred by Kidane Mengisteab when he noted that ‘diplomatic efforts have been rather ineffective in ending African intrastate conflicts’. This statement reflects the need for diplomacy to rapidly evolve to develop the capacity of states to confront new and emerging issues that bear deep salience for development.



It is instructive to note that these new issues are a reflection of both the rapid advancements in technology and the sheer complexity of global intercourse. Beyond the emergence of new issues and perhaps deriving from it is the fact that new actors have also emerged to confront these new issues. New actors include transnational nongovernmental organizations, multinational corporations, international organizations and regional organizations. These actors are largely new to the extent that their relevance has been enhanced by the very character of globalization. Their multiplicity has also been intensified by the growing complex nature international exchange and intercourse.

Globalization is also undermining the relevance of traditional actors like the state to the extent that it erodes spatial sovereignty and tends to promote pressures from both above and below that threatens the dominance of the state in the conduct of diplomacy. From above, international institutions, international law, transnational nongovernmental organizations and of course multinational corporations put intense pressures on even the most powerful of states and therefore easily shape its diplomacy. From below, grass root organizations, local civil society, labor movements, public opinion, the press, students' unions and indeed the endemic tensions between and among these social formations tend to undermine the dominance of the state in the arena of diplomacy.

It is important to note that the rising profile of new actors in the conduct of diplomacy is a phenomenon that easily reflects the dominance of industrial neo-liberal values of capitalism in the post-cold war era. Multinational/Transitional

agencies, NGO 'sand multinational corporations have now also become key centers of power so much so that they increasingly set the agenda for global interaction.

The treatment of these non-state actors and of course unelected representatives of sectional opinion as, as Zivtev put it, if it were 'unencumbered and untainted by the politics of government or the greed of the market' is misleading. In fact, these transnational networks often reproduce existing power structures and are increasingly controlled by local elites seeking to re-position themselves and consolidate their power in the post-adjustment era.

This point brings up the question of the implications of these new actors to the character of relations in the international system. For one, the nature of relations is critical to setting the context for diplomatic practice. It highlights the diplomatic options available for all stake holders in a given situation and easily determines the overall effectiveness or otherwise of those options.

Where the patterns of relation are dependent, states are likely to lose in their attempts to protect their interests, at times even their core interests. States like Iraq and Afghanistan are cases in point. To the extent that the nature of relations determines the relative power positions of states in the international system, it must be said that it has serious implications for the conduct of diplomacy.

## **2.8 Empirical Review**

Many studies have been conducted on the benefits and disadvantages of economic partnership which is the essence of economic diplomacy. This part of the study

presents the various empirical finding on this aspect of Economic partnerships. Nunnenkamp (et. al, 2007) argues that it is hard to have conclusive evidence supporting the view that developing countries should draw on Foreign Direct Investment (FDI) to spur the economic development (2007:53). His conclusion is that the positive effects of FDI are not guaranteed automatically but host economy and industry characteristics as well as the interaction between such characteristics affect largely the growth impact of FDI in the developing economies (2007:53).

Majocchi (2007) discusses the question whether market, trade and financial liberalization has any impact upon FDI location using the sample of Italian firms which made investments in seven Central and Eastern European countries. The study confirmed that market size and growth, the availability of labor and the quality of infrastructure are important determinants of FDI location (2007:1).

The study also found that the choice of FDI location was positively influenced by the extent of trade, financial and market liberalization and negatively related to openness to foreign banks (2007:1). Guda (2012) studies the impact of Chinese FDI in Tanzania and comparing with the Chinese FDI he found that the local small and Medium Enterprises (SMES) faced many constraints including: stiff competition, difficult in raising capital, poor technology, poor skills, tax exemptions, pricing and poor access to efficient distribution network. Kisiku (2012) compares the investment climate of with other Africa countries in attracting FDI and found that the inflows of FDI were spread unevenly over the countries of sub regions of Central Africa, West Africa, East Africa, Southern Africa in which East Africa was at the bottom of the regions. Abdallah (2013) studies the costs and benefit of the Economic Partnership

Agreements (EPAs) among the East Africa Community (EAC) member states and observed that EPAs showed both positive and negative impacts to the EAC countries. However, she noted that EPAs would bring massive loss of fiscal revenues to the EAC governments and affect the regional employment. She argues that EPA was not a reliable agreement to the EAC, suggestion to the concentration on the regional integration. Lugakingira (2013) studies the market access challenges for the CP-EU Partnership Agreement and found a number of factors that hindered Tanzania to access the market. These included lack of: business experience, management skills, entrepreneurship skills, marketing information, capital and poor quality of products, export strategy and lack of support from the government. Mbwana (2012) assessed the impact of the East Africa Common Market of Tanzania and found that the market would provide a single and bigger market for goods and services but observed that the low level of awareness, fear, knowledge and government support to were major challenges which hindered the economic development. Having highlighted some theoretical and empirical studies on the subject, the following part discusses the concept of economic development.

### **2.8.1 Experiences from other Countries**

#### **(a) Brazil**

*Brazil* has made a concerted effort to engage in economic diplomacy with the *developing world*. She has made it a priority to be a leader in sharing technological knowledge in areas such as *education* and the all-important *agricultural* sector. One of the notable examples of Brazil's economic diplomacy strategy is the *Brazilian Cooperation Agency*, which is affiliated with the Brazilian Ministry of External

Relations. The Agency has the mandate to negotiate, coordinate, implement and monitor technical cooperation projects and programs with countries, primarily in the *developing world*, that Brazil has agreements with. As Brazil States:

*"Brazil has been investing in agreements with both developed and developing countries to acquire and disseminate knowledge applied to social and economic development. We have practiced the concept of not simply receiving knowledge from developed countries, but also sharing our own experiences with others in effective partnerships towards development".*

South-South cooperation contributes to consolidating Brazil's relations with partner countries as it enhances general interchange; generates, disseminates and applies technical knowledge; builds human resource capacity; and, mainly, strengthens institutions in all nations involved. Taking these goals into account, *Brazilian Cooperation Agency* has defined focal partners that include African Portuguese-speaking countries (PALOPs), *East Timor*, *Latin America and the Caribbean*. In this context, we have started cooperating trilaterally with developed countries as well.

The ultimate goal of technical cooperation – exchanging experiences and knowledge – materializes reciprocal solidarity among peoples and does not only benefit recipient countries, but Brazil as well." The ABC is a primary example of how Brazil is using economic diplomacy to fit into its larger *national strategy* of providing leadership in the *developing world*.

### **(b) China**

Economic diplomacy is a central aspect of Chinese *foreign policy*. During *China's* remarkable economic rise, it has used economic diplomacy primarily through trade, and the use of carrot as a means to accumulate or attract soft power. This was a part of the broader strategy formulated by think tanks in the PRC during the 1990s titled the *new security concept*. It is referred to in the West as the period of "*China's Peaceful Rise*". Of late, China has changed its strategic doctrine and begun to use economic diplomacy as a coercive tool. After 10 years or so of a policy based primarily on economic carrots, China has begun to show a willingness to use economic diplomacy for coercive means. This is evidenced of this is found in the September 2010 incident blocked shipments of rare earth minerals to *Japan*. Another incident took place in 2012 in the Philippines, where China sent a gunboat in to enforce trade restrictions. China's willingness to use bring in warships during trade disputes is reminiscent to an earlier era of American *Gunboat diplomacy*.

### **(c) African and Arab society's experiences**

Historically there has always been a movement of people, ideas and goods between Africa and the Arab world. These movements could be traced in the pre-Christian and pre-Islamic era. It is cited in history that in the first millennium Before Christ Semitic speaking peoples emigrated from Southern Arabia into Ethiopian highlands of Eritrea and Tigre where they settled and introduced iron technology and urban settlements, which were conspicuous by the 5th millennium (Patrick O'meara). The Assyrian Empire invaded and conquered Egypt on whilst in 30 B.C the Roman

conquest was accomplished. The continent of Africa became the battle ground of different empires accompanied by major religions.

Christianity and later Islam saw large scale emigration of Arabs into Africa, especially Egypt, Northern Africa and the Horn of Africa. West Africa and East Africa were later main areas of Arab settlement and propagation of Islam among the indigenous people. P. M. Martin and Patrick O'mearated write that "All over the world historical, cultural and religious affiliations play an important role in bringing people closer. The existence of Arab states and Islamic communities in Africa is an added advantage in interaction between Arab and African states.

However, political and economic relations play an important role in shaping the nature and scope of relations between states. Africa states have examples originating from their relationship with former colonial masters i.e. England and France, where African countries are grouped as Anglophone group or francophone group or even Lusophone (Portuguese) group. Though it sounds linguistic but it is an expression of a system of wider dimensions.

However, African historicans and other writers have tried to show that Africa was not at the receiving end from Arabs. Historians like Ki-Zerbo and Cheik Ant Diop have tried to show the contribution of Africans to Egyptian Civilization and to the indigenization of Islam. However, it was not until the time when Arab and African people gained their independence and became sovereign state when normal formal political and diplomatic relations were established.

## **2.9 Synthesis and Knowledge Gaps**

The review of literature has provided a precise discussion on the role of Globalization, the conceptualization of economic diplomacy, theories on international economic relations, and experience of other countries in connection with the implementation of Economic diplomacy. However there are several gaps in the literature remaining to be examined. First, the most of the studies have not explored the factors which affect the effective implementation of economic diplomacy policy in Tanzania. Secondly, there is no any other study which addresses factors influencing low level cooperation between countries with long historical trade relationship. Thus this study offers a unique opportunity to investigate the challenges and opportunities in promoting the Economic diplomacy between Tanzania and GCC states. The findings of this study as well as recommendations will bridge this notable knowledge gap.

## **2.10 Chapter Summary**

The chapter has reviewed various literatures. These include both theoretical and empirical literature. The chapter has further highlighted the experiences of different countries which were used to inform the study. The following chapter discusses the research methods used to conduct the study.



## **CHAPTER THREE**

### **RESEARCH METHODS AND PROCEDURES**

#### **3.1 Introduction**

This chapter presents the research methods and procedures used in the study. It describes the study area, design of the study, target population, sample and sample procedures. The chapter is divided into four main parts. The first part describes the research paradigm and design while the second part highlights on sampling procedures. The third part highlights the methods of data collection and data analysis. The last part describes the ethical issues and limitations of the study.

#### **3.2 StudyArea**

The study areas were Tanzania and the GCC member states. The two countries were the focus of the study because of long term historical relationships between the two countries. The Gulf Cooperation Council (GCC) member states – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE have a very old historical links with Tanzania.



