

GLOBALIZATION AND THE EAST AFRICAN ECONOMIES

REPORT ON THE GLOBALIZATION PROJECT'S RETREAT

By

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The Rapporteur

**Draft Report on the Proceedings During the Globalization Project's Retreat Held
at Oceanic Bay in Bagamoyo on 26th – 27th October 2003**

A. INTRODUCTION

The Globalization Retreat was held in Bagamoyo at the Oceanic Bay Hotel between 25th and 27th of October 2003. It was a two-day retreat and was intended to discuss three important issues of the project. The issues were: the Globalization project's output for the two year period ending on November 30th 2003, the new research ideas for the possible next phase of the project, and the proposal for the joint research project between ESRF and the Institute of World Economy (IWE) of Hanoi, Vietnam.

B. RETREAT PROCEEDINGS

1. DAY ONE

The first day of the retreat was on Sunday, the 26th October 2003. The first session started at about 9.00 AM. Prof. Amani, who was the Chairman, started by welcoming all the participants in the retreat and thanked them for sparing their weekends in order to share their wisdom and experiences while discussing the main issues of the retreat.

The Chairman then welcomed all the participants to self introduce themselves. The first session included the following participants: -

Prof. Haidari. K. Amani
Dr. Joseph. Kweka
Dr. Beatrice Mkenda
Mr. Timothy Ranja
Dr. Oswald Mashindano
Prof. Brian Van Arkadie
Ambassador Fulgence Kazaaura
Prof. Do Duc. Dinh
Mr. Ernest Salla
Dr. Samuel Nyantahe
Dr. Adolf Mkenda
Ms. Janeth Mbene
Dr. Ben Tarimo
Mr. Focus Jacob
Dr. Frederick Ringo
Mr. George Kabelwa

The Chairman then briefly highlighted the main issues of the retreat. The retreat was to discuss about three issues: -

- Globalization project's output in order to evaluate what has been achieved in terms of the research output during the two-year period starting on December 1st, 2001 and ending on November 30th, 2003.
- New research themes for the possible second phase of the project. The project had received an offer to extend the project for another two-year period. The retreat was therefore to hear about the new research ideas and to discuss how best the issues of Globalization can be addressed.
- The proposal for the joint research project between ESRF and the Institute of World Economy (IWE) of Vietnam. The proposed project intends to

identify areas that the two countries – Tanzania and Vietnam, and their respective regions will learn from each other. Participants would be required to think of which areas the two countries can cooperate and how the project can get resources to fund the programme.

The Chairman then welcomed Prof. Brian Van Arkadie to give an hour and a half presentation on the background of the project and the Globalization project's output.

1.1 Globalization Project's Background and Output By Prof. Van Arkadie

Globalization Project's Background

According to Prof. Van Arkadie, he together with Dr. Butch Montes, the Programme Director of the Ford Foundation had a meeting in Italy to discuss the main issues that can be researched in the developing countries. It is noteworthy that one of the challenges facing developing countries today is how to cope with pressures generated by the Globalization process. Prof. Van Arkadie therefore proposed a research on Globalization Issues for the East African countries. Consequently, the "Globalization and the East African Economies" project was established and received a two-year grant from the Ford Foundation.

Generally, the objective of the project was to study the impact of Globalization on the East African economies. The studies were intended to understand how the East African countries can adapt to the changing world system. The specific issues were to be analysed empirically but the choice of a particular issue would depend on the academic background of the researchers who would join the project. Many of the Globalization issues were analysed because researchers were from different disciplines ranging from law to economics and drawn from different nations including Tanzania, Kenya, Zambia, and the UK.

Globalization Project's Output

After this background history of the project, Prof. Van Arkadie then gave a presentation on the Globalization project's output.

He started with the evolution of trade structure and policies in East Africa. This was a theme, which has been researched by Dr. Beatrice Mkenda. According to Prof. Van Arkadie, trade is one of the fundamental policy issues related to the global economy. Theoretically, countries participating in trade are assumed to have superior economic positions than countries that do not. However, comparative advantage normally changes over time. This has been the case for almost all the successful economies in the world. For example, many countries are now engaged in export activities, which are different from those undertaken, say, 40 years ago. The issue to be researched here is how comparative advantage in trade between countries changes over time.

Therefore, in this area of trade Beatrice researched on the welfare impact of trade liberalization on coffee producers in the East African countries in general and Tanzania in particular. It was noted that the economic dependence on coffee exports has been declining over time. According to her study, there have been declining trends in both the share of coffee output in the agricultural sector as well as the real world prices of coffee. Specifically, the decline in the world prices of coffee may affect the level of expenditure of the rural households. Preliminary findings in this study show that globalization has

both negative and positive effects. That is, households in more globalized regions have a relatively higher welfare level than the households in the less globalized regions.

