

The Impact of East African Community Tariff Policies on Tanzanian Export Growth in Key Sectors

Neema C. M.¹

¹ Sokoine University of Agriculture, Tanzania

Correspondence: Neema C. M., Sokoine University of Agriculture, Tanzania.

doi:10.56397/LE.2024.11.03

Abstract

This paper examines the impact of East African Community (EAC) tariff policies on Tanzania's export growth across key sectors, including agriculture, manufacturing, and mining. By analyzing the Common External Tariff (CET) structure, duty exemptions, and the reduction of non-tariff barriers (NTBs), the study explores how these policies foster regional economic integration and support Tanzania's export competitiveness. The EAC's tariff-free trade for member states and structured CET rates are designed to protect and stimulate local industries, providing Tanzanian businesses with access to a larger regional market. In agriculture, duty exemptions on inputs reduce production costs, enhancing export quality and competitiveness. Manufacturing benefits from CET's protective measures on finished goods, while the mining sector gains from reduced costs associated with regional tariff concessions on machinery. However, challenges persist, such as inconsistent policy implementation, remaining NTBs, and competitive disadvantages in international markets due to external preferential trade agreements. This study concludes that while EAC policies have significantly bolstered Tanzania's export sectors, addressing these limitations is crucial for sustained growth. Recommendations include harmonizing policies, further reducing NTBs, and exploring flexible tariff strategies to enhance Tanzania's position within regional and global markets.

Keywords: EAC, Tanzania, tariff policies, export growth, CET, non-tariff barriers, regional integration

1. Introduction

The East African Community (EAC) tariff policies have played a pivotal role in shaping the trade landscape and economic integration within East Africa. Central to these policies is the Common External Tariff (CET), a harmonized tariff regime applied to goods imported from outside the EAC. The CET's objective is twofold: first, to foster regional economic integration by creating a unified market, and second, to protect and stimulate local industries by assigning tariffs based on the type of goods. Raw materials generally have a zero-tariff rate to encourage cost-effective production, intermediate goods incur a 10% tariff, and finished products are subject to a 25% tariff to protect domestic industries from foreign competition. This structured approach allows member states, including Tanzania, to develop their industries with the support of a balanced tariff system that facilitates trade among member nations while imposing a protective barrier against external markets. In Tanzania's case, these tariff policies have provided strategic benefits, allowing it to capitalize on its comparative advantages in sectors like agriculture and manufacturing. Tariff exemptions on agricultural inputs and intermediate goods for manufacturing, for example, have reduced production costs, enhancing competitiveness and supporting export growth. Additionally, the EAC's focus on tariff-free intra-regional trade has facilitated market access for Tanzanian products, fostering stronger economic ties and contributing to sustainable export growth across key industries.

2. Overview of EAC Tariff Policies

The East African Community (EAC) tariff policies are grounded in the vision of establishing a unified, competitive regional market that can both support local industries and reduce dependency on imports from non-member countries. The cornerstone of these policies is the CET, a harmonized tariff system applied uniformly across all EAC member states to goods imported from outside the region. The CET's structured approach is designed to strategically protect domestic industries by categorizing goods into three broad bands, each with distinct tariff rates aimed at encouraging different economic outcomes.