**Figure 3.1: Map showing Gulf Cooperation Council Member States Indicating United Arab Emirates and Oman**

Even if one perceives the relationship at the African continental level one might find out this relationship is much deeper and much more intimate with Tanzania. One of the main reasons that marked this relationship was the trade which has been a vital catalyst in this relationship between the Gulf and the East African Coast with the present Tanzania serving as the main centre. The monsoon winds powered hundreds of the wooden sailing dhows to and from the East African Coast between November and December. They transported with merchandise obtainable from the Gulf such as dry fish, salt and handicrafts among others to the East African coast. The change of direction of the monsoons between March and April was normally used to power the dhows back to the Gulf mainly loaded with mangrove poles used for construction and foodstuff.



Figure 3.2: The Map of Tanzania Mainland and the Isles

The traded commodities changed. No longer was the mangrove poles needed in the Gulf as they were replaced very far by modern building hardware etc. A new era brought a new whole perception of relation between the GCC states and East Africa, and in particular Tanzania. The flame was extinguished but the torch remained. The emergency of new nation states in the Gulf followed by the discovery of oil made these states take a different direction altogether so as to take care of their new challenges of governance, security and indeed their quest for modernization fuelled by the oil petrodollars.

These changes meant a new and faster means of transportation with ocean liners this time around travelling not only to East Africa but around the world to numerous new ports through the year with less time. A new era of development and modernization brought with it a new whole perception of relation between the GCC states and East Africa, and in particular Tanzania. The flame was extinguished but the torch remained. It is therefore against such background that the idea of delving into this research came in with the objective of revisiting this whole trail of relationship between the GCC and Tanzania in particular which, for all practical purposes can claim to be the Centre of this relationship.

### **3.3 The Study Paradigm**

Paradigm refers to the modes of thinking about the conduct of research on any social reality (Omari, 2011). According to Mc Burney and White (2007), paradigm consists of a “*set of laws, theories, methods and applications that form a scientific research tradition*” p.24. This study embraced the qualitative research approach to a large extent whereby views, feelings and opinions of different targeted population in

relation to how the respondents viewed the role of economic diplomacy particularly in the light of existing structural trade mechanisms, the role of the private sector and the legal framework in all three countries under study.

The study also used quantitative approach aimed at producing quantifiable data whereby frequencies, percentages and averages were used to establish pattern of behavior being studied. Cohen et al (2007) asserts that the use of two or more methods of data collection “*attempts to map out or explain fully, the richness and complexity of human behavior by studying it from more than one stand point*”. In the present study the use of quantitative approach was used to increase the depth of the researchers understanding and accuracy of the findings.

### **3.3.1 Qualitative Approach**

As already highlighted above, qualitative approach was employed in order to gain insight into respondent’s perception, feelings, sentiments, attitudes, in relation to operationalisation of the economic diplomacy in these countries. This approach as Kahn (2011) and Kothali(2009) argued was flexible and employed at different settings. By using this technique respondents were free to express their feelings and experience on assessing the level of cooperation and factors inhibiting high level cooperation.

Through employing this technique, the researcher managed to gain insight in to feelings and opinions among the selected population and that assisted the study to understand the nature of the problem and discover weakness of the existing structures with a view of suggesting the improvements.

### 3.3.2 Quantitative Approach

Unlike qualitative approach, quantitative technique was used in this study to indicate frequencies and number of respondents with certain characteristics who were involved in this study. The study used this technique purposely with the intention of getting easiest way of asking identical questions to different categories of respondents and making comparison of responses and analysis on the information related with opinions and suggestions to improve.

Since this study was aimed at soliciting opinions, perceptions and different views about the factors affecting economic diplomacy. Because of that, explorative design was the best design to acquire the needed information and hence qualitative approach was largely applied; and to a smaller extent quantitative technique was employed just to complement qualitative technique.

### 3.4 Research Design

A research design is a detailed outline of how an investigation will take place. A research design typically includes how *data* was collected, what *instruments* were employed, how the instruments were used and the intended *means* for analyzing data collected (Rwegoshora 2014, Bryman & Bell, 2007, p. 15). The research design greatly influences the type and quality of the research problem under scrutiny. Since this study was intended to investigate the challenges and opportunities of economic diplomacy in international relations where the researcher wanted to get the different viewpoints from various respondents, the study employed exploratory design. Exploratory design not only helps to increase the understanding of a researcher's

knowledge of a topic understudy, but it is also use secondary sources for example published literature. Other resources utilized in exploratory studies include informal discussions, formal structured interviews, pilot studies or case studies. The study also employed quantitative approach. According to Burney and white (2007) quantitative research approach is characterized by both its focus on producing quantifiable data and by the emphasis on a research process which results in numbers which explains the pattern of frequencies from different respondents.

The explorative design therefore, was the most ideal in the sense that, it helped the study to interrogate different categories of respondents and acquired much information that assisted the study to investigate and discover factors which support or inhibit the optimal realization of the trade links and investment among Tanzania, Oman and United Arab Emirates. In addition, the explorative design as Creswell (2008) pointed out, guided the researcher to find better ways of data analysis and presentation.

### **3.5 Target Population**

In order to realize the study objectives the study involved different categories of respondents from Tanzania and GCC member states .In Tanzania respondents included government officials from the Ministry of Foreign Affairs, Industries and Trade, officials from Tanzania Chambers of Commerce, Tanzania Investment Centre, Tanzania Tourist Corporations(TTC), retired Ambassadors and members of Parliamentary Committee of Foreign Affairs. In GCC states the respondents were officials from the Chambers of Commerce, members from researchmarketing

academia, media officials and promotional departments. Other respondents included officials from International corporation department, officials from Investment Promotion Agencies and from Ministries of Trade. These categories of population were useful because they had useful information which assisted the researcher realize his research objectives.

### **3.5.1 Sampling Procedures**

Sampling is the process which refers to the selection of individuals, units or setting to be studied. However, the difference in sampling strategies between quantitative and qualitative studies is different mainly because of different goals of each research approach. Within this context, since the study was largely explorative and to a large extent qualitative in nature, sampling techniques which were used were largely purposeful or criterion based sampling that is, a sample that has the characteristics relevant to the research question. This is contrary with quantitative studies strive for random sampling whereby inference is made to the whole population by examining part of it (Rwegoshora 2014).

This is applied where the population under study is relatively large or for some reasons the population is physically not accessible. Bryman (2008) mentions advantages of sampling to include first, data collection being cheaper, requiring few people to collect and analyse data and last but not least it saves time and it permits high level of accuracy. It was within this context four different sampling techniques were used to select the respondents. These included purposeful and convenient sampling techniques which are clearly elaborated below.

### **(a) Purposeful Sampling**

Researchers such as Punch (2004); David & Sutton (2004); Rwegoshora (2014) Best & Kahn (2006) consider purpose sampling as an appropriate technique in research design because it enables the researcher to collect relevant information and data. Through the purposeful sampling a researcher identifies key informants purposefully who is believed to be more knowledge able of the subject matter under study. The criteria for identifying respondents using this technique are normally based on various qualities such as the position one holds in a society, education level, age and gender.

The respondents who were purposeful selected included officials from the ministries of trade and industry because of their wider knowledge on the trade regulations, officials from the ministry of foreign affairs were also purposefully selected because of their conditional role between the Tanzania and GCC states. Other respondents included members of parliamentary committees, officials coming from institutions dealing with tourism, trade and investment promotion. These officials were selected because of their experience in investment, trade and economic diplomacy issues in international arena.

### **(b) Convenience Sampling**

Convenience sampling is a technique used to select respondents based on easy accessibility. This kind of sampling is generally applied in a situation where respondents conveniently happen to be available when the study on a particular theme is being conducted. As Davies (2007) points out, this technique was used when the study visited the higher learning institutions where academic members of



staff were conveniently approached to respond to the research interview and questionnaires. Through this method the study managed to obtain various views, perception and experience regarding the ongoing victimization, strengths and weakness and factors which support or limit proper implementation of existing strategies in addressing the problems of violating rights of children with albinism in Tanzania.

### **3.5.2 Sampling Size**

The ever increasing need for a representative statistical sample in empirical research has created the demand for an effective method of determining sample size. To address the existing gap, studies Krejcie & Morgan (1970) came up with a table for determining sample size for a given population for easy reference. While the above table applies more comfortably in quantitative studies in qualitative studies sample sizes are largely determined by a reasonable size of respondents to enable the researcher to obtain adequate information from the key informants. To this effect in ethnography studies, Morse (1994) suggests approximately 30 - 50 participants as a reasonable sample size, while Creswell (1998) suggests only 20 – 30 participants. Generally speaking, there are no specific rules used in determining an appropriate sample size in qualitative research. In this study where both qualitative and quantitative aspects were used the sample size was determined the time allotted, resources available and study objectives at one level, while at another level Krejcie & Morgan table was used to get an indication of the total sample size.

In this context, the study envisaged reaches a total population of 150 respondents. However, due to scarcity of resources and time constraints, the researcher used

Krejcie and Morgan table to determine the sample size that is 69 respondents as shown on the sampling frame below on table 3.1. Out of these a total of 29 respondents were from Oman and United Arab Emirates while 40 respondents were from Tanzania mainland and Zanzibar.

**Table 3.1: Distribution of Respondents by Country, Category and Gender**

Name of a country	Category of respondents	Gender		Total
		M	F	
Oman and United Arab Emirates	Officials from Government Ministries (Ministry of Trade and foreign affairs)	4	3	7
	Officials from chambers of commerce	2	-	2
	Officials from research, marketing and promotion departments and media and academia	3	2	5
	Officials from International Cooperation	2	2	4
	Officials from Investment promotion agencies	2	3	5
	Business community members	5	3	8
Tanzania	Governmental officials e.g. Director Middle East, Director of Trade	5	1	6
	Chamber of Commerce Dar salaam	3	-	3
	Chamber of Commerce Zanzibar	2	2	4
	Parliamentary Committee of Foreign Affairs	6	5	11
	Retired ambassadors	3	-	3
	Tanzania Investment Centre TIC/Zanzibar Investment Promotion Agency(ZIPA)	2	-	2
	Tanzania Tourist Corporation	2	-	2
	Tan trade (Export and Trade Promotion)	1	1	2
	Business community members	5	2	7
<b>Grand Total</b>		<b>45</b>	<b>24</b>	<b>69</b>

Source: Compiled by a researcher 2015

### **3.6 Methods of Data Collection**

Methods of data collection are the process which engage different targeted group directly or indirect to gather evidence related to the research questions. However since each method has its strength and weaknesses, the researcher used different methods of data collection to overcome inherent weakness in each method. The types of method data collection were used including desk review, structured and in-depth unstructured interview. The data collection process began in January 2011 and ended at the end of December 2015.