Dr. Beatrice Mkenda also published a paper on “To What Extent East Africa Globalized?” In examining the extent of globalization, she employed different indicators including trade, FDI flows and aid dependency and concluded that East African countries have been generally marginalized.

Prof. Van Arkadie then presented the research themes studied by Ms. Mwalimu. Being a lawyer, Ms. Mwalimu has been researching on global policies that may have impacts on the East African countries.

Ms. Mwalimu first researched on implications of WTO policies, specifically on Intellectual Property Rights agreement (TRIPS) on East African countries and Tanzania in particular. With this study, she paid special emphasis on patent rights on HIV/AIDS drugs. According to her study, the application of TRIPS implies providing exclusive rights to right holders for a limited duration of time. After the expiration of the term of protection, protected works and inventions fall into the public domain. The provision of exclusive rights can have serious implications when TRIPS is applied to necessary pharmaceutical products such as HIV/AIDS drugs since it will create monopoly and limit access to these drugs in terms of affordability especially to low-income countries like Tanzania. Among the study’s recommendations include the full use of the transition period, the use of licenses to achieve public interest goals, permit the parallel importation of pharmaceuticals, and devise consistent legal and regulatory framework that will foster pharmaceutical companies to continue researching on new drugs.

Ms Mwalimu also has other papers under review including a study on the impact of US initiated African Growth Opportunity Act (AGOA) on Tanzania’s export to the US market. The study highlights a number of factors that have constrained Tanzania’s exports to the US market. The other study under review is “Trends and Institutional Framework on International Migration in Tanzania Focusing on Labour”.

In the Globalization Project’s output there is also the issue of entrepreneurship. This was the main research topic analysed by Mr. Ranja. According to Prof. Van Arkadie, existence of national entrepreneurship is a key factor in determining the degree to which an economy can participate effectively in the international trade.

There are two points to be considered under the issue of national entrepreneurship.

- First, given the dynamic nature of comparative advantage and the strategic importance of the Asian business community in the East African economies, there is a need to include Asian business in the analysis when exploring East Africa’s future role in the global economy.
- Second, entrepreneurship is not only a factor of production but also a critical determinant of distributional benefits. The strategy of integrating into the world economy has implications on the internal distribution of economy and access to economic opportunities. In particular, we need to understand prospects that the emerging national business class has in the market economy.

Prof. Van Arkadie then presented ideas, which are in the paper he co-authored, with Mr. Ranja titled "The Emergency of National Entrepreneurs and African Big Business in East Africa. He started with the evolution of East African policies on entrepreneurship in the post-colonial era. According to him, entrepreneurship policy has been very crucial to development policy in all East African countries. However, the three East African countries pursued different models to promote national entrepreneurship.

In Tanzania, prior to the Arusha Declaration in 1967, the main thrust was to promote the cooperatives as the main actor in rural trade. This displaced Asians who were previously engaged in rural trading activities in favour of local indigenous entrepreneurs. During the period under the Arusha Declaration, the main thrust was emphasis on parastatal investment. During this period, while the government through SIDO was much more active in promoting local entrepreneurs, the presence of large-scale public monopolies stifled the growth of local enterprises. During the reforms period, less has been done to promote national entrepreneurship and foreign investment has been highly encouraged.

Kenya adopted a Sessional Paper No. 10 on African Socialism in early 1970s. This was an effort to change the pattern of private ownership, to increase African participation. Some of the efforts included: transferring large tracts of land from White farmers to African smallholders under land reform; pressuring foreign owned companies not just to appoint African directors to their boards, but also to sell them substantial holdings; and encouraging civil servants engage in private enterprise at the same time as carrying out their functions in the public service. As a result, there were more instances of large-scale African business emerging in Kenya in the 1970s than in the other parts of East Africa. The weakness of political economy of the Kenyan model became evident during the Moi period, when the involvement of political and administrative elite in business activities, and the use of State enterprise as a source of illicit gains created a high degree of corruption, diversion of assets to non-productive uses and business inefficiency which contributed to political and economic malaise.

In the case of Uganda under the first Obote regime there were continued efforts as of colonial policies to promote local entrepreneurs alongside Asian businesses. However, during the Amin's period, Asian businesses were not accepted, leading to their expulsion from the country. This as a result led to a general deterioration of all sectors. Under the Museveni regime the Asian business community has been encouraged to return and foreign investment has been actively promoted. It is noteworthy that Uganda had a larger and more educated African elite than both Kenya and Tanzania in the 1960s. As one result of the migrations during the Amin period and subsequent turmoil, a number of Ugandans gained international business experience in 1970s and 1980s. According to Prof. Van Arkadie, this may mean that Uganda will now have a greater pool of potential national entrepreneurs.

Under the issue of entrepreneurship, Mr. Ranja also conducted case studies to examine the extent of local entrepreneurship in the tourism, petroleum marketing and fruits and vegetable exporting sectors. According to the case studies, there is a high foreign ownership in tourism and petroleum industry. In addition, findings show that Kenya has more success stories of local entrepreneurship in these sectors than Tanzania and Uganda.