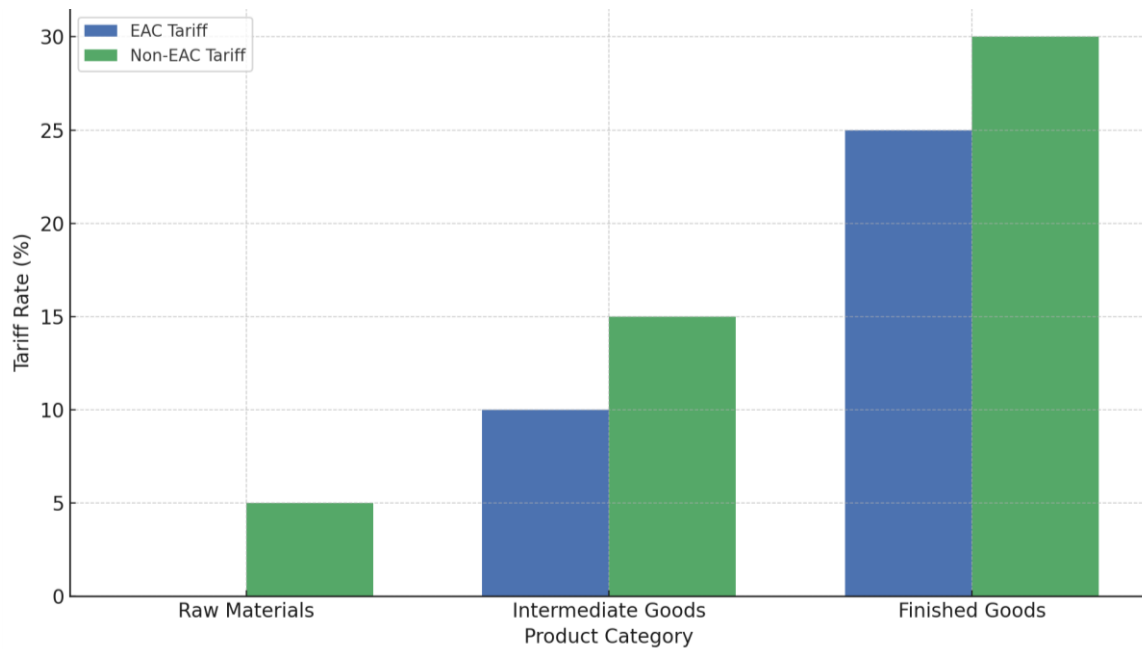


Figure 1. EAC CET Structure and Non-EAC Tariff Rates

Raw materials, essential for domestic production processes, are subjected to a zero-tariff rate. This encourages local industries to use low-cost inputs, facilitating cost-effective production and supporting the growth of sectors dependent on imported raw materials. Second, intermediate goods—products that have undergone partial processing but require further manufacturing—face a 10% tariff. This category aims to support industries with some existing capacity for added value, offering moderate protection from external competitors while still allowing for competitive pricing. Finished goods are subjected to the highest tariff rate of 25%, a protective measure intended to shield domestic industries from external competition by making imported finished products more expensive, thereby incentivizing local production and consumption of regionally produced goods.

These policies extend beyond external tariffs; the EAC has also established tariff-free trade within the community, effectively removing customs duties for goods moving across member states. This has facilitated a surge in intra-regional trade, allowing member states to leverage their comparative advantages without the financial and logistical burdens of customs duties. For Tanzania, this translates to greater ease in exporting agricultural, manufactured, and mineral products to neighboring EAC countries, providing businesses with a larger, more accessible market. Several policies within the CET framework provide duty exemptions on specific agricultural and industrial inputs, benefiting sectors in which Tanzania has a natural advantage, such as agriculture and light manufacturing. These exemptions reduce production costs, making Tanzanian goods more competitive within the region and globally. By structuring tariffs and exemptions to promote regional trade and production, the EAC's tariff policies have reshaped Tanzania's export dynamics and fostered growth across various sectors.

3. Impact on Key Sectors

The East African Community (EAC) tariff policies have reshaped Tanzania's economic landscape by supporting export growth across critical sectors, namely agriculture, manufacturing, and mining. These sectors, each with unique characteristics and challenges, have benefited differently from the EAC's policies, which aim to promote regional trade, enhance productivity, and stimulate industrial growth.