The research and research assistants were used to gather information from various research sites under the guidance of the main researcher. As already highlighted above the study employed both primary and secondary data as the main source of information. The primary data were collected from the field where its collection involved structured, unstructured interviews. The secondary source of information was obtained from published and unpublished reports, policies, research reports and legislations.

#### **3.6.1 Documentary Review**

Documentary review refers to the data which has already been collected in the form of printed and un printed materials. This was review was guided by the objectives of this study. In this process the researcher reviewed different literature including text books, journals, Conventions, Legislations, Reports, and unpublished research papers related to economics, diplomacy, international relations and political science. Within this framework the researcher collected and reviewed information from various ministries of foreign affairs and trade and industry concerning the economic

diplomacy, foreign policies and trade and investment protocols. Online materials, papers and unpublished materials were also used.

Further the researcher also consulted seminar papers in order to gather different investment opportunities in Tanzania and GCC member states. Frankly speaking the documentary review was conducted throughout the whole period when the study was being undertaken. The information gathered from the secondary source of information helped the researcher to deepen and sharpen the understanding of a researcher in as far as the research objectives were concerned. This was an ongoing activity throughout the study period and in so doing it helped at the initial stage to sharpen the conceptualization of the research problem, deepens the understanding of the study area and identification of the research gap.

### **3.6.2 Interviews**

This is a method of collecting a primary data from a person's oral response to oral inquiries. In other words, it is a planned and systematic method where conversation takes place between two or more people with a specific purpose. So, an interview is formal meetings between two people (the interviewer and the interviewee) where questions are asked by the interviewer to obtain information, qualities, attitudes, wishes etc. an interview can either be structured or unstructured interview. Structured interviews tend to follow formal procedures; the interviewer follows a predetermined agenda or questions, while unstructured interview does not follow the formal rules or procedures. The discussion normally flows freely and may shift from one thematic area to another depending on the purposes of the interviewer.

#### **a) Unstructured interview**

The officials from chambers of commerce in both countries, retired ambassadors, ministers of trade and industry and foreign affairs were interviewed. This was particularly because these had a tight schedule so when an opportunity was secured they were interviewed. This method helped to gather information at policy level and technical problem such as structural trade methods used in their countries and how the existing opportunities between the two countries could be exploited.

#### **3.6.3 Questionnaire**

A questionnaire is a means of eliciting the feelings, beliefs, experiences, perceptions, or attitudes of some sample of individuals. As a data collecting instrument, it may be structured or unstructured. The questionnaire is most frequently a very concise, preplanned set of questions designed to yield specific information to meet a particular need for research information about a pertinent topic. This method was used to solicit information from ministry officials and representatives of business community in selected countries and investment promotion agencies. This instrument proves quite useful as the selected respondents had the opportunity to respond to the raised queries and questions at their own time online. One observation was the respondents seemed very independent and sincere in giving their opinion, more freely and uninfluenced

#### **3.7 Data Analysis**

The data which were collected were analyzed by using the content analysis technique. Content analysis technique according to Rwegoshora (2014) involves coding and classifying data. This technique also referred to as categorizing and

indexing and aim of content analysis technique, is to make sense of the data collected and to highlight the important message, features or findings.

In this study, the content analysis technique was used to analyze written communication (essays, articles, reports and pamphlets), attitudes, and recorded oral communication. The study formulated a simple format that allowed the study to distinguish groups of respondents who were included in the study. The code was created to each group in order to record and making comparison of respondents as per specific objectives.

This technique helped the study to summarize the gathered information, counting the frequencies of statements, and detecting the intensity of statements and described the attitudes and perceptions hold by different respondents in all three countries. The data collected in the field, were presented in different ways including tables in order to show different responses regarding the research questions and study specific objectives. Quantitative data were analyzed by using the arithmetic means, frequencies and percentages.

### **3.8 Validity and Reliability of Data**

#### **3.8.1 Reliability**

According to Flick (2011) reliability is the extent to which the test or procedures produces similar results under constant conditions in all occasions. This is to say that if the questionnaire and interviews obtains similar responses in all occasions then it is reliable. In relation to this research, the questionnaire was easy to read. No technical terms were used in order to gather information or confuse the respondents.

### **3.8.2 Validity**

There is a close connection between reliability and validity. If a thing is reliable then it has also validity. Flick (2011) believes that validity tells whether an item measures or describes what it is supposed to measure or describe. For an item to be reliable and possess validity it must produce similar response in all occasions, which if there are two researchers doing the same research, both of them would receive similar responses and this is what we refer to as validity. In this study most of the questions produced similar responses.

## **3.9 Ethical issues**

Ethical concerns are crucial when planning, conducting and evaluating a research study. According to Neuman (2012), social science research should have a clear moral and professional obligation to behave in an ethical manner in all times and that researcher “must balance two values: the pursuit of knowledge and the rights of research participants or of others in society”.

### **3.9.1 Access and Acceptance**

Research clearance was secured from the Open University of Tanzania and the institutional consent was sought from the Ministry of Foreign Affairs in Tanzania and GCC mainly in UAE and Oman where the researcher had been stationed as his place of work in the last ten years i.e. 2005-2015. The research clearance enables the researcher to gain access to various places to undertake the study. According to Cohen et al (2007) permission to access the organization where the research is to take place offers an opportunity for a researcher to “present their credentials as

serious investigators and establish their own ethical position with respect to their proposed research” P. 55

### **3.9.2 Informed Consent**

Informed consent entails ”procedures in which individuals choose whether to participate in an investigation after being informed of the facts that would be likely to influence their decision” (Diener and Crandall 1978). Because of that, obtaining informed consent for research study requires open and honest communication between the researcher and the study participants prior to any study (David, 2008). In this study, before engaging in any process of collecting data, permission was sought from the respondents. Before data collection, the researcher informed participants about the nature of the research as well as the social value and possible benefits from the study. This enabled the participants to make rational and informed decision to participate or not to participate in the study. A fair explanation of procedures to be followed and their purposes were outlined to participants. After informed consent was secured, the researcher told participants of their rights to confidentiality and that participants would remain anonymous throughout the research process.

### **3.10 Limitation of the Study**

In this study, some respondents due to the nature of existing traditional and cultural beliefs were reluctant to reveal the right information to the researcher. As a result the researcher faced difficulties to gather information needed by the study. In order to overcome this problem, indirect questions were asked in order to allow respondents to feel free to express their feelings and opinions towards the violation of rights of children with albinism and the impact of existing strategies.



Among the major limitation encountered by a researcher was that of working in three different countries with different social, cultural and political orientation. For example one of the major limitations encountered during data collection was the working practice and culture in Oman and United Arab Emirates and GCC member states in general. In these countries the government officials with decision making mandate particularly at high levels are generally not free to talk or give interviews to outsiders. It is on such note that such respondents were not easily accessed. It is therefore against such background that such “walled” or “protected” leaders that the researcher experienced difficulties to access reliable information and hence he had to rely on the secondary source of information in cases where he could not get necessary information. In other words the research operated in an environment where there was a strict and regulated code of conduct in meeting with foreign officials and indeed on the dissemination and strict management in disclosing information to outsiders and the general public. In view of this, the researcher had to navigate and talk to respondents informally to get their opinions.

### **3.11 Chapter Summary**

This chapter has dealt with the research methods and procedures that were used to collect and analyze data from the field. Specifically, the chapter focused on study design, area of study, population and sampling procedures. The subsequent section of this chapter covered instruments of data collection, procedures for data collection in the field and ethical issues. The next chapter deals with data analysis and presentations.

## **CHAPTER FOUR**

### **FINDINGS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter discusses the findings of the study based on the data collected during the research which was conducted in Tanzania and selected GCC member countries. The chapter concentrates in three countries namely Tanzania, Oman and United Arab Emirate (UAE) from GCC member countries. The chapter is divided into four main parts as follows. The first part presents the findings related to the readiness of the private sector in Tanzania, Oman and UAE. The second part of the chapter presents and discusses different trade mechanism status and how the same affect the promotion of trade and investments in three countries. The third part of the chapter presents and discusses the legal framework practices and their implications on the promotion of the cooperation among these countries. The last part of the chapter is a concluding remark

#### **4.2 Readiness of the Private sector in Promoting International Trade and Investment**

The private sector is the part of an economic system that is run by individuals or group of individuals, companies in a given country. Within this context, the government has limited role to play in running the private companies. Under normal circumstances the private sector organizations are always run with the intention of making profit. Because of that, the sector is characterized private ownership and control, the business being run by the sole proprietorship and partnership, and direct management of the firm by owners.

#### **4.2.1 The Private Sector in Tanzania**

The concept of a private sector in Tanzania is relatively new when compared with other East African countries like Kenya and Uganda. It is for this reason the notion of privatization was not well received, when it was introduced in the mid 1980s, given the country socialist orientation hangover. Although the private sector has been introduced in Tanzania for more than three decades, the sector has not fully been developed. The sector in Tanzania is composed of agricultural sector, manufacturing, trade, tourist, and industrial activities. In this study the private sector has been treated from a generalist point of view. Because of that the study did not concentrate on selected private activities.

Needless to say Tanzania is the second largest economy in the *East African Community*. Tanzania is largely dependent on agriculture for employment, accounting for about half of the employed workforce. Agriculture is still a dominant sector of the economy, employing over half of the Tanzanian population. The country still is still characterized low development level, coupled with subsistence farming which in many cases is performed by using just a hand hoe. The potential of commercial agriculture is seriously under-exploited. Coffee has been the main export commodity.

However, in 1999, earnings from cashew nuts exceeded those from coffee for the first time. Other significant market crops include tea, cotton, cloves and tobacco. Tanzania is also a major livestock raising country although the drought has a severe impact on production of both crops and livestock. In view of the above it is estimated that an estimated 34 percent of Tanzanians currently live in poverty. It should be

noted that, the Tanzanian economy has been on transition from a state command economy to free market economy since 1985. Over the years, Tanzania has successfully undertaken various macroeconomic policy reforms aimed at restoring the economy and manufacturing is one of the sectors that has benefited significantly from these reforms, which have led to increased industrial growth rate from 8.9 percent in 2005 to 9.9 percent in 2008.

The growth of the sector is also evidenced by growing interest in the industrial sector and by increased number of new private sector industries in different sub-sectors of the economy. In order to achieve sustainable growth in the industrial sector, more and reliable information needs to be collected and analyzed for use in planning. Such information and statistics show the performance and prospects of the sector, and can only be obtained through regular industrial surveys. Accurate data are important to monitor the growth of both public and private sectors, as they guide proper planning, making informed decision on trade and investments.