From this research output on entrepreneurship, Prof. Van Arkadie recommended a number of lessons that Tanzania can learn from other East African countries. These

include the need to have adequate skilled human resource like in Uganda, and the need to have a national participation process in entrepreneurship like in Kenya.

Prof. Van Arkadie then turned into the issue of South African investors in the East African economies. During the early 1990s, South African investors became the new entrants in East African economies. While only a short period of time has elapsed since their entry in these economies, their presence is now significantly felt. The main reasons for their entry include the end of economic sanctions against the former Apartheid regime, and the trend towards economic liberalization.

Mr. Kabelwa has therefore been researching on the reasons why South Africans came into East Africa and particularly in Tanzania and the implications arising from their presence. Some of the reasons he identified were the privatization of the former state owned companies. The main issue of concern here was the acquisition by South African investors of those utility companies with branches and offices all over the country, such as NBC (1997) and TANESCO. Many politicians feel that this is like giving one country a high control of the Tanzania's economy, which as a result may have some implications in policy decisions. For the workers in these companies, they were mostly worried about losing their jobs.

In his published paper titled "South African FDI in East Africa: The Case of Tanzania" Mr. Kabelwa pointed out a number of questions arising from the presence of South African companies in Tanzania, which remain to be answered. In addition, there are challenges drawn from the experiences of South African investors, which can be directed to the policymakers. Some of these issues include the transparency in the privatization process, the issue of technology transfer, labour creation, intra-trade imbalance and competitiveness of the local producers.

One of the issues empirically analysed was the potential for South African companies in transferring modern technology into Tanzania. In his paper titled "Technology Transfer and South African Investment in Tanzania", Mr. Kabelwa studied whether South African investment can complement modern technology transferred by companies from Western countries. Preliminary findings show that this is possible.

The other reason for South African's involvement in the Tanzania's economy was the abundance of mineral resources in Tanzania. According to Prof. Van Arkadie, one possible research area would be whether Tanzania could change the structure of her exports and what will be the implications.

Prof. Van Arkadie then talked about the Globalization project's research output contributed by one of the visiting researchers, Prof. Do Duc Dinh from the Institute of World Economy (IWE) in Hanoi, Vietnam.

Prof. Dinh observed that the timing of the reforms in Vietnam and Tanzania was quite close. Tanzania began to implement reforms in mid-1980s whereas Vietnam in the late 1980s. Before the reforms the two countries had some economic similarities. GDP per capita, the level of urbanization and the extent of the government control were more or less the same between the two countries.

Among the notable differences were in terms of population, in which Vietnam was twice more populous than Tanzania. In addition, Vietnam was a member of CMEA (the old

socialist trading system, involving the former Soviet Union and the Eastern European members of the former Soviet bloc).

However, when the economic performances of the two countries are compared, all the indicators suggest that Vietnam has been significantly more successful than Tanzania. This is particularly reflected in the very high rates of export growth achieved by Vietnam, based on fast output growth in agriculture and industry.

In this theme of comparative analysis between East Asia and East Africa's economic performances, Prof. Dinh published papers on "Vietnamese Economy: Renovation and Integration" and "Industrialization: Key to Development in East Asia and East Africa". There is also a co-authored paper (by Prof. Van Arkadie and Prof. Dinh) titled "Economic Reform in Tanzania and Vietnam: A Comparative Commentary", which is still under review.

The last but not least theme in the Globalization output relates to aid and governance. In his published paper titled "Governance, Markets and Donors", Prof. Van Arkadie analyses the role of donors as proponents of improved governance in Africa. According to him, the issues of governance as used in aid dialogue do not normally consider local realities. The key question that needs to be addressed is whether models of governance now being promoted (e.g., through PRSP process) will make governments more responsive to the potential for broad based development, or whether it will be another instance of donor rhetoric promoting approaches that fail to root in local realities.

Dr. Adolph Mkenda and Dr. Beatrice Mkenda went further to empirically analyse aid flows and governance in their co-authored paper titled "Aid Flows and Governance: An Empirical Analysis". According to their paper, aid inflows create unequal economic relationships between donors and recipient countries and create a situation where donors dictate economic and political directions for the recipient countries. The specific question their paper examined is to what extent good governance does indeed influence increased flow of aid, given that other considerations such as strategic relevance and extent of poverty are likely to play a part in determining the flow of aid.

Prof. Van Arkadie concluded his presentation on Globalization project's research output by highlighting two important issues that need to be included in the discussion that would follow

- First, what should be the new direction for the existing program in terms of research output?
- Second, how should the program practice these research output for public presentation (i.e., individual publication of specific issues or publication of one or two books?)

Prof. Amani – the Chairman – then thanked Prof. Van Arkadie for the presentation and then allowed all the participants to have a 15-minute tea break before proceeding with the discussion of the Globalization project's research output.