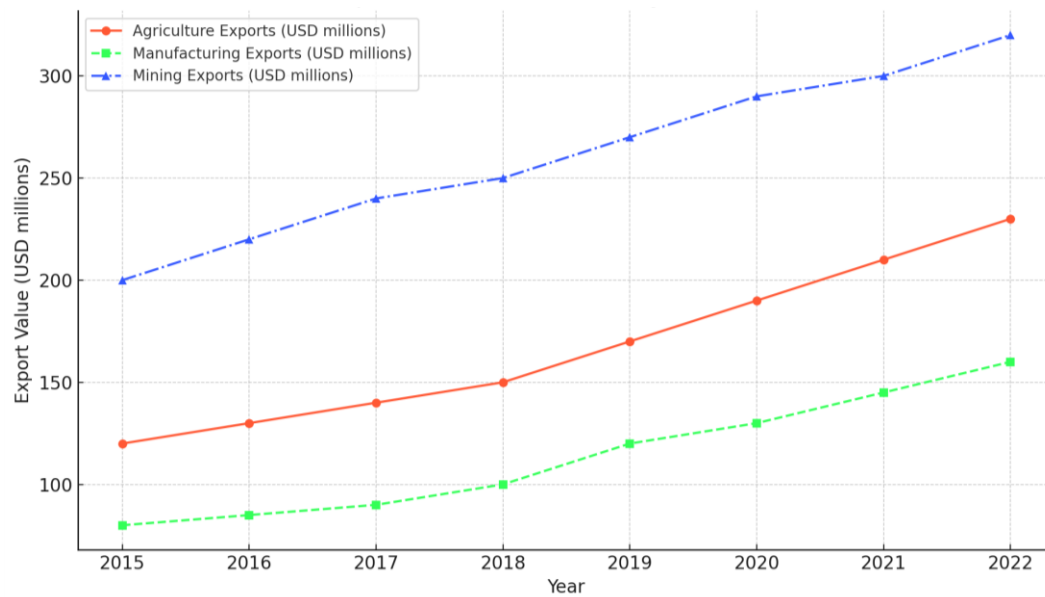


Figure 2. Tanzania Export Growth Trends in Key Sectors (2015-2022)

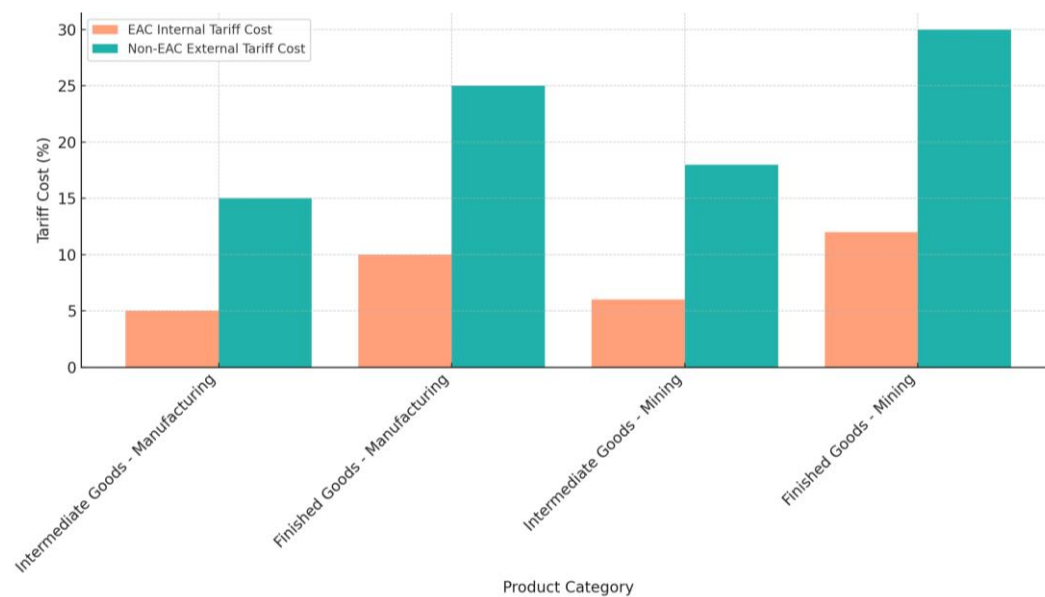


Figure 3. Comparison Of EAC Internal vs. Non-EAC External Tariff Costs for Manufacturing and Mining