#### **4.2.1.1 Readiness of the Private Sector in Tanzania**

Readiness is the state of being prepared of *a system* or *an organization* to comply with set conditions or carry out a planned activity. Most organizations or system fail to achieve their intended objectives because there is no necessary social and economic environment (in terms of for example infrastructure) needed to support the realization of the set objectives. It was within this context that, the study wanted to establish the readiness of the Tanzanian private sector to promote international investment in industries and trade. The readiness or preparedness in this context was

measured by examining the necessary economic, social and political conditions required to promote not only the private sector in Tanzania but also to promote the international trade and investment. Such conditions allow the smooth and steady growth of the sector and thereby attracting foreign and local investors in the country.

In order to understand the preparedness the private sector in Tanzania, it was necessary to examine factors which indicate the prepared or readiness of the sector in Tanzania to promote the international trade and investment. To this effect different respondents were asked to give their comments on how they rated the readiness of Tanzanian private sector to promote the trade and investment. Various responses were interrogated.

**Table 4.1: Responses on the Readiness of the Private Sector in Tanzania**

Categories	Responses	Frequencies	Percentage
Policy makers	Presence of economic diplomacy policy	5	6.9
	Exploration of gas and uranium in the southern part of Tanzania	6	8.3
	Existence of chambers of commerce and other related institutions	4	5.5
Members of the business community	Supply of stable power to support manufacturing industries and other economic activities	13	18.1
	Improvement of infrastructure such as roads	16	22.2
	Existence various financial institutions to support the growth of the sector	9	12.5
Academicians	Existence of political will	11	15.3
	The discovery of gas and other minerals in southern parts of Tanzania	8	11.1
<b>Total</b>		<b>72</b>	<b>100</b>

Source: Field data 2014

These included policy makers, members of business community and academicians. The findings which are summarized on Table 4.1 indicate that three categories of respondents had different opinion about the preparedness of the private sector to promote international trade links and associated investments in Tanzania.

The response from the policy makers indicated that, Tanzanian private sector was prepared to promote the trade and investment in Tanzanian. Major reasons which were given by the policy makers who included members of the parliamentary committee and officials from the ministry of industries and trade (i.e. 6.9%) argued that the presence of policies from the ministry of trade and economic diplomacy policy were a good indication of the preparedness of the private sector to promote trade and investment. This it was argued would promote the trade links with other countries including Oman and United Arab Emirate. Other reasons which were mentioned included the exploration of gas and uranium in the southern part of Tanzania (8.3%) and existence of chambers of commerce and other related institutions (5.5%).

On the other hand, the respondents from business communities complained of inconsistent supply of stable power to support manufacturing industries and other economic activities (18.1%), they mentioned factors such as improvement of infrastructure such as roads (22.2%), and existence various financial institutions to support the growth of the sector (12.5%) as factors which indicated preparedness of the private sector in Tanzania. The other part of the sampled respondents i.e. the academicians indicated that the preparedness was seen through existence of political will (i.e. 15.3%) and the discovery of gas and other minerals in southern parts of

Tanzania (11.1%).The recent exploration of gas in Mtwara region and subsequent extraction of the gas has created a great hope for the private sector to flourish in Tanzania.

Despite the positive attitude among the policy makers, other respondents such business people low and medium class and a certain quarter of the academicians when they were interrogated to give their views in relation to what they regarded as a bottleneck facing the private sector in Tanzania. A number of factors were mentioned. The findings which are shown below indicate that Tanzania is still engulfed with high prevalence of poverty among several groups of people in Tanzania a fact which in one way or another limits the growth capacity of the sector. The prevalence of the poverty it was for example mentioned as a stumbling block because of low level of purchasing power.

**Table 4.2: Responses on Factors inhibiting the Growth of private Sector in Tanzania**

Categories	Responses	Frequencies	Percentage
Policy makers	Lack of trade mechanism in place to encourage the growth of private sector	5	6.9
	Low level encouragement of local people to participate medium and big business entrepreneurial	8	11.1
Members of the business community	Low level quality products produced locally	14	19.4
	Low level of technology	11	15.3
	Lack of entrepreneurial mind set	16	22.2
Academicians	High prevalence of poverty among the people in Tanzania	13	18.1
	Lack of incentives of the locals to participate in private sector	5	6.9
	Lack of export diversification	72	100

Source: Field data from Dar es Salaam and Zanzibar 2013

The findings from the above table indicate that despite the private sector having signals of promoting trade and investment, there were other factors which were militating against the capacity of the private sector in Tanzania. According to the policy makers the major obstacles include Lack of trade mechanism in place to encourage the growth of private sector (6.9%) and low level encouragement of local people to participate medium and big business entrepreneurial (11.1%).

The other category of local business community revealed that major problems revolved around low level quality products produced locally which has no acceptable standards (19.4%), Lack of entrepreneurial mind set (22.2%) and low level technology (15.3%). As for academicians the responses indicated that there were high prevalence of poverty among the people in Tanzania (18.1%) and Lack of incentives of the locals to participate in private sector (6.9%).

When the respondents were interrogated to explain what they thought was the role of science and technology in promoting trade and investment the findings from the interviews revealed that science had a major role to play because it facilitated the aspects of innovations. Hence dearth of science and technology was very crucial in development of private sector. Furthermore, respondents from academic category indicated that, the private sector was not ready because of existence of political and social conditions in the country. As indicated in the table 4.2 below, the majority of the respondents (i.e. 38%) indicated that there was high prevalence of poverty among the Tanzanians a factor which was not conducive of growth of the private sector. The finding further indicates that there were the quality of products which were produced by local industries and manufactures were of low quality and hence failing to



compete with foreign products. The question of quality was therefore very critical when it come to promotion of trade links.

It was interesting to note that all three categories which were interrogated they indicated that the private sector was still at the low level because there was no sufficient enabling environment to support the sector. one of the respondents who was asked to give his views on the existing enabling environment has this to say:

*“Industrial activities face serious constraints from poor infrastructure such as bad roads in rural areas, unreliable power supply. This was one of the reasons which affected the manufacturing sector in Tanzania. The manufacturing activities in Tanzania are relatively small”*

When the respondent was further asked to explain the indicators of constraints facing the industrial sector, it was mentioned that there were virtually low GDP contribution when compared with the contribution of industries and trade in other countries. It was further revealed through the interviews that the manufacturing sector in Tanzania revolved around simple consumer goods such as food, beverages, tobacco, textiles and furniture. The findings from an in-depth interview further revealed that the industrial sector in Tanzania were established the light of import substitution industries, whereby the production was geared towards substituting previously imported goods in view of saving the country's meager foreign exchange. The findings revealed that this situation has not changed significantly to date. Out of 69 total respondents who were interrogated to mention other reasons which inhibited the private sector to promote trade and investment in Tanzania 9% indicated that, the

private sector in Tanzania was still young and that it needed more time to flourish. Other 13% mentioned that Tanzania entered into the privatization business without first creating the necessary conditions for private sector to grow and flourish among the Tanzanians.

As a result, the majority of the Tanzania did not have a positive attitude to engage themselves in the sector. Some of these for example remarked that:

*“Today we witness a number of private banks in urban centers but the majority of the people have not been able to use them effectively. Only few people knows what it entails to take loans from the bank and make a meaningful investment and indeed question of Collateral is beyond the reach of many.”*

What does this mean? It means that, the banks are there to service the well to do members of the society. People who are business oriented and people who are ready to take risk. Over 87% of the Tanzanians had not been able to use and benefit from the bank. The mentality of taking risk is new to many Tanzanians associated with collaterals looked something new and many respondents mentioned as a stumbling block.

The study noted that the government introduced the program of MKURABITA which was aimed at ensuring the small and medium could use their property as collateral to access loans from the banks in Tanzania. However, this has not shown any remarkable achievement. It was therefore evident from the casual observation that, more education and sensitization for that matter was important if Tanzania wants to engage their local people in investments.

#### 4.2.1.2 Factors affecting Readiness of the Private Sector to in Tanzania

We have already not that there are factors which have been promoting the private sector in Tanzania. We have also noted that the sector has not been fully developed hence the need to make more effort to promote the sector. In this case the study wanted to find out what were thought to be obstacles to the growth of the sector. To this effect the respondents asked to rank the factors which were though inhibiting the growth of the sector.

**Table 4.3: Ranking by Different Categories on the Factors Disenabling the Growth of Private Sector**

Category	Inhibiting factors	First	Second	Third	Total
Business community	Power supply	12	4	2	18
	Lack of storage facilities		3	15	18
	Lack of markets	8	8	4	18
	Infrastructure	6	9	3	18
	Moderate technological contents in Tanzanian exports	11	5	2	18
	Dominance of primary product in Tanzanian export	9	7	2	18
Policy makers	Power supply	0	4	2	6
	Lack of storage facilities	1	3	2	6
	Lack of markets	3	2	1	6
	Infrastructure	1	3	2	6
	Moderate technological contents in Tanzanian exports	4	1	1	6
	Dominance of primary product in Tanzanian export	4	1	1	6
Academicians	Power supply	4	5		10
	Lack of storage facilities	3	3	4	10
	Lack of markets	4	4	2	10
	Infrastructure	5	2	3	10
	Moderate technological contents in Tanzanian exports	7	3	0	10
	Dominance of primary product in Tanzanian export	6	4	0	10

Source: Field responses 2014

The factors which were provided included status of infrastructure, power, storage facilities, markets, business attitudes and enabling policies. The findings which are indicated on Table 4.3 indicate that the problem of low level use of the technology, and great dominance of primary products were leading factors. The factors which ranked second and third were lack of storage facilities, lack of permanent and reliable power supply and lack of markets.

Regarding the question of dominance of the primary products, the general impression from the responses from the interviews indicated that there was no export diversification. One of the respondents from the chambers of commerce in Tanzania commented that:

*“Tanzania exports are still dominated by the primary products which lead to low pace of economic growth. Because of that, Tanzania is marginally benefiting from international trade because of limited vertical diversification, that is, less emphasis on value addition. This can be explained by the low productive and innovative capacity of the private sector.”*

The findings from the interview, who were asked to give reasons of the existing inhibiting factor, indicated that 54% respondents argued that the weakness of the private sector is deeply reflected in the existence of low level of technology. Other factors included inadequate capital, weak and inadequate infrastructures (including laboratories to test for quality), and lack of relevant knowledge and skills. It was therefore suggested by the respondents that there was a need to start not only investing in the infrastructure which will support the development of the sector, but

also the question of technology was to revisited if Tanzania is to compete meaningfully with other countries. It was mentioned that this was an opportune for Tanzania to use the opportunities available through EBA and AGOA initiatives to diversify its exports. Within this vein or argument mineral, horticultural and fish and fishery products and manufactured goods are perceived to be products of highest potential for export diversifications.