Discussion

The discussion started at about 11.00 AM and the facilitator for the discussion was Dr. Mashindano whereas the main discussant was Prof. Dinh.

Prof. Dinh

In his discussion, Prof. Dinh pointed out four important issues that a developing countries like Tanzania can be able to reap the fruits of Globalization.

- First, is the need for developing countries to develop capacity that will enable them to take advantage of opportunities offered by Globalization. For example, although Tanzania has been given access to the US market through AGOA, the country has still failed to export a large amount of textiles. He suggested developing the capacity by having adequate human capital. He noted that Tanzania initially did very well in reducing illiteracy rate but later the Government reversed the policy.
- Second, is the need to sell the former state owned companies to the local investors and let foreign investors, say from South Africa to establish new investments in the country.
- Third, Prof. Dinh argues that the increase in aid inflow seems to have an inverse relationship with the export performance. For example, in Vietnam less foreign aid has been received compared to Tanzania. Ironically, Vietnam has fared very well in terms of growth and export performance.
- Fourth, the pace of the implementation of reforms seems to be very fast in Tanzania. According to Prof. Dinh, the principles of reforms and the liberalization policies may be right but the way Tanzania has implemented them may be wrong. Being still developing countries Tanzania needs to re-think the pace of implementing these reforms and policies

Dr. Nyantahe

During the discussion that followed after the main discussant completed making his contribution, Dr. Nyantahe started by asking whether the Government is being informed by the project's activities and output. According to Prof. Van Arkadie, the Government has been informed rather informally through the project's-organized seminars and through other Globalization workshops.

Dr. Nyantahe also contributed to the issue of regionalism. This issue can be included in the future Globalization output. According to him, there is a lot of overlapping in the membership of regional trade blocs. He was therefore wondering how would this affect globalization and localization.

He was also concerned about the issue of aid. All aid seems to be tied. "Does this mean developing countries have no capacity to negotiate?"

Dr. Ringo

Dr. Ringo was concerned about the debate on the activities of South African investors in the East African economies. According to him, the public outcry towards South African investors has been more exacerbated by the Asian businessmen. It is noted that Asians have been very successful businessmen in East Africa. Thus, the entry of South African investors and their interests in businesses like retail trade, supermarkets, hotels and

restaurants as well as the tendency of the Government supporting them has raised fear to the Asians that the flow of benefits will likely go against them.

Dr. Ringo was also concerned about the issue of the formulation and the resulting consequences of the global policies. Developing countries should know how the global policies are formulated and who benefits from these policies. He also suggested an equal and fair attendance during the formulation of these policies.

As regards who benefits from the global policies, Dr. Ringo gave an example of TRIPS. Developing countries like Tanzania face constraints in implementing TRIPS.

- The first constraint is limited human resources, as IPR is very new for developing countries.
- The second constraint is cost. When 99 percent of intellectual copyright owners are foreign, the question of who should bear the costs for protecting IPR in developing countries must be raised.
- The third constraint is governments whose priorities are the more basic needs of their population, such as food and health, not the protection of IPR. It is the private sector that is interested in IPR, not governments.

Dr. Ringo outlined recommendations for implementing IPR protection in the developing countries like Tanzania:

- Those who benefit from IPR should create a fund to cover the costs of training those who are supposed to enforce those rights, ie. courts, customs officials, police, lawyers;
- A rationale for copyright period must be addressed. Intellectual property is vital for the development of poor countries. Therefore scientific discoveries, which have great applicability to these countries, should have a shorter copyright period;
- The rules of IPR are skewed in favour of the developed world. We need to balance the interests of shareholders, who pressure companies to make a profit on every transaction, with those of the developing world. and
- Transparency, which has been enshrined for governments, should also be enshrined for transnational companies, so we can see how they price their products.

Ambassador Kazaura

Ambassador Kazaura also contributed to the issue of South African investors in Tanzania. According to him, South African investors cannot be blamed by their behaviours because their public relations are among the worst in the world.

Ambassador Kazaura also attributed the public feelings towards South African investors to historical factors. According to him, most of the South African investors are not of British origin and they are purely Afrikaners. The East African public is simply wary of them because of the infamous Apartheid regime. It is noted that Tanzania and Kenya were colonies of Britain while Uganda was the British Protectorate.

Ambassador Kazaura then highlighted the findings on the Commission's report on Globalization. The report examines the impact of Globalization at local, national, regional and global levels. He urged the Globalization project to use part of the report to develop agenda for next phase of the project.

According to Ambassador Kazaura, countries that have benefited from Globalization had their "houses in order". He therefore suggested for Tanzania and other East African countries that Globalization should start at their homes.

Ambassador Kazaura was also concerned with the unfair international rules, the control of the production by multinational systems, the governance of the world institutions, and ineffectiveness of aid and ODA.