3.1 Agriculture

Agriculture is a cornerstone of Tanzania's economy, employing over 65% of the population and contributing about 26% to the GDP. The EAC's elimination of intra-regional tariffs has greatly enhanced Tanzania's agricultural exports, particularly for high-demand products such as coffee, tea, and horticultural goods. By allowing tariff-free movement of these goods across borders, the EAC has provided Tanzanian farmers and agribusinesses with easier access to larger, more lucrative regional markets, boosting revenue and encouraging sector growth. A key policy benefiting Tanzanian agriculture is the tariff exemption on critical agricultural inputs, including fertilizers, pesticides, and machinery. This has lowered production costs and increased productivity, enabling farmers to produce higher-quality, competitive products. The EAC has also worked toward harmonizing agricultural standards across member states, a move that reduces the risk of rejection at borders and strengthens Tanzania's reputation as a reliable supplier of agricultural goods. Such harmonization enhances the appeal of Tanzanian agricultural exports within the region, facilitating market expansion and contributing to export stability and growth.

3.2 Manufacturing

Tanzania’s manufacturing sector, though still developing, has shown considerable promise under EAC support. The CET framework plays a vital role in protecting nascent industries by imposing higher tariffs on finished goods imported from outside the region. This protection has stimulated local production by reducing foreign competition, allowing Tanzanian manufacturers in sectors such as food processing, textiles, and cement to develop their capabilities and expand market share. Intra-regional tariff-free policies have also been instrumental in providing Tanzanian manufacturers with seamless access to EAC markets, promoting the export of manufactured goods within the region. The reduction of non-tariff barriers (NTBs) by the EAC, such as easing customs procedures and removing border bottlenecks, has also been crucial in supporting manufacturing growth. For instance, improved customs efficiency allows manufacturers to transport goods more quickly and cost-effectively, which reduces overhead costs and makes Tanzanian products more attractive to regional buyers. As a result, Tanzania has been able to establish a stronger presence in sectors like cement and textiles, driving job creation and economic diversification.

3.3 Mining

Tanzania’s mining sector, which includes the extraction of minerals like gold, diamonds, and tanzanite, is a key component of the country’s export portfolio. While the EAC’s intra-regional tariff policies have had limited direct impact on mineral exports—since these are primarily destined for international markets—they have indirectly supported mining operations by reducing costs associated with imported machinery and equipment. For instance, the CET’s lower tariffs on mining inputs have lowered operational expenses, enabling mining companies to increase production and export volumes more competitively. Regulatory harmonization across EAC member states has facilitated smoother cross-border operations for mining companies that operate regionally. This has allowed Tanzanian firms to leverage resources and expertise from other EAC countries more efficiently, streamlining processes and reducing bureaucratic hurdles. Consequently, Tanzania has been able to enhance its mining output and capitalize on export opportunities more effectively. With improved logistical networks and shared standards, Tanzanian mining companies can position themselves as leading exporters, especially in precious minerals, within the regional and global markets. The EAC’s tariff policies have enabled growth in Tanzania’s key sectors by lowering production costs, opening up regional markets, and fostering a more collaborative economic environment. Each sector’s gains illustrate the strategic benefits of regional integration, underscoring the importance of sustained policy support for long-term growth and competitiveness.

4. Specific Policies Promoting Export Growth

The East African Community (EAC) has implemented specific policies aimed at bolstering export growth for member states, with a strong focus on reducing trade barriers and fostering competitiveness in regional and international markets. For Tanzania, these targeted policies have been instrumental in enhancing export capacity across sectors, supporting businesses, and increasing the appeal of Tanzanian goods within the region.