At another level, other disenabling factors the growth of the sector which were mentioned included lack of markets, low level technology as we had to continue to depend on imported technology and dominance of primary products. The similar concerns were equally echoed by business members who were interrogated. When these members were further asked to explain more about other factors which looked as a stumbling block they argued that, Tanzanian exporters were still being affected to a large extent by bureaucracy and poor business environment due to things like poor infrastructure, weak institutions, and poor access to credit. The existence of such factors inhibited Tanzania's participation in international trade is interesting because such issues have been identified in the various trade supporting policies, and strategies were identified to deal with them implies that most institutions responsible with promoting international trade directly or indirectly have not been effective in undertaking

It was further noted that, since more than 50% of middle class had no business mentality most of the loans taken from the bank end up building houses and other luxurious items. Quite few people were borrowing to invest in big business and trade activities, When the respondents were interrogated to explain what kind of industry

they thought the Tanzanian could engage in, they mentioned that the post-harvest crops get lost because there is no good preparation to reserve the crops. For example, the fruits which are commonly grown by peasants in many parts of the country are not well preserved or processed to produce other products which can be consumed locally and internationally for that matter.

When these respondents were interrogated to explain if they knew any business support system in the Tanzania on average 52.8 % indicated that they were aware of business support system while on average 47.2% respondents indicated that they were not aware of existence of support systems as indicated below.

**Table 4.4: Awareness of the Business Support Systems among the Respondents**

Support systems	Rating by percentage	
	Aware	Not aware
Existence of Local banks	51	49
Existence Foreign banks	38	61
SACCOS	91	9
Legal support	18	82
Policies	59	41
<b>Average percentage</b>	<b>52.8</b>	<b>47.2</b>

Source: Fieldwork from Dar es Salaam and Zanzibar 2014

Apart from the general picture which emerges from the above table, it could still be noted that whereas the general members of the public were of the local bank existing in Tanzania (i.e. 51%) there were few respondents who showed their awareness of support provided by the foreign banks (i.e. 38%). The foreign bank unfortunately

were not well scattered in many parts of the country particularly in the rural areas. When the respondents were asked to explain their accessibility, the general comment which was mentioned was that, and such banks was there to service the foreigners and those big business people. Such a misconception was still held among many people in the regions and rural areas.

Other supportive system which merit our attention include the high level of unawareness of legal services (i.e. 82%) provided and high level awareness of Savings and Credit Services (i.e. 98%). Savings and credit association were widely scattered in rural area and most of the community members are were aware unlike the legal services which were not provided into rural areas. However generally speaking, trade and investment supporting policies are effective when considered in isolation but are less effective when integrated to enhance trade.

This is due to lack of coordination and links between sector policies amongst institutions with role on trade. Institutions which implement trade supporting policies in Tanzania tend to undertake their work with little coordination amongst themselves as they execute their mandate as if they exist in isolation rather than being part of a larger objective that is composed of several supporting components whose activities are geared towards achieving the general objective which is Tanzania's enhanced participation in international trade. It was however acknowledged by some of the respondents that trade supporting policies in Tanzania has been doing well when it comes to identify constraints and challenges to Tanzania's participation in international trade and identifying measures to address them.

#### **4.2.2 Readiness of private sector in Oman and United Arab Emirate**

The Cooperation Council for the Arab States of the Gulf), originally known as the Gulf Cooperation Council (GCC), is a *regional intergovernmental* political and economic union consisting of all *Arab states of the Persian Gulf*, except for *Iraq*. Its member states are *Bahrain, Kuwait, Oman, Qatar, Saudi Arabia*, and the *United Arab Emirates*. The Gulf Cooperation Council economies reflect strong economic and social outcomes.

These countries depend very much on oil as the main source of export and fiscal revenues. Through the literature review it has been observed that for quite sometimes GCC governments have increased not only the rate of employment in public sector, but also there has been increased spending on infrastructure, health, and education (Wallenstein, 2014). Needless to say, this has helped raise standards of living and implicitly supporting the private sector activities.

It was further noted in the literature that there has increasing economic diversification. It is envisaged that the more the diversification the more the reduction of exposure to volatility and uncertainty in the global oil market. This is likely to create private sector jobs, increase productivity and sustainable growth, and establish the non-oil economy that will be needed in the future when oil revenues declines in the future.

A number of policies have been adopted to diversify the GCC economies and reduce their reliance on oil. A stable, low-inflation economic environment has been achieved, the business climate has been strengthened, education has been expanded,



trade and foreign direct investment (Packenham, 1998). Nonetheless international experience shows that diversifying away from oil may be a bit difficult. Success or failure appears to depend on the implementation appropriate policies ahead of the decline in oil revenues.

In addition to creating a favorable economic and business environment, these countries focused on export diversification and quality upgrading by encouraging firms to develop export markets and by supporting workers in acquiring the relevant skills and education to boost productivity. United Arab Emirate and Oman are both strategically positioned as the major trade and investment hub for a large geographic region, which includes not only the middle east but also North African, Asia and Africa south of the Sahara (Wai, 1998).

Multinational companies refer UAE and Oman political and economic stability, rapid population and GDP growth, as efficient and fast growing capital markets. Findings from the literature review revealed that absence of corporate and personal taxes and lack of evidence of systematic corruption was and continues to be a positive factor maintaining the UAE and Oman attractiveness to foreign investors.

#### **4.2.2.1 Factors Facilitating Readiness of Private Sector in Oman and UAE**

In an attempt to establish if Oman and UAE private sector was ready to promote the trade and investment link respondents were asked to give their view points. The responses which are summarized on the table below indicate that there were favorable conditions which facilitated the growth of the private sector compared to the conditions in Tanzania.

**Table 4.5: Factors Facilitating Readiness of the Private Sector in Oman and UAE to Promote Foreign Trade and Investments**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Availability of policies favorable to promote the trade and investment	12	41
Existence of financial institutions to support the growth of private sector	2.6	9
Existence of friendly infrastructure to support improved infrastructure	5.2	18
Existence reliable source of energy to support the sector	9.3	32
<b>Total</b>	<b>29</b>	<b>100</b>

Source: Field visits Oman and UAE 2014

The picture which emerges from the above table is that the availability of policies which were more favorable to promote trade and investment was one of the leading factor. This was mentioned by 41 % respondents followed existence of reliable source of energy to support the sector (i.e. 32%). Other factors included existence of friendly infrastructure to the growth of the private sector that is 18 % and existence of financial support which constituted 9% of the total respondents. When the respondents were asked to explain which policies were more favorable the respondents mentioned that rapid growth and high levels of foreign investment was facilitated by the recognition that the private sector was an engine for development. The reasons which were advanced as to why the private sector was crucial to the development process included the following: a) creation of jobs and innovations, b) providing products which can transform the lives of the people and c) provision of the opportunities for direct foreign investment which was seen as the drivers for economic growth.

On the other hand, when the respondents were asked to explain the enabling environment such as the friendly infrastructure to promote the sector, the response indicated that the government has invested heavily in the development of Oman's infrastructure. The government was said to have focused on the development of the ports in Salalah, Sohar, and Duqm. These projects were envisaged to create a lot of opportunities for the private sector. One of the respondents argued that the existence of new ports has facilitated building more confidence to the private sector because the government owned companies were ready for partnerships. It was said that this have increased more confidence for foreign or national investor.

At another level respondents were asked to explain which actions or incentives were used by Oman Chamber of Commerce to attract private sector participation in the economy. The responses which were provided indicate that, there was an effort to organize conferences where there were increased private sector participation by transferring knowledge from meetings from international delegates. They respondents further noted that many major cities and villages were managed by the private sector as a result it was becoming more efficient.

#### **4.2.3 Factors Inhibiting the Private Sector to Promote Trade and Investment in Oman and UAE**

Like the situation in Tanzania, the study wanted to find out what factors which were responsible to inhibit the promotion of trade and investment through the private sector in Oman and United Arab Emirates. The findings which are summarized on Table 4.6 indicate that the reasons which affected the private sector in Tanzania are

not the same as those found in GCC countries. When the respondents were interrogated to explain the reasons which hindered the growth of the sector, 47.8% indicated that the restriction of owning the land was one of the factors.

**Table 4.6: Factors Inhibiting the Promotion of Private Sector in Oman and United Arab Emirates**

<b>Factors</b>	<b>Frequency</b>	<b>Percentage</b>
Weak labour resolution mechanism supply	24	35
Lack of regulatory transparency	31	45
Labour rights and condition of work	12	17.4
Restriction of land ownership	33	47.8
<b>Total</b>	<b>69</b>	<b>100</b>

Source: Field data from UAE and Oman

Other factors included weak labour resolution mechanism which was mentioned by 35% of the respondents, while lack of regulatory transparency i.e. 45% was also one of the major reasons. These were seen as factors which to some extent affect the growth of the sector.

The general impression which emerges from the above finding regarding the preparedness of the private sector in these three countries (Tanzania, Oman and United Arab Emirates), is that there a big discrepancies in terms of the growth of the sector in these countries. Whereas for example, in Tanzania the private sector is still in its infancy stage in Oman and United Arab Emirate the sector is well developed and more efforts are made to improve the sector, in Tanzania there are still major

problem to address if the sector is flourish and promote the expected drive of the economy.

### **4.3 An Over View of Structural Trade Mechanism Tanzania**

An observation of Tanzania's export composition over the past decade reveals that non-traditional exports of non-agricultural nature such as minerals and tourism while and non-traditional agricultural exports such as vegetable products, cut flowers, live animals, and fish exports have been on the increase in terms of have a larger share of the country's export share.

The increase in export share of non-traditional products has gone hand in hand with the decline in export share of traditional products such as coffee, tea, sisal, and tobacco. Tanzania has succeeded in exporting several dynamic products such as minerals, horticultural products, textiles and primary products such as cashew nuts, and spices (Mbwana 2012). There is such the need for the country to increase emphasis on improving the supply and competitiveness of such products.

Tanzania has increased its volume of trade in the world in the EAC, SADC, EU, and other African countries with Tanzania having a trade surplus with only one of these regions which is the EAC (Lugakingira, 2013, Sarris 1993). There country has a large trade deficit with SADC due to high import volumes from South Africa while there is a slight trade surplus with the other SADC countries excluding South Africa. Tanzania has a small trade deficit with the other African countries although volumes of trade are low while the trade deficit with the EU has been worsening over the last couple of years from a position of a significant trade surplus (Mbwana, op.cit).