As regards the issue of aid, he said about 55 percent of aid does not reach the targeted areas because it is used to pay the expatriates etc. He also suggested that the activities of the world institutions such as WTO and ILO should be coordinated domestically.

Dr. Tarimo

Regarding the issue of South African investors, Dr. Tarimo argued that Tanzanians should not be worried by the presence of South African investors because they are not yet as dominant in terms of foreign investment as many people think. That is, out of 415 companies earmarked for privatization, South African companies acquired only a small share of the companies.

He also reminded that as a country, Tanzania should not discriminate foreign investors. Dr. Tarimo believes that people dislike South African investors because South Africans are very serious in business.

Dr. Tarimo proceeded by identifying some of the gaps in the Globalization project's output. He mentioned five issues, which are worthy researching.

- First, a poor country like Tanzania should try a copying strategy in their development policies. There should therefore be a research to see whether the potential for the copying strategy exists.
- Second, information technology (IT) is one of the main elements of Globalization. The project should therefore consider incorporating in the research topics the role of information technology in the East African economies.
- Third, the Globalization output has also not shown how developing countries in general and East African countries in particular have been making efforts to access developed countries' markets for agricultural products (For example, the issue of WTO ministerial meeting in Cancun).
- Fourth, the role of regionalism also does not appear in the Globalization output while there has been increased interest in the formation of regional trade blocs over the past decade.

- Fifth, the Globalization research output should also have shown the impact of Globalization on macro-economic variables, such as GDP, for the East African countries.

Mr. Jacob

According to Mr. Jacob, he concurred with Prof. Dinh on the issue of developing capacity in order to compete in the global economy. He was also concerned with the efforts that a poor country like Tanzania have done to improve the low capacity.

As regards the issue of inverse relationship between aid on one hand and FDI and exports on the other, Mr. Jacob argued that Tanzania should continue accepting aid however it should diversify her exports and improve aid effectiveness.

Mr. Jacob was also concerned with Tanzania starting being dependent on mineral exports. According to him, mining is unsustainable for growth.

Dr. Adolf Mkenda

Dr. Adolf Mkenda contributed three issues in the discussion: -

- First, the need for academicians and researchers in developing countries to start writing on issues and challenges of development they are facing rather than relying on publications from researchers in developed countries.
- Second, researchers in developing countries like Tanzania should start specializing and maintain focus on one particular area of research. According to him, many researchers in Tanzania do not specialize.
- Third, the importance of having a database for research purpose. According to him, researchers spend a lot of time collecting and cleaning data. But after all this work they do not keep the database and as a result when a similar research comes, data collection starts all over again.

Prof Van Arkadie

Prof. Van Arkadie was concerned with the justification of economic liberalization. According to him, historically countries that have liberalized their economies to the maximum have not been successful. Only moderately liberalized countries have been successful.

For example, United States which highly advocates for liberalization policies does not practice liberalization in some of her economic sectors. For example, the country has set stringent restrictions on foreign investment in the banking sector.

Ms. Mbenne

Ms Mbenne emphasized the issue of developing and raising indigenous capacity. According to her, the issue of developing and raising indigenous capacity should take into consideration the disadvantaged groups in the society. For example, women are mostly engaged in informal activities. Therefore the Government should make effort to target them and raise their capacity.

Prof. Dinh

After the discussion from members of the floor, the Chairman welcomed again Prof. Dinh to wind up the discussion. According to Prof. Dinh, he concurs with the issue of South Africans being serious investors but the Government should not let them acquire the whole share of privatised companies. The Government for example, should try to form joint ventures. He also agreed on economic integrations in order to participate effectively in the global trade as well as good leadership in order to make foreign aid more effective.

1.2. Proposal for the Next Phase Activities and New Research Themes

After the discussion of the Globalization project's research output, the next session, which started at about 2.00 PM was for the proposal for the next phase of the Globalization project and new research themes.

The Chairman was again Prof. Amani and he first welcomed Dr. Kweka to give a ten-minute presentation on the proposal for the next phase of the project.

1.2.1. Proposal for the Next Phase Activities by Dr. Josaphat Kweka

Dr. Kweka started to talk about the performance of the project during the last two-year period. According to him, since its establishment the project has made reasonable achievements of its objective albeit its short duration.

The project has been able to widen its scope of ideas to cover issues like aid, institution and governance; trade liberalization and welfare; foreign direct investment; WTO issues, and national entrepreneurship.

According to him, these issues deal mainly with economic and institutional aspects of Globalization. The social aspects of globalization have featured relatively weaker. Social aspects of Globalization will therefore receive high priority in the next phase.

Dr. Kweka then proceeded with the project's achievements in terms of research publications, policy dialogue and visiting fellowship and attachment. According to him, in the next phase the project plans to make more improvement than what it has achieved during the first phase.

