

QUESTION 1: *The African Growth and Opportunity Act (AGOA) is a programme approved by the U.S. Government to grant sub-Saharan African countries access to the U.S. market on duty-free basis provided the rules are observed. Discuss the socio-economic impact of AGOA.*

What is it?

- It is a legislation that outlines acceptable and permissible commodity exchanges, so as to promote development throughout African continent through the macroeconomic mechanism of market liberalism.
- The idea is to mainstream and standardize international trade policies between SSA member states and US market with the hope of reversing Africa's slow economic growth and erasing accumulated debt.
- It is an alternative arrangement to financial aid.

Socio-economic impact

1. The elimination of government programs to support rural population (government provision in agriculture) and eventual primary sector diversification away from agriculture hurts the rural poor majority who depend on agricultural sector.
2. Open access to SSA's economy as part of AGOA agreements expands the operations of foreign based industries and multinational corporations (MNCs). As AGOA exposes US corporations to new markets, the "special status" granted to US firms undermines the development of SSA's small local business initiatives and budding infant industries.
3. There is also evidence of industry tax evasion efforts and US industries will maintain the upper hand in this situation as SSA's industries cannot compete as they are outstripped of resources and fail to transcend the economic limitations of the preferential status given to the US business.
4. US as a Developed World nation cannot develop its private sector in SSA countries without causing substantial damage to the growth and matriculation of SSA's industries.
5. The poor populations in SSA are unable to have access to the transformation of the private sector as they lack skills which will lead to growth of individuals living beneath poverty statistics as this portion of the population become unemployed.

In short, the open bilateral exchange between the private sectors in AGOA reduces provisions to protect SSA's infant industries leading to certain level of unemployment due to shifting of noncompetitive industries and practices. At the bottom line liberalism is not only imperfect as a remedy to SSA failing economy but centers around domestic interests of the North.

Question 2: *What do you understand by the term foreign direct investment? Discuss the initiatives to promote foreign direct investment in Tanzania.*

What is it?

Foreign direct investment (FDI) is defined as investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. The FDI relationship consists of a parent enterprise and a foreign affiliate which together form a Multinational corporation (MNC). In order to qualify as FDI the investment must afford the parent enterprise *control* over its foreign affiliate. The UN defines control in this case as owning 10% or more of the ordinary shares or voting power of an incorporated firm or its equivalent for an unincorporated firm; lower ownership shares are known as portfolio investment.

Initiatives to promote FDIs in Tanzania

1. They have corporate tax holidays (no taxes on profits of EPZ companies) for an initial period of 10 years
2. Exemption from import duties on imported intermediate and capital goods
3. Exemption from sales tax, stamps and transfer duties on goods and services required by EPZ activities
4. Reduction in foreign exchange control
5. Permission for EPZ investors to hold foreign accounts locally
6. Guarantee of free repatriation of capital and profits
7. Access to streamlined regulatory services (one stop shop)
8. Provision of factory facilities for rent at economical rates
9. Financial support for staff training
10. In Tanzania are entitled to an initial automatic immigrant quota of up to 5 persons during the start up period
11. Allowance to sell 20 percent of goods in the domestic market for EPZ industries
12. On site customs inspection of goods in the EPZs
13. Exemption from all taxes and levies imposed by local government authorities for goods and services produced in the EPZs for a period of 10 years

Question 3: *Small and Medium Size Enterprises (SMEs) are seen as a viable strategy for employment generation and poverty reduction in Tanzania. Discuss this statement pointing out constraints, which the sub-sector is facing.*

What is it?

- SMEs in Tanzania are that micro, small and medium enterprises engaged in non-farm economic activities.
- According to the 2003 SME Development Policy, micro enterprises are those engaging up to 4 people in most cases family members or employed capital amounting up to US\$ 5,000 majority of which fall under informal sector. While medium enterprises employ between 50 and 99 people or use capital investment from US\$ 200,000 to US\$ 800,000

Contribution of the sector to poverty reduction

SME sector plays a crucial role in the economy, generating about a third of the GDP, thus has a wide potential of generating widely shared growth and contributing to poverty reduction.

1. They create employment at relatively low levels of investment per job. With only 40,000 of 700,000 entrants in the labour market in Tanzania able to find jobs in the formal sector, SMEs development is seen as the main source of jobs in the future.
2. They tend to be more effective in the utilization of local resources and use simple and affordable technology

Constraints of the sub-sector

The biggest constraint is that the sector is dominated by informal micro enterprises with an extreme low incidence of graduation to formal small and medium size, thus remaining marginal players, creating and sustaining low quality jobs and unable to effectively contribute to economic competitiveness, exports, tax revenue and economic growth.

Specific constraints are:

1. Lack of spaces to carry out the enterprises
2. Unfavourable policies, laws and regulations and even the favourable policies, laws and regulations are at times applied (administration) in manners that affect SMEs. For example the product standards which are out of reach of most SMEs.
3. Attitudes of responsible public officials
4. Limited capacity of the operators (lack of entrepreneur skills)
5. Lack of access to resources (i.e. limited access to finance)

6. Lack of linkage SMEs and foreign R & D institutions
7. Lack of regulatory framework leading to unfair competition which results into limited or loss of market

Therefore there is a need to address policies, regulation or accelerating their implementation or improving the way they are administered so as to enhance SMEs access to markets.

Question 4: *A sustainable economic growth should integrate science and technology in the socio-economic plans. Discuss.*

What is sustainable economic growth?

Sustainable Economic Growth is economic growth that fulfils the needs of the present without limiting the potential for meeting the needs of the future generations. Sustainable economic growth is a process in which economic, fiscal, trade, energy, agricultural and industrial policies are all designed to bring about growth that is economically, socially and ecologically sustainable. This is to say that the current production and consumption cannot be financed by incurring debts that others must repay in future. This is a new concept of economic growth, one that provides fairness and opportunity for the entire world's people, not just the privileged few, without further destroying world's finest natural resources and without compromising the world's carrying capacity.

It is undeniable fact that all people aspire to participate in the benefits from production and trade. However, it is inconceivable that the world can support billions of people in the wasteful style to which the better-off minority has become accustomed. To date, 23 percent of the world's people living in industrial countries of the North earn 85 percent of the world income. **The strains of this level of economic activity are felt in the loss of forests and species, pollution of rivers, lakes and oceans, the accumulation of greenhouse gases and depletion of life-preserving ozone.**

Thus:

- The human race cannot continue to devour the world resources and dump its wastes in the ways now practiced by the affluent, better-off minority in the North. At times to equally or greater point than affluent life, poverty too has put strains on environment. The poor depend on the soil for food, the rivers for water and the forest for fuel. These people who are without assets or income have no choice but to overuse and destroy world resources simply to survive, but in so doing they threaten their wellbeing and that of their children.
- The current situation can be reversed if the problems are acknowledged, responsibilities are accepted and measures (including those very difficult ones) are taken

Therefore, it calls for:

- Shifting the economy which relies mainly on extensive development into the one which relies mainly on in-depth development on basis of effective application of advanced science and technology
- Shifting the economy characterized by extensive exploitation and utilization of raw materials into one characterized by more skillful goods processing capacity
- Thoroughly saving resources in the development process, effectively and efficiently utilize scarce natural resources, and control the consumption
- Establishing an accounting system of environment economy and accelerate the process of substituting advanced and environmentally sound technologies for obsolete, energy-intensive ones.

In short, sustainable economic growth calls for science and technology to develop production and consumption patterns that are user and environmental friendly. Thus in the socio-economic planning, science and technology is to be taken into consideration is economic growth is to be sustainable.