Countries in Asia and Middle East have emerged as significant markets for Tanzanian exports about with a large share of cashew nuts, cloves, tea and raw cotton going to these destinations with Japan, Hong Kong, Taiwan, Singapore and Thailand being leading importers. Unfortunately Oman and United Arab Emirates does not feature prominently as significant markets (Tairo 2011, Schiff and Winters 2003). India, Pakistan and Hon Kong are leading Asian destinations for non-traditional exports such as minerals, vegetables and hides and skins. India, followed by Japan as major destinations of Tanzania's exports dominates the share of Asia. Emerging markets create a significant opportunity for Tanzania since they have fewer conditions compared to developing countries and thereby warrant more concentration.

In the current economic environment, global trade plays an increasingly important role in shaping economic and social performance and prospects of countries around the globe. Because of that trade has to be well structure by defining the quality and standards which will benefit all related parties (The South Commission 1990). Standard entails setting the quality requirements for a specific item, material, component, system or service, or describes in detail a particular method or procedure. Standards are established by consensus and approved by recognized standardization bodies.

Structured trade is a kind of trade which is organized in the form of a networking or a mechanism between different interdependent stakeholders within a sector (Wai 1982, Wallerstein 1979, 2004). Since this is a structured or organized form of a trade

for members to benefit, each stakeholder has to be fully informed and meet and comply with the set standards and regulations. Otherwise if there is no any form of compliance of some king the stakeholder will have to face certain sanctions.

#### **4.3.1 International Trade Mechanism in Tanzania**

Through the desk review it was observed that Tanzania had an institutional framework which was responsible for international trade policy coordination, management, implementation, monitoring and evaluation. It was noted that the existence of Government Notice No. 2 of 2006 has mandated the Ministry of Industry, Trade and Marketing to formulate and monitor Industrial Policy, National Trade policy and Marketing policy, strategies and implementations of the international trade policies and practices. When the respondents (i.e. medium and big business people) were asked to identify the existing trade mechanism in relation with the international trade in Tanzania the response which are summarized below indicate that

**Table 4.7: Existing Trade Mechanism in Tanzania by Frequency and Percentage**

<b>Existing Trade mechanism</b>	<b>N</b>	<b>%</b>
Existing of trade blocks to defend member state against competition	1.6	4
Established tariffs on goods produced by other	12	30
Government subsidies,	1.6	4
Import quotas,	1.6	4
Export quotas	4.8	12
Customs union for the purposes of enhancing intra trade	5.6	14
Establishment of quality standards	12.8	32
<b>Total</b>	<b>40</b>	<b>100</b>

Source: Field data 2013

The picture which emerges from the above table is that there were several structural trade mechanism in Tanzania. The most common structural arrangement which was mentioned by many respondents was the establishment of quality. This was mentioned by 32% of the respondents. Other mechanism included existence of customs unions (i.e. 14%) which was introduced among the east African countries.

It is important to note that, for effective participation of Tanzania in the International Trade, Tanzania has made an effort to shift from formerly traditional products (such as coffee, cotton, sisal, tea and tobacco) to non-traditional exports which is now dominated by minerals and tourism while nontraditional agricultural exports, particularly vegetable products, cut flowers and live animals and fish exports.

The findings from in depth interview revealed that, it was noted by complying with the structural trade mechanism, Tanzania's trade performance in the last decade has been performing well in the nontraditional exports increasingly occupy a significant share of total exports. It was interesting to note that, despite that increase, there was little trade which transpired between Tanzania and Oman and United Arab Emirates.

On the contrary we noted that there were an increase in the trade with East African countries, European Union and SADC countries. sources from the various literature indicate that countries in Asia and Middle East have are also emerging as significant markets for Tanzanian exports about with a large share of cashew nuts, cloves, tea



and raw cotton going to these destinations with Japan, Hong Kong, Taiwan, Singapore and Thailand.

#### **4.3.1 Knowledge about the Existing Trade Mechanism in Tanzania**

Trade facilitation is not a new development agenda in Tanzania. It has been part and parcel of recent trade, fiscal and monetary reforms. Trade reforms have abolished import and export licenses except for goods deemed sensitive for health and security reasons (Okano 2004). There are no specific standard requirements other than those normally expected of different types of products. Nevertheless, trade regulations that are in force include the requirement for pre-shipment inspections for goods whose value exceeds a certain amount of money at the point of origin to determine value and the payable duty and tax.

Having a structural trade mechanism is one thing and having them known to the Tanzanians and for that matter business people is quite another. In this study we wanted to find out the extent at which these mechanisms were known and how favorable were these mechanism in promoting the trade links and investment were concerned. The findings which are summarized below indicate that

**Table 4.8: Knowledge about the Existence of Trade Mechanism in Tanzania**

<b>The type of knowledge</b>	<b>No</b>	<b>Percentage</b>
The type of trade blocks	3.6	9
The role of tariff in good produced from other countries	8	20
Quality standards	6.8	17
Advantages of quality standards for the products produced	6	15

locally and internationally		
The role of Customs unions	10.8	27
Special and differential treatment provisions	2	5
Import quotas	1.2	3
Export quotas	3.6	9
<b>Total</b>	<b>40</b>	<b>100</b>

Source: Interviews held with respondents

The general impression which can be drawn from the above table is that, the respondents had some knowledge regarding features of structural trade. out of 40 respondents 20% indicated that they knew role placed to the tariffs to good imported in the country, while 27% indicated that they were more knowledgeable the role of customs unions. These were the main areas which seem to be known by relative large number of respondents. However the question of standards was also critical because the respondents indicated to have an idea of what it entails. this has been one of the area where Tanzania as a country was failing to meet the required standards required by international markets.

Ideally the stakeholders networking were a key to the success of any business transactions. This however was contingent upon how the business people were organized to transact their business. Different trade organizations have set different standards, failure of which our good can not only be rejected be it cannot fetch good price. The question however which was asked by many respondents was who benefit from these standards. The other question is whether these standards can be easily met by Tanzanian in different sectors. These are some of the key questions which Tanzania has grapple with if it is to cope and compete in the international markets.

The study further wanted to establish if the existing structured trade mechanism were favorable or unfavorable to promote trade links and investment between Tanzania and Oman and United Arab Emirate. The responses from different categories of respondents (manufactures, warehouse managers, traders, transporters and farmers) summarized on the table below indicate that to processors, farmers, traders and warehouse managers the structural trade mechanism were largely notfavorable.

**Table 4.9: Response on Structural Trade Mechanism by Different Categories of Respondents**

Category of respondents	Favorable		Not favorable		Total
	N	%	N	%	
Processors	3.1	42	4.9	58	8
Warehouse managers	4.2	38	6.8	62	11
Traders	4.8	32	10.2	68	15
Transporters	10.7	51	10.3	49	21
Farmers	8.3	33	16.7	67	25

Generally speaking the impression which emerges from the above findings is that the existing trade mechanisms were favorable in promoting trade and investments at least from the respondents' point of view. The majority of the respondents indicated that whereas the establishment of the standards for example was good but it was not favorable in Tanzania because not all kinds of business people were able to comply with the required standards. What does this mean? This meant that the Tanzanian were therefore disadvantaged when it comes to participation of Tanzanian in international trade.

Having a fairly good knowledge on quality standards as already highlighted above enables farmers for example .to comply with them throughout the crop cycle, from sowing to harvest. In this way, they can deliver uniform identifiable products to a certified warehouse, which will issue a receipt in exchange. The importance of the existence of standards so that farmers are able to ask for certain prices if they know whether or not their products match the quality and price features of standardized products. Farmers may use this receipt to apply for a loan (usually short-term) from a bank or other financial institution to cover their urgent financial needs without having to sell their crops immediately after harvest. In other words, obtaining a bank loan by using a warehouse receipt as collateral gives farmers the freedom to sell at the most appropriate and hence most profitable time. The cash earned by this sale may then be used to repay the bank loan and cover the warehouse expenses

Theoretically achieving the required standard there must be certain agreed working environment which include expected procedure like for example, when an agricultural product is harvested it should be properly handled in certain storages in order to avoid getting financial losses. The farmer stands to get a loss if there are no suitable storage facilities. This may as well affect his or her bargaining power particular at the time he or she does not have access to information on prices charged elsewhere, or on the supply and demand situation. Moreover, if the product is not standardized, the farmer cannot compare it with other products marketed elsewhere in the country or region and will thus not have a clear overall picture of the crop value.

For merchants and traders, procuring small supplies of commodities from anywhere in the region can soon become expensive. Like farmers, if they do not have suitable warehouse areas to enable them to store and sell top quality commodities throughout the year, prices may fluctuate markedly between periods, which is detrimental to the farmer, merchant and consumer. All of these operations can run smoothly, and with a clear advantage in terms of negotiation, if the stakeholders are not forced into a financial emergency situation. Banks and credit therefore have a crucial role. Last but not least, stakeholders have to be sure that legislation will not unexpectedly change overnight, and that they will be protected if they are operating within their legal rights.

Although a large proportion of respondents (i.e. 78%) think that Tanzania can benefit from diplomatic diplomacy. Over 81% respondents who were interrogated concerning benefitting from international trade argue that, the country was not benefiting from preferential trade arrangements because of low capacity to export. This it was further argued it was attributed to low productive capacity of the economy, weak infrastructures, low level of investment and weak policy response. Again, since the majority viewed that the government has done little than what it is expected to do, the government is to revisit its strategy to address the situation, if it is remain competitive globally. Perhaps failure to consolidate benefits of improved market access can help to explain the case in point.

The Tanzanian membership in, EAC, AGOA and SADC has led to an increased marketing avenue or Tanzanian exports. however, the structure, composition, pattern and trends of Tanzania trade performance indicate that the membership in MTS has

generally failed to support Tanzania in its drive to consolidate the benefits of improved market access globally due to weak productive capacity of the economy, low productivity, low access to credit and poor infrastructure which all reduce competitiveness by increasing cost of production. Such an example help to reveal the extent at which Tanzania has been unable to cope with the demands of the required standards not only to EAC, AGOA and SADC but also to Oman and United Arab Emirates.

#### **4.4 Legal Framework in Promoting the Cooperation between Tanzania and GCC Countries**

A legal framework is a broad system of rules, procedural steps that governs and regulates decision making, agreements and laws. In other words, the legal framework as the name connotes is establishment of the rules of the game (i.e. legislative, regulatory, jurisprudential and managerial rules that together establish the rights used by officials involved in business transactions). Further the legal framework is kind of a system of *rules, laws* and *agreement* set to *establish* the way the business operates. The framework includes not only rights and obligations but also effective mechanisms to ensure full enforcement of the law.