He then concluded by highlighting the main resources of the project. These include

- Human resource, that is four contract researchers have been working on full time basis in addition to the project director. Dr. Kweka proposed these resources to be maintained for the next phase and in addition, a fully trained research fellow with background on sociology be employed
- Financial resource – The Ford Foundation has offered to support the project for US\$ 235,000 for the next two-year period. According to Dr. Kweka this amount is not enough and the project will have to minimize its spending.

Discussion

Participants were generally wondering whether the plans for the next phase of the project were ambitious given what the project achieved last year and the small grant offered by the Ford Foundation.

According to Dr. Kweka, the plans are not as ambitious as they seem. The project does not need to buy the fixed assets as it did in the first phase. In addition, during the first phase it has done much to build the capacity of the researchers.

1.2.2. New Research Themes by Researchers of the Globalization Project

After the discussion on the proposal for the next phase, Prof. Amani welcomed researchers from the Globalization project to each give ten-minute presentations on their new research themes for the possible next phase of the project.

1.2.2.1. Globalization and Employment in East Africa By Dr. Beatrice Kalinda Mkenda

There appears to be negative impact of globalisation on employment. In East Africa, this impact appears through trade liberalisation, privatisation of state-owned enterprises, and encouragement of foreign direct investment (FDI).

For example, with trade liberalization less competitive companies have been shut down, with the privatisation of state-owned enterprises the unproductive workers lost jobs, but at the same time, the job losses have occurred with no sensitivity to other social costs. With foreign direct investment, foreign companies that buy off locals ones tend to shed off workers at an incredible speed.

Besides the job losses that occur, the retrenchments create a sense of insecurity among the workers that are retained, and indeed to workers in other companies that may not yet be up for sale.

The aim of the research is to empirically examine the effect of globalisation on the labour market. Specifically, the study will seek address the following issues:

- How the formal employment has evolved since the mid 1990s when structural reforms reached a peak
- The extent of the impact of foreign direct investment and privatisation on formal employment
- The extent to which trade liberalisation has been responsible for the shutting down of companies
- The extent to which workers employed in foreign owned companies feel secure in their jobs
- A comparative analysis of the rates of job losses and job creation through foreign investment, privatisation, and trade liberalisation compare?

Discussion

The main contributions to the presentation revolved around the need to examine whether the size of the informal sector has been increased by Globalization, the need to examine the impact of new technology on labour skills, the need to categorize forms of foreign investment, the implications of free movement of labour and the need to examine the relationship between the Government (not trade unions) and employees.

1.2.2.2. Globalization, Environment, Investment and Power Sector Reform By Mr. Timothy Ranja

Globalization, Environment and Investment

Globalisation has implied increases in international trade, which challenge individual countries to increase their level of competitiveness.

The need for competitiveness to access markets can place pressure on the environment, as a result of over utilisation of natural resources, the use of inferior production techniques to minimize costs, and of techniques that are not very environmentally friendly.

A review however indicates an increased environmental awareness that might be an impediment to investment.

Very high environmental standards might limit or increase the cost of investment, making the region not attractive for investment.

The objective of this study is to analyse whether the new environmental policies and legislations will impede the investments in the various industrial sectors.

Globalisation and Power Sector Reforms

Low cost of electricity means low cost of production and competitive goods in the globalised market.

One of the rules for survival in the globalisation era is to make the private sector the primary engine of economic growth. For the electricity, this has meant unbundling huge state monopolies to allow investment by the private sector.

Due to capital constraints to expand the power sector, East African countries have invited IPPs to meet the deficit created by the national utilities.

Despite the introduction of Independent Power Producers, the Electricity Sector in East Africa is still below international standards. Very few areas have access to electricity and the cost of electricity is still very high, increasing the cost of production

The objective of this study is to analyse if the current power sector reforms been implemented have had any impact in improving access and lowering the cost of electricity. The study will develop medium and long-term scenarios and their implications.

Discussion

As regards electricity there is a need for Mr. Ranja to consult the ‘Staff and Power Master Plan’. Other participants wanted the research to include the implications of non-interconnectivity among the East African countries and the issue of the so called “Mrema Electricity”

However, Prof. Van Arkadie suggested that Mr. Ranja should concentrate on the environment study because this is an area which Mr. Ranja has worked before.

1.2.2.3. Globalization and Trade in East Africa By Mr. George Kabelwa

Growth of international trade is among the key aspects of Globalization. The East African governments have been implementing many strategies in order to participate in the global trade.

Among these strategies are trade liberalization, regional integration and trade partnership. However, there have been both positive and negative impacts of these strategies.

With trade liberalization, the reduction of tariffs might impact on tariff revenue especially to the East African countries, which have a high dependence on trade tax revenues.

With regional integration, the plans by the East African Community to establish a Customs Union may have either negative or positive impact on growth taking into consideration that the countries involved are also participating in other regional integrations.

Finally the East African governments’ efforts to establish trade partnership with South Africa – one of the successful economies in Africa – have resulted in trade imbalances in favour of South Africa.