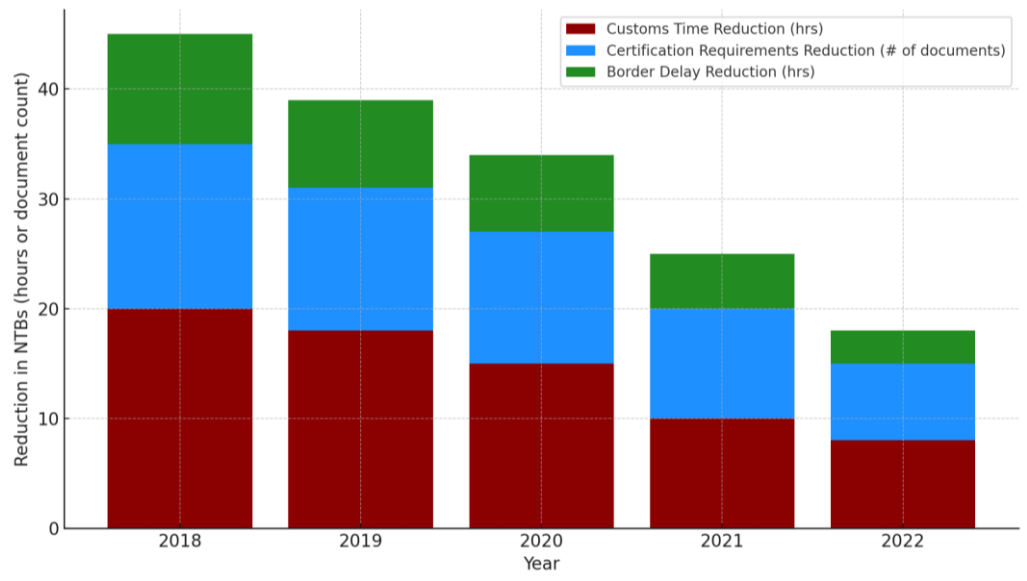


Figure 4. Reduction of Non-Tariff Barriers (NTBs) in EAC from 2018 To 2022

4.1 Duty Exemptions on Export-Oriented Sectors

The EAC's duty exemptions on raw materials and intermediate goods are essential in reducing production costs for Tanzanian industries that rely heavily on imported inputs. By exempting certain materials from tariffs, the EAC enables Tanzanian producers, especially in agriculture and manufacturing, to lower costs, thus enhancing product competitiveness. For instance, agricultural producers benefit from reduced prices on imported fertilizers, seeds, and other essential inputs, which allows them to maintain affordability while improving quality. Similarly, manufacturing sectors like food processing and textiles have seen significant cost savings from duty-free access to critical materials, allowing these sectors to compete more effectively within the EAC and beyond.

4.2 Reduction of Non-Tariff Barriers (NTBs)

Non-Tariff Barriers (NTBs), such as prolonged customs procedures, complex documentation requirements, and varying product standards, have historically hindered intra-regional trade. Recognizing this, the EAC has initiated programs to systematically reduce NTBs, aiming to streamline export processes and lower operational costs for exporters. By addressing issues such as regulatory discrepancies and bureaucratic delays at borders, the EAC's NTB elimination framework has enhanced efficiency and reduced export transit times. This policy has been particularly beneficial for perishable goods from Tanzania, such as fresh fruits and vegetables, which require quick transport to reach markets in optimal condition. Consequently, the reduction of NTBs has boosted Tanzania's ability to export time-sensitive goods across the EAC.

4.3 Incentives for Value Addition

To promote value-added production, the EAC has introduced higher tariffs on raw materials compared to processed goods, incentivizing Tanzanian businesses to invest in processing and production improvements. This approach has been particularly impactful in sectors such as mining and agriculture, where Tanzania holds a comparative advantage. By encouraging companies to add value within the country, the policy has increased the value of Tanzanian exports and enhanced their competitiveness within the region. In agriculture, for example, Tanzanian businesses now invest more in processing coffee and tea locally, creating higher-value products that command premium prices in both regional and international markets.