Recently a greater significance has been given to the role of the business environment. The business environment is an external influence that is affected by governments and other institutional stakeholders. In most cases, the business environment is supported by the government because it supports employment creation while maximizing the contribution national economy in the reduction of poverty. The policy, legal and regulatory framework provides the means by which

government can manage the economy so as to achieve sustainable social and economic outcomes. That is, government develops policies, laws and regulations to achieve a desired purpose.

Having Policies, laws and regulations is one thing and having them implemented is quite another. Because of that existing policy, laws and regulations need to be implemented and enforced in order to realize the intended objectives. Governments create organizations to perform these functions (e.g. ministries, departments, authorities, agencies). There are also other organizations that are formed to perform specific functions in the business environment. These include chambers of commerce, business associations, trade unions, research agencies, and private organizations (e.g. accountancy and consultancy firms). In this study we wanted to establish to what extent the legal framework was responsible in promoting the trade and investment in Tanzania, Oman and United Arab Emirate.

#### **4.4.1 Legal and Administrative Obstacles**

As already highlighted above, the legal and regulatory framework aims at protecting and assisting the development of business environment. This is mainly done through proper functioning of the economy and the protection of basic individual rights and economic and social functions. It was within this context that the respondents in all three countries were asked to explain the legal and administrative difficulties they were encountering pursuing the trade and investment activities in these countries.

In Tanzania for example, we noted the existence of regulatory and legal framework by TIC laws which provides the frameworks, members to international guarantee

agencies and arbitration. The responses which are summarized below indicate that, in all countries there were prevalence of the problem of transparency. Whereas for example in 47% indicated lack of prevalence in Oman and United Arab Emirate 36% indicated the prevalence of transparency as an obstacle among business people.

Other obstacles which were identified included difficulty to obtain approval or licenses. Business community members who were interviewed in Tanzania 21% indicated that they experienced difficulty in accessing the licenses while in Oman and UAE only 26% indicated to have experienced the problem when they were seeking for the approval.

**Table 4.10: Legal and Administrative Obstacles by Respondents in Oman and UAE**

Obstacles	Response	
	Tanzania	Oman & UAE
Lack of transparency	47%	36%
Difficulty to obtain the approval / license	21%	27%
Delay in registering the investment	22%	17%
High cost of registration	6%	16%
Lack of assistance	4%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: Field data 2014

From the Table 4.10, the most glaring obstacle was difficult to obtain the license (i.e. 33 percent), while delays in registering the investment and obtaining of the licenses was echoed by 27 percent. Such difficulty was due to number of documents to



provide in practice, and ultimately the lack of transparency. Other obstacles included high cost of registration (i.e. 16 percent) in Oman and United Arab Emirate while in Tanzania it was only 6% respondents who indicated the existence of high cost of registration.

In as far as delay in registration was concerned; 22% of the respondents in Tanzania described the length of procedures as a result of low level of coordination with ministries. Regarding level of assistance the respondents indicated that this was not a big obstacle when compared with other obstacles. This was revealed by 4% of respondents from Tanzania, Oman and United Arab Emirates. The respondents in Tanzania noted that TIC and other significant stakeholders were there to assist investors registering their enterprises and filing of the tax forms. Other forms of assistance which could be accessed from Tanzania Investment Centre was completing investment registration and Immigration Forms and facilitating obtaining the necessary licenses, approvals, facilities or services.

It was further noted that where the relevant papers submitted to the Centre are in order, the Centre shall complete processing the application within fourteen working days. Otherwise where there was no such assistance was provided as per respondent who were interrogated, the situation looked unhealthy to smooth registration of their investment. On average over 50% respondents who were interrogated in both Oman and United Arab Emirate indicated that foreign investors did not experience any significant legal obstacle at the preliminary stage. However it was noted that, large foreign companies being required to partner up with local authorities through a joint venture scheme (particularly in oil and gas sector).

**(i) Approval procedures**

An approval process or procedures is an automated process an organization uses to approve certain action. Such an approval process not only specify the steps necessary for a record to be approved and who must approve it at each step, but also specifies the actions to be taken when an approval is rejected or resubmitted for approval. In this framework, the study was interested in not only in finding out the process of the approval process required by an investor in three countries, but also respondents were further asked to reveal the difficulties investors encountered in obtaining the approval. The responses which were collected from the interviews in both Oman and United Arab Emirates indicated that they did not experience any significant difficulty in obtaining the approval for their investment. It was noted that such category of respondents did not necessarily have to go through the same steps in order to obtain an approval for their investment. However, this question triggered numerous comments from the other respondents, especially with regards to difficulties in obtaining investment approvals and the commercial licenses necessary to carry out the activity. The difficulties which were identified include the following namely:

- (a) Lack of transparency of required documents and procedures. This implied existence of a significant part of discretion and arbitrariness in the decision-making process. The respondents indicated that additional requirements have often been imposed upon them in order to obtain the approval. It was noted for example that, in UAE to lease minimum office space or on a 12-month basis only, was restrictive for smaller companies.

- (b) Low level of decision-making process and to a lesser extent lack of responsiveness of public authorities such obstacle was not anticipated by respondents but was noted as a major impediment to a timely start of their investment operation, and throughout the operation of their investment operation as an issue for timely payment of their bills when contracting with public entities.

In Tanzania the respondents who were interviewed did not indicate any problem regarding the approval procedures.

**(ii) Difficulties in obtaining investment approvals**

For the respondents who had investments in GCC States were asked to explain if they had ever encountered difficulties in securing investment approval. They were further interrogated to explain what were the limitations and required procedures? Out of 17 respondents who were interviewed 57% said that they did not encounter any difficulty in securing investment approval. When these investors were interrogated to explain if they had some difficulties in employing foreign personnel, including managerial staff, 43% of respondents acknowledged to have experienced some problem. The specific obstacles relating to the employment of foreign personnel, either at the managerial level was that of nationality requirements. It was mentioned that, investors were required as an obligation to employ set percentages of nationals in certain job categories. This looked as if it was commonly agreed and it was implemented in all GCC States.

The second obstacle concerns obtaining visas and work permits for foreign staff and in some cases, their families. Inconsistencies were underlined by several respondents with respect to the difficulty to obtain business visas before deciding to set up the investment project, and the occasional requirement by governmental authorities that visas and work permits for senior staff members be obtained prior to the registration / approval of the investment whereas such registration would precisely be needed to obtain the visa.

However, over 23 % respondents in the U.A.E underlined a certain tolerance with regards to the use of tourist visas for first business visits in the country. Other obstacles concern, for example, the quotas imposed to holders of licenses to invest in economic zones. One respondent from the Oman chambers of commerce who was interrogated mentioned that their free zone license would only entitle them to hiring one foreign employee, therefore requiring them to fly in freelance consultants from abroad on a case-by-case basis. In addition, labor requirement in terms of duration of employment contracts have been referred to by one respondent in United Arab Emirate as being restrictive in terms of predictability, as the Labor ministries may be expecting foreign staff to be employed on a short-term basis. Finally, the recognition / equivalence of foreign diplomas were underlined by one respondent as being problematic in terms of justifying the employment of foreign staff.

According to one of the respondent from Tanzania Investment Centre, Business Registration and Licensing agency (BRELA) has a friendly package which attracts anyone who wishes to invest in Tanzania. He for example explained that BRELA was responsible for business registration in Tanzania which included issuing of

certificates of compliance for foreign companies, certificates of incorporation for local companies and certificates of registration for single proprietorship. It was further elaborated that among other things firms which wish to operate in Tanzania must register their businesses with the *Tanzania Revenue Authority* (TRA), the *National Social Security Fund* (NSSF) or any of the other five social security schemes in Tanzania and, depending on their business activities, with the Ministry of Industry and Trade.

Other structural trade mechanism include the following, that there will be unconditional transferability through any authorized bank in freely convertible currency of net profits, repayment of foreign loans, royalties, fees, charges in respect of foreign technology, remittance of proceeds and payment of emoluments and other benefits to foreign employees working in Tanzania. Further to that, it was also noted that any foreign business operating in Tanzania may obtain credit from domestic financial institutions up to the limits established by the Bank of Tanzania. Last but not least, it was revealed that there was no any restriction in enterprises entering into technology transfers. But every Agreement for transfer of technology must be registered with the Centre. Among other structural trade arrangements these were some of the conditions which if upheld would promote the structural trade mechanism.

### **(iii) Difficulties in employing foreign personnel**

in view of the above the respondents were asked to explain if in their conducting their business they experienced the problem of transfer of funds (e.g. repatriation of profits). Out of 17 respondents who were interviewed in Oman and United Arab

Emirates all respondents indicated that they had no problems with the transfer of their investment-related funds. No respondent mentioned any significant obstacle with regards to entry or repatriation of profits. The only caveat relayed to us was the uncertainty of bankruptcy laws and the potential difficulties which may be raised at the practical level, although no concrete example could be provided by surveyed foreign investors.

Respondents were further asked to reveal if they faced practical restrictions concerning access to land and if there were any possible problems encountered by a foreign investor. The responses which were collected from the respondents indicated that 69% respondents mentioned that they did not have issues with access to land while 31 % of respondents identified the problem they encountered. Some of these problems are indicated below:

- (a) The limited access to residential property for foreign staff.
- (b) securing lease agreements in order to obtain licenses and;
- (c) The lack of available lands, especially in free zones which was increasingly becoming increasingly saturated

It was however interesting to note that, the existing regulatory restrictions on foreign access to land was not mentioned as an issue. The picture which emerges from the above findings reveals that, the perspective of the private sector on investment policies and practices towards foreign investors depend on how regulatory obstacles may directly or indirectly affect the decision of prospective investors to invest or not in a particular country. It is also noted that, the perception of foreign investors on the

enforcement of these regulatory may be a promotion factor or inhibiting factor in as far as facilitating the trade and investment is concerned

#### **4.5 Chapter Summary**

In this chapter we have noted that the private sector in Tanzania was not performing well when compared with the private sector in GCC countries. We have further noted that the existing legal frameworks and the trade mechanisms are not favorable when compared with the legal and trade mechanism in Oman and United Arab Emirates. The picture which emerges from the above findings among other things is that, Tanzania's major impediment to beneficial participation in international trade is low level of implementation of trade supporting policy strategies. This has been largely been due to lack of coordination between institutions that are responsible with facilitation of international trade; inadequate government support when it comes to international trade and limited negotiation capacity.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

After making the presentations of the findings of the study in the fourth chapter, this chapter presents the summary of the study based on the main specific objectives. The chapter makes a general conclusion and provides the recommendations and areas for further studies. In view of that, the chapter is organized around four main parts. The first part is the summary followed by the second part which is the conclusion. The third part is the recommendations while the last part highlights areas for further studies.