The aim of the research is to empirically examine how successful these trade strategies have been in East Africa and what efforts have been made to address the failures.

Discussion

According to the views from the discussion that followed, there is a need to review a great deal of literature on studies that have been done on the East African economic Integration in order to identify the research gaps. Among these studies are those conducted by the POPP and ERB.

Prof. Van Arkadie and Dr. Mkenda suggested that Mr. Kabelwa should continue working on FDI in general and South African FDI in particular in East Africa in order to maintain the focus of the last two year research work. In so doing, Mr. Kabelwa may attempt to link FDI with trade.

1.2.2.4. Globalization and Employment By Dr. Kweka on Behalf of Ms. Ummu Mwalimu

The flow of Foreign Direct Investments (FDI) into East African countries, as elsewhere in the developing world, has been associated with profound changes in the labour market. Such changes have been in the level and structure of labour demand, in skill shortages and relative wages, and in employment elasticities, among others.

All these have far reaching implications on worker's rights (core labour standards). Despite these implications there is lack of legal research examining the role and extent of FDI flows in affecting labour and related statutes (law) in East Africa.

Ms. Mwalimu is therefore proposing to undertake a legal research on the role and extent of FDI flows in protecting core labour standards in East African countries.

The hypothesis is whether attraction of FDI has minimized the enforcement of worker's rights in the East African countries.

Explained differently,

- To what extent does labour protection have been or are sacrificed for the FDI flows in the East African countries?
- What are the prospects of labour standards in the future?
- What are the appropriate mechanisms of enforcing labour standards in these countries?

Discussion

Members suggested that Ms. Umy Mwalimu can work closely with Dr. Beatrice Mkenda in their proposed research works. While Dr. Beatrice Mkenda would concentrate on the economics part of the labor market, Ms. Mwalimu would concentrate on the legal part.

2. DAY TWO

In the second day of the retreat on Monday 27th October 2003, participants were to hear about the proposal for the joint research project between ESRF and the Institute of World Economy (IWE) of Hanoi, Vietnam. The meeting started a bit earlier at about 8.30 AM as per participants' requests. The participants in Day Two were:

Prof. Haidari. K. Amani
Dr. Joseph. Kweka
Dr. Beatrice Mkenda
Mr. Timothy Ranja
Dr. Oswald Mashindano
Prof. Brian Van Arkadie
Prof. Do Duc. Dinh
Mr. Ernest Salla
Dr. Samuel Nyantahe
Dr. Adolf Mkenda
Ms. Janeth Mbene
Dr. Ben Tarimo
Mr. Focus Jacob
Dr. Frederick Ringo
Mr. George Kabelwa

The Chairman in this occasion was Dr. Mashindano who welcomed Prof. Dinh to present on the topic.

2.1. Proposal for the ESRF – IWE Joint Research Project by Prof. Do Duc Dinh

Prof. Dinh started by giving the introduction of the Joint Research Project. That this proposed project is the result of research visits by himself to the ESRF's Globalization project on one hand, and Prof. Amani and Dr. Kweka to the Institute of World Economy (IWE) in Hanoi, Vietnam on the other. But the latter visit, among other things initiated discussions on the possibility of establishing areas of collaboration between the ESRF and the IWE.

Prof. Dinh then highlighted the main areas of research for the proposed joint project

- First is the regional cooperation in East Africa, South East Asia, and Experiences and Impacts from EU and Other Regional Groupings. According to Prof. Dinh the ASEAN group is about 30 years old while the East African Community is still at infant stage. There is therefore the need to learn from each other.
- Second is economic reforms in East Africa and South East Asia, particularly in Tanzania and Vietnam. According to Prof. Dinh, Vietnam uses “renovation” for “reforms” and “equitization” for “privatization”.
- Third is the role of capital formation, particularly domestic savings, foreign aid, trade and FDI on economic and social development in East Africa and South East Asia. According to Prof. Dinh, domestic savings is important since aid does not necessarily bring development. In most countries, saving to GDP ratio is about 30 to 40 percent while in Tanzania, it was 6 percent during the start of reforms and 11 percent now.
- Fourth is the impacts of Globalization and liberalization on developments in East Africa and South East Asia.

Prof. Dinh then continued by highlighting various aspects of the project such as the main activities, coordinators, project's output, workshop participants and donors.

- The main activities of the project will include research, study visits, training, seminars and workshops. ESRF will be in charge of activities carried out in Dar es Salaam while IWE will be in charge of activities carried out in Hanoi, Vietnam.
- The coordinators of the project will be Prof. Amani (ESRF), Prof. Van Arkadie (ESRF) and Prof. Dinh (IWE). The schedule of the project will be two years – 2004 and 2005.
- The results of the project will be reflected in the workshops and seminars to be held and in the publication of research results.
- Two workshops will be organized – the first in Dar es Salaam in 2004 and the second in Hanoi, Vietnam in 2005. Participants in the workshops will be ESRF and IWE staffs, scholars and researchers from universities and

research institutions, and representatives from the Government and international organizations.