4.4 Quality Standard Harmonization

The EAC has made strides in harmonizing quality standards across member states to create a seamless market environment. By aligning product standards, the EAC reduces the likelihood of export rejections and enables Tanzanian exporters to meet uniform criteria across the region, facilitating smoother and more predictable trade flows. This policy has been essential for sectors such as manufacturing and agriculture, where quality consistency is critical. For Tanzanian exporters, harmonized standards mean less need for repeated testing and certification in different countries, reducing costs and expediting the market entry process. This alignment also enhances consumer trust in Tanzanian products, helping to establish a stronger brand presence within the EAC.

The EAC's policies on duty exemptions, NTB reductions, value addition incentives, and quality standard harmonization have collectively strengthened Tanzania's export sector. By addressing both cost and quality challenges, these targeted policies have paved the way for Tanzanian businesses to access regional markets more effectively, fostering sustainable growth in key sectors.

5. Challenges and Limitations

Despite the substantial benefits of East African Community (EAC) tariff policies for Tanzanian exports, several challenges and limitations persist, hindering the full realization of export potential. Key issues include non-tariff barriers (NTBs), inconsistencies in policy implementation among member states, structural issues within the CET, and competition from countries with more favorable trade agreements. Each of these challenges presents unique obstacles that Tanzanian exporters must navigate.

5.1 Non-Tariff Barriers (NTBs)

One of the most significant challenges for Tanzanian exporters is the persistence of NTBs, which include bureaucratic customs procedures, product certification requirements, and logistical inefficiencies. Although the EAC has made efforts to reduce NTBs, some still exist, leading to increased costs and delays. For example, lengthy border inspections and differing regulatory requirements across member states can create unpredictable delays, which are particularly damaging for exporters dealing in perishable goods like agricultural produce. Moreover, inconsistent application of standards for product certification across the EAC creates additional hurdles. Tanzanian businesses must often invest time and resources to meet each country's unique certification requirements, adding costs and complexity to the export process.

5.2 Inconsistent Policy Implementation

While EAC member states are theoretically bound by the same tariff policies, discrepancies in the enforcement of these policies create an uneven playing field. Variations in customs practices, for instance, can lead to different interpretations of tariff codes and procedures, causing unpredictability for exporters. Such

inconsistencies reduce the confidence of Tanzanian businesses in the stability and predictability of intra-EAC trade policies. For example, certain member states may occasionally impose additional duties or import restrictions on Tanzanian goods, citing protectionist reasons or responding to domestic pressures. These actions undermine the EAC's goal of a unified market and discourage Tanzanian exporters from fully investing in regional trade.

5.3 Structural Limitations of the CET

The CET, while beneficial in protecting local industries from non-EAC imports, can also have adverse effects on Tanzanian exporters who rely on raw materials or intermediate goods from outside the EAC. The CET imposes tariffs on such imports, making them more expensive, which can increase production costs for Tanzanian companies. For instance, the 10% tariff on intermediate goods can be a burden for industries that rely heavily on partially processed imports to produce competitive products. This limitation is especially evident in the manufacturing sector, where access to affordable intermediate goods is essential for maintaining competitiveness. By raising costs, the CET sometimes places Tanzanian exporters at a disadvantage, especially when competing with exporters from countries that benefit from lower tariff rates under more favorable trade agreements outside the EAC.

5.4 Competition from Other Regional and International Agreements

Another challenge for Tanzanian exports is competition from goods produced in countries that have established more favorable trade agreements with major markets, such as the European Union (EU) and the United States. While the EAC focuses on regional integration, other African countries outside the EAC have benefited from preferential agreements, such as the African Growth and Opportunity Act (AGOA) with the U.S. or Economic Partnership Agreements (EPAs) with the EU. These agreements provide reduced tariffs or duty-free access to large international markets, giving non-EAC products a cost advantage over Tanzanian goods in these markets. For Tanzanian exporters, competing against such products in international markets is challenging, as they face higher tariffs compared to products from countries with more favorable agreements. This disparity affects sectors like agriculture and manufacturing, where Tanzanian products often face direct competition from other African countries.