## **5.2 Summary**

The general objective of the study was to find out the reasons why there is low level of cooperation between Tanzania and GCC member countries (with particular reference to Oman and United Arab Emirates). In particular, the study was guided by three major specific objectives. Whereas the first objective revolved around establishment of the level of readiness or preparedness of the private sector in these countries to promote the trade links and investments, the second specific objective examined the role of the existing structural trade mechanism in promoting the trade links and investment in the three countries under study.

The last specific objective was that the study to establish the role which was played by political and legal framework in promoting the economic relationships. In as far as the private sector readiness in Tanzania is concerned; the study findings revealed that, the enabling environment for the growth of private sector in Tanzania is not sufficiently developed to allow the sector to promote trade links and investment. The study for example noted the factors such as infrastructure, low level technology, generalized poverty and low level of entrepreneurial initiatives were among the major obstacles which hindered the growth of the private sector in Tanzania. It was further noted that, the nature of private sector in Tanzania was generally Tanzania export products are characterized by generally low technological content. As a result this deprives Tanzania a competitive edge of products in the global market.

Generally speaking Tanzania has and continued to perform relatively low in the global environment in terms of competitiveness. This to a large extent is attributable to limited level of investment in technology, hence implying Tanzanian low

technological development. Despite the above shortcomings, the study revealed that the private sector was potentially growing though at low rate and it was supported by the presence of policies from the Ministry of Industries and Trade, and Ministry of Foreign Affairs and international cooperation.

The presence of for example a policy on economic diplomacy was a good government initiative to support the growth of the sector and hence reflecting the preparedness of the private sector to promote trade and investment. Other factors which indicated the preparedness of the sector to promote trade included, existence of chambers of commerce and other related institutions, improvement of infrastructure such as roads connecting different parts of the country, existence various financial institutions to support the growth of the sector. On the other hand, the private sector in both Oman and United Arab Emirates it was observed that private sector had a rather buoyant and attractive business environment as a result of huge strides since the first oil boom whereby most of its activities attract more sophisticated recycling. It was further noted that existence of diversification from oil product further helped to keep the private sector booming unlike the situation found in Tanzania. It was noted that apart from the booming private sector economy which tended to attract more trade and investment, the Oman and United Arab Emirate business provided employment to local people and capital formation, and in so doing contributing to the provision of services that were previously the provided by the government.

With regard to structural trade mechanism, the findings have revealed that the existing mechanisms were not favorable in Tanzania when compared with the

structural trade mechanism in Oman and United Arab Emirates. GCC structural trade mechanism was noted to be a well established, structured and well functioning as per international standards. For sure this helped in conducting international trade thus facilitating smooth international trade. Further, the GCC countries had a strong standard control where they were able to control the imports of products. It is not easy to import to safe and hence high quality control mechanism.

In view of the above, the benefit accrued from the structural trade mechanism has been relatively low compared to benefits accrued from GCC countries. One of the major reason why the structural trade mechanism have been unfavorable has been and continues to be low level of technological development which has affected the quality of standards of goods and services required in the international markets including the markets in Oman and United Arab Emirates.

### **5.3 Conclusions**

Economic diplomacy is the process through which countries collaborate with the outside world in an attempt to maximize their national interest in all aspect involving foreign investment and other forms of economic benefit exchange where they enjoy competitive advantage. In view of that different governments do take into consideration their foreign policy, business policies, investment in technology, flexibility of the country on their decision. Because of that economic diplomacy involve the following actors, such as state and non-state actors. State actors include government agency operating internationally, non -state actors include Non-Government Organizations, business and investors which engages in international economic activities.

This study was set to examine why there were low level of cooperation between Tanzania and Gulf Cooperation Council which constitute a regional intergovernmental political and economic union. The study using the theories of economic diplomacy concentrated on the three main variables namely, preparedness of the private sector in these countries to promote the international trade links and investment, examination of the existing structural trade mechanism in these countries and last but not least analyzing the role played by the political and legal framework in promoting the links between the countries under study.

The general impression which has been gathered from this study was that Tanzania as one of the developing countries and GCC which had relatively strong economies they were at different levels of economic development a factor which affected the level of cooperation. As it was observed GCC countries which include Oman and UAE enjoys Oil and gas economy which provides them with high economic power controlling about one third of the world oil and gas resources. As if this is not enough they also have not only a good infrastructure such as roads, air connectivity and telecommunications, but they also have a well defined regulatory legal framework in doing business as per international standards. Last but not least these countries have a fairly well developed and functioning chamber of commerce which works professionally. It was therefore not surprising to note that despite the existence of Tanzania Investment Centre (TIC) and Zanzibar Investment Promotion Agency (ZIPA), Tanzania the private sector had not development into its full potentiality to promote link between these countries.

It was also clear from the findings that Tanzania was still suffering from low level technology a fact which affected the kind of products which was not able to meet the international accepted standards. That was also coupled with lack of entrepreneurial mind set, high prevalence of poverty, low quality goods and institutional weakness all these factors worked against the promotion of private sector and the international business cooperation between Oman and United Arab Emirate. The protectionist policies were also a factor which affected the level of cooperation between Tanzania, Oman and UAE, for example there were restrictive policies such as protectionism in term of imports and trade, and policy which was protecting the local products. The other policy was that of EMIRATIZATION and OMANISATION these are national policies which are aimed at inhibiting experts and foreigner to acquire jobs.

It was also noted that different countries have different economic interests a factor which help to determine the level of involvement in economic diplomacy. Most of the developed countries for example engaged themselves in economic diplomacy for the interest of attracting foreign investment and expanding foreign employment. Further these countries get engaged in these transactions for the purpose of increasing their market, for example countries like China, U.S.A and Britain have economic diplomacy in most of third world countries so as to gain foreign investment and expanding foreign investment as well as market for their goods. What we have been witnessing in last few days is that, there is a tendency of many people from China conducting their business in Tanzania under the cover of the umbrella of economic diplomacy contrary to most of third world countries which gains almost nothing from having economic diplomacy.

## **5.4 Recommendation**

### **5.4.1 Preparedness of the Private Sector**

We have noted in the study findings that the private sector in Tanzania has not sufficiently grown to facilitate the trade links and investment with Oman and UAE countries and other developed countries as well. The major reason which was echoed was lack of technology a fact which makes the products produced to remain below the internationally acceptable standards. We also noted other factors such as lack of internal market as a result of generalized poverty among the people, unreliable power supply and weak institutions and lack of necessary competences among many other reasons. Strictly speaking, a flourishing private sector brings about rising income levels needed to eradicate poverty. It is therefore recommended that:

- (a) There is a need for a continuing and significant effort to be made to promote an expanding role of the private sector in its broader context and to promote within it a greater understanding of the responsibilities for fostering economic growth and development.
- (b) The Chamber of Commerce in existence need to be more professional and hence on the need to improve their competences is paramount in order to attain international standards.
- (c) In order to increase the role and value of foreign investors in Tanzania, a deliberate effort need to be made to take advantage of new trade and investment opportunities and encourage GCC countries to come and invest

while at the same time encourage local business people to make use of the existing business infrastructure to promote their business.

- (d) Given the above findings there is a dire need for the Government to address these bottlenecks by strengthening of trade supporting policy coordinating mechanism; establish regulations to enable Public Procurement Act (2004) to provide more preference to MSMEs and domestically located firms in public procurement process; increase of resources to BEST to undertake its mandate of creating an enabling regulatory environment for businesses to thrive and operate more efficiently through reduced cost of doing business.
- (e) Develop specific assistance to SMEs and provide efficient support at the entry level, even if it is noted that specific funds may already be dedicated to SMEs in some GCC States (for example, Khalifa Fund, Bin Rashind Establishment in Dubai).
- (f) Streamline and increase transparency in procedures, and in that respect modernize the legal system, in order to increase attractiveness of GCC States towards foreign investments, even beyond the boundaries of economic / investment zones.
- (g) Private sector outreach efforts be made to provide general and tailored training and workshop activities to member associations, in an effort to dissemination of business information and in so doing promoting the sector.

### **Structural trade mechanism**

- (h) **Skills Competence and capacity to utilize of technology:** Education levels, skills competence are vital to the capacity of the players in the private sector and general public to address access and fully utilize appropriate technologies and impart new business skills to enable them to successfully produce products which are at expected international standards.
- (i) To form joint private partnership between Tanzania and private firms Oman, United Arab Emirates which will help to build the capacity of Tanzanian in terms of skills and application of technology in an effort to meet the required international standards
- (j) To invest in the area of science and technology by the government or private sector in an attempt to make the goods and services are produced in an environment which meet the expected standards are up to the expected standards.
- (k) Address the existing institutional weaknesses in Tanzania and promote competence in handling international business affairs. that is to say there a need to have a fairly developed functioning chamber of commerce which work professionally.

### **5.4.2 Legal Framework**

- (a) To put in place strategic policies and legal framework this will protect products produced locally with a view of promoting the growth of private sector.



Further, the policy adopted by GCC countries such as a policy of EMIRATIZATION and OMANISATION which inhibit experts and foreigners to acquire jobs.

- (b) Put in place a well-defined regulatory legal framework in doing business such as laws of the game according to international standards.

### **5.5 Area for Further Studies**

The development sector continues to be seen as the domain of the well-to-do members of the society. This is mostly dominated by multinational corporations and few individuals capable to compete. In developing countries like Tanzania, the tendency has been to encourage the foreigners who are normally invited to invest in developing countries. There are few efforts to ensure the indigenous people are encouraged and promoted to participate in the private sector economy. What does this mean? This means building the capacity of young individuals to participate in the economy, promote the use of science and technology if we our young people have to act professionally and improve the quality of our goods and services. This is an area which we need to research on if we are to compete with our counterparts in GCC countries and other parts of the world.

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## APPENDICES

### Appendix 1: Sample Size Determination Using Krejcie and Morgan Table

The ever increasing need for a representative statistical sample in empirical research has created the demand for an effective method of determining sample size. To address the existing gap, Krejcie & Morgan (1970) came up with a table for determining sample size for a given population for easy reference.

Table 1: Table for Determining Sample Size for a Finite Population

$N$	$S$	$N$	$S$	$N$	$S$
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.— $N$  is population size.  $S$  is sample size.

Source: Krejcie & Morgan, 1970

The Table is constructed using the following formula for determining sample size:

*Formula for determining sample size*

$$s = \frac{X^2 NP(1 - P) + d^2(N - 1) + X^2 P(1 - P)}{d^2}$$

$s$  = required sample size.

$X^2$  = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

$N$  = the population size.

$P$  = the population proportion (assumed to be .50 since this would provide the maximum sample size).

$d$  = the degree of accuracy expressed as a proportion (.05).

*Source: Krejcie & Morgan, 1970*