- Donors including NGOs, Government agencies and international organization will be invited to provide financial supports to the project.

To conclude, Prof. Dinh informed the participants that he together with Prof. Van Arkadie have prepared a comparative commentary about the two countries – Tanzania and Vietnam.

Discussion

After the presentation, the Chairman welcomed members of the floor for the discussion.

Prof. Amani

Prof. Amani started by elaborating the main study areas: which are reforms and economic integration.

Studies of reforms in the two countries – Tanzania and Vietnam – will, among other things, give insight into understanding how to approach issues like poverty alleviation.

Studies on economic integration will help to find ways of stimulating intra-investment and trade flows between the two countries and regions.

Dr. Nyantahe

Dr. Nyantahe was concerned about the failure of Tanzania to perform economically relative to Vietnam. He noted that both countries have faced more or less same economic problems. For example, Vietnam had war during 1972/73 while Tanzania had war during 1978/79.

On the issue of economic integration, the proposed project needs to take into consideration that integration can be either compulsory or voluntary.

The project also needs to examine differences in the Governments' responses to public demands. In addition, Dr. Nyantahe suggested taking into consideration the issue of synchronization between research and policy.

Dr. Mashindano

Dr. Mashindano asked why the Vietnamese chose to use the terms “renovation” and “equitization” instead of “reforms” and “privatization”, respectively.

Dr. Kweka

Dr. Kweka contributed by clarifying the nature of researchers who are proposed to join the project. According to him, they should be young researchers and this will help in building their capacities.

Prof. Van Arkadie

Prof. Van Arkadie also clarified to the issue of selecting young researchers that it aims at minimizing the cost of the project.

As regards proposed workshops, there is a need to choose a small but a more productive group of participants.

On the research areas, Prof. Van arkadie identified one of the areas that both countries have not succeeded is on public administration. He also pointed out the need of integrating rural development in the two economies. In Vietnam, according to Prof. Dinh, agri cultural policy is linked to rural development.

Dr. Tarimo

Dr. Tarimo wanted clarification on two issues: -

- First, on equitization, “does it mean forming a joint venture with local investors?”
- Second, on the potential for the proposed project to stimulate intra-trade and investment flows. According to Dr. Tarimo, there have been virtually no trade and investment activities between the two countries.

Dr. Tarimo also suggested that topics proposed in the project should be linked to poverty alleviation so that the results can be used in the Poverty Reduction Strategy.

On the issue of poverty reduction, Prof. Van Arkadie added that Tanzania should take into consideration that Vietnamese have succeeded in reducing poverty without having any programme on poverty alleviation.

Dr. Adolph Mkenda

According to Dr. Mkenda, both countries – Tanzania and Vietnam need to learn from each other.

In addition, the proposed joint project should not only deal with economic and social comparative research but also attempt to include political conditions prevailing in the two countries.

Dr. Salla

In addition to political factors that might have brought different economic situations in the two countries, there is also a need to examine how the issue of human rights has been enforced in the two countries.

Dr. Salla also recommended to the project coordinators to present this proposal to the UNDP and the POPP. According to him, the two agencies are currently conducting some researches on South South Cooperation.

2.2. Way Forward

After the discussion of the proposal for the ESRF-IWE joint research project, the Chairman welcomed Prof. Van Arkadie to present the way forward.

Prof. Van Arkadie highlighted three issues as a way forward:-

First, there is a need to maximize the Globalization project's productivity, for example through peer review at ESRF. The Globalization project should also attempt more exposure. In this case, the project can plan to produce two or three more sophisticated monographs.

Second, on the new research themes, there is a need to link all the specific topics to a single main theme. For example, all the research themes proposed seem to have a bearing on the issue of Foreign Direct Investment (FDI).

Third, on the ESRF-IWE joint research project, what is left is to put the proposal on the table. Prof. Van Arkadie advised the project coordinators to start meeting agencies that are likely to finance the project. He himself will consult the Ford Foundation to be able to identify which international agencies are likely to be interested in the proposed joint project.

2.3. Thanking the Participants

After presenting the way forward, Prof. Van Arkadie thanked all the participants and particularly those outside the ESRF for accepting to participate in the retreat.

2.4. Closing Speech

In the closing speech, Prof. Amani urged all the participants to keep in touch. In addition, he thanked all the agencies that have started to show interest in the proposed joint project including the World Bank, the UNDP and the POPP.

He also suggested a quick finalization of the proposal for the next phase of the Globalization project to the Ford Foundation and the proposal for the ESRF-IWE joint research project.

Finally, Prof. Amani thanked Prof. Van Arkadie, Prof. Dinh and all the participants.

2.5. End

The retreat ended at about 11:00 AM on Monday, 27th October, 2003.