While EAC tariff policies have been instrumental in promoting regional trade and supporting Tanzanian export growth, the presence of NTBs, inconsistent policy application, structural issues within the CET, and competitive pressures from other regional agreements present notable challenges. Addressing these limitations requires concerted efforts from EAC member states to standardize policies, reduce barriers, and explore more flexible tariff structures that enable Tanzanian exporters to compete effectively both regionally and globally. Enhanced collaboration within the EAC and alignment with international trade frameworks could help alleviate these challenges, promoting a more robust and equitable export environment for Tanzania.

6. Conclusion

The East African Community's (EAC) tariff policies have proven essential in shaping Tanzania's export landscape, fostering growth in sectors like agriculture, manufacturing, and mining. By removing tariffs on intra-regional trade, reducing non-tariff barriers, and creating incentives for value-added production, the EAC has enabled Tanzanian industries to expand their reach and compete within a broader regional market. The policies have allowed Tanzania to leverage its comparative advantages, increase production capacities, and ultimately position itself as a stronger player in East African trade. This regional integration has brought notable economic benefits, helping Tanzania achieve greater stability and sustainability in its export sector. While the EAC's tariff policies have created a supportive framework for trade, significant challenges remain. Persistent non-tariff barriers, inconsistent policy implementation, and the limitations of the CET structure present obstacles that dampen the full potential of Tanzanian exports. These issues create additional costs, reduce predictability, and sometimes disadvantage Tanzanian businesses against competitors both within and outside the EAC. Furthermore, the competitive pressures from other African countries with preferential access to major international markets highlight the need for Tanzania and the EAC to pursue more dynamic trade policies that extend beyond regional integration. Such initiatives could involve aligning with broader international trade frameworks to secure competitive access to global markets.

As Tanzania continues to strengthen its role within the EAC, further policy refinement will be essential. Addressing these challenges requires collaborative efforts among EAC member states to enhance policy coherence, streamline trade processes, and consider more flexible tariff structures that reduce production costs and improve export competitiveness. By doing so, Tanzania and other member states can create a truly integrated market that maximizes the benefits of regional cooperation and positions East Africa as a significant economic bloc in the global economy. Sustained commitment to refining and strengthening the EAC tariff policies can ensure a balanced, equitable trade environment that supports long-term export growth and economic resilience.

for Tanzania and the entire region.

References

- Bacchetta, M., & Jansen, M., (2018). Non-tariff measures and regional integration in Africa: Implications for trade policy and export competitiveness. *Journal of African Economies*, 27(1), 25-41.
- Byiers, B., & Rampa, F., (2015). *Regional economic communities and regional integration in East Africa: EAC's role in trade facilitation and growth*. European Centre for Development Policy Management.
- East African Business Council., (2018). *The role of non-tariff barriers in limiting EAC intra-regional trade: A focus on Tanzanian export growth*. East African Business Council.
- East African Community Secretariat, (2020). *EAC trade and investment report 2020: Progress and challenges in regional integration*. East African Community.
- Higgins, D., & Prowse, S., (2017). Tariff structures and export competitiveness in the East African Community. *International Trade Journal*, 31(4), 478-502.
- Karingi, S., & Davis, A., (2016). Trade policies in Sub-Saharan Africa: Non-tariff barriers and economic integration. *African Economic Research Consortium*.
- Mugabe, M., & Kasaija, P., (2020). Exploring the effectiveness of CET policies in fostering economic growth within the EAC region. *African Journal of Economic and Policy Studies*, 15(3), 110-129.
- Tanzania National Bureau of Statistics, (2021). *Annual report on Tanzania's export performance*. National Bureau of Statistics.
- United Nations Conference on Trade and Development, (2017). *East African Community regional integration: Trade and tariff implications for Tanzanian exports*. UNCTAD.
- World Bank, (2019). *The impact of regional integration on growth and export competitiveness in East Africa*. World Bank Publications. <https://doi.org/10.1596/12345>

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).