

# Impact of Informal Cross-Border Trade to the Economy: The Case Study of Tanzania

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The aim of this study is to review the existence evidence of Informal Cross-Border Trade's (ICBT) impact to the Tanzania economy and suggest strategic policy recommendations to Government, Regional Economic Communities, and Development Partners on the best approach in addressing the issue of ICBT in Tanzania with its four-selected border region and neighboring countries within East African Community (EAC). The objective has been attained by identifying factors contributing to the existence & rise of ICBT and by doing analysis on the general characteristics of ICBT and its trend in selected border regions where the issue of ICBT is crucial. Finally, this article suggests policy measures that aim at reducing increase number of trade barriers, i.e., Non-Tariffs Barriers (NTBs) hence increase the growth of formal trade sector and widen more trade opportunities in the region and at the global market.

*Keywords:* Informal Cross-Border Trade, common market, Tanzania economy, East Africa Community

## Introduction

Tanzania is one among the East African Community (EAC) country; other members of East African Community include the countries like Kenya, Uganda, Rwanda, Burundi, and South Sudan. Apart from Tanzania sharing borders with these members within EAC regional, it also shares the border with other countries outside EAC like Malawi, Mozambique, and Zambia to the South and towards the west with a country like Democratic Republic of Congo (Enocal, 2015). The country is also bordered by some of Africa's largest lakes, to the south located Lake Malawi (Nyasa), Northern part the country is bordered with Lake Victoria as well with Lake Tanganyika to the west (Britannica, 2017). Through this Lake, Tanzania has played a major role by creating the easy way of doing trade with its neighbors within EAC region even outside the region.

Tanzania country is one of the United Nations countries, in a view of that the country has in partnership with the United Nations High Commissioner for Refugees helping its neighboring countries through disputing settlement in peaceful manner by establishing camps for refugees who came from different neighboring countries, which refugee comes from country like Burundi, Democratic Republic of Congo, Mozambique, and Rwanda. Moreover, Tanzania country together with other founder members countries Kenya and Uganda on 7 July 2000 agreed to sign the East African Cooperation Treaty among them with the aim to encourage/strengthen their economic and regional cooperation. The treaty was then followed by the launch of

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Common Market Protocol (CMP) which was established in 2010. The main aim of CMP is being similar with the treaty to strengthen their economic cooperation and in addition to stimulate development growth within the region. The established CMP within the region allows free and right to movement of people from and to any of the members countries, as well free/right of movement of goods and other factors of production. The established EAC common market has helped the countries to build a strong bond in their trading partners, as overall trade within the region has grown considerably, from US\$2.24bn in 2005 to US\$5.65bn in 2013 (UNCTAD, 2013).

However, members also agree towards the establishment of One Stop Border Post (OSBP), a border control operation between two neighboring countries on people, goods, and vehicles. The post mechanism has helped to control the process traders undertook when crossing the border by allowing only one stop in the country of entry. However, the established OSBP helped to facilitate development through trade and travel by reducing the number of stops made at the border crossing, and reduce the time taken to clear passengers at the border. OSBP and numerous common EAC infrastructure projects, including the dual carriageway that links Tanzania and Kenya, considered being one of the key regional integration initiatives under the EAC Common-Market Protocol. Despite these efforts to deepen trade integration process among members but still Formal Cross-Border Trade (FCBT) links between them are facing some several trade constraints, this reason encountered statement of the problem for this paper.

### **Statement of the Problem**

According to study conducted by World Trade Organization (WTO) it shows that, international trade are key main source of revenue especially in developing countries, as for many developing countries lose tax revenue in proportionally greater amounts from informal trade that tend to thrive in underground economies, and its further estimated that particularly for developing countries like in East African Community where tax collection from trade activities still contributes to their economic growth for about an average of 25% in all total tax collected and of which their total VAT collected within border areas contributes to more than 50% to all total VAT collection with the country (Gichangi, 2012).

Tanzania and its neighboring countries within East Africa Region since agreed to re-union again as members of the East African Community (EAC) in 7 July 2000 after previously being signed in 1999. Followed by the launched of the CMP in year 2010, the launched CMP gives members states free/right to movement of people, goods, vehicles from and to any of the members countries within the region. Through this agreement, they have built a strong bond in their integration, cooperation even though Formal Cross Border-Trade links between them have been challenged by increased number of trade barriers, i.e., Non-Tariffs Barriers (NTBs), which leads to the increase in the growth of informal trade.

Moreover, knowledge of these factors influencing informal trade remains inadequate; results not only to countries slow economic growth but also hinder proper formulation of trade policies that would be used to reduce aggressive factors contributing to the existence & rise of ICBT to individuals involved in formal trade, hence the need for this research paper.

### **Definition of the Term Informal Trade**

The informal trade involves illegal practices, i.e., escaping paying government taxes and other related trade requirements operating partially or fully without following the proper procedure required for formal business operation. Most of the kind of goods traded across the border being consumable goods which are

passing in a small quantity. Majority of people who are participating on this kind of trade activities are small and medium entrepreneurs, who on the other hand lack enough information on the rules and regulations that they must follow when doing cross bordering trade with other neighboring countries. Such group of people includes women, young generation's unemployed ones, and those who lost their jobs in different circumstances.

Schneider (2006) explains informal trade as entailing a business-based production of legal goods and services such as unofficial, underground, hidden, invisible, shadow, parallel, second, unrecorded, black, moonlighting, unmeasured, unobserved business that are deliberately concealed from public authorities and escape detection in official gross domestic product (GDP) statistics. (Schneider, 2006, p. 4)

On the previous study conducted by Organization of Economic Cooperation and Development, it defines Informal Cross-Border Trade as trade in legitimately produced goods and services, which escape the regulatory framework, set by the government (Lesser & Moisé-Leeman, 2009).

Table 1

*Categories of Informal Trade*

Category A	Category B	Category C
Informal/unregistered firms operating outside the formal business	Formal/registered firm fully escaping doing business requirements and duties, i.e., avoiding taxes and other border charges	Formal/registered firm partially escaping doing business requirements and trade duties by hiding through illegal practices, i.e., doing under invoicing

Source: Lesser & Moisé-Leeman, 2009.

### Concept of Common Market

General concept of common market refers to an agreement reached under economic integration among members aiming to facilitate trade among each other with the content of free and right of certain common agreements that bind them when trading. That greed right/freedom mostly being on people, goods, services, copyrights, technology, and various factors included in their economic integration.

The aims/objectives of EAC partner states for establishing EAC Common Market (EACCM) focus towards strengthening their integration goals by widen and deepen the cooperation. Focusing is towards enhancing their development and countries economic growth. Through the implementation of the established common market members states set out their objectives/goals by allowing among each other the right and freedom to the community's welfare on the equal chances without discrimination against one another. And these objectives sets are bided by fair and clear policies, rules, and regulations as guidance during implementation of the Common Market Protocol. However, the rules and policies set members have consider the point of the main idea of establishing East African Community integration within them. Moreover, EACCM Protocol highlights that, "the protocol shall contribute towards the improvement of the climate for domestic, cross border and foreign investment. For this to happen effectively and efficiently, policy and institutional reforms should be undertaken to create an enabling environment for trade".

The former Ministry of East African Community under Department of East Africa Affairs designs materials containing information about the common market in each member local language but so far, the copies of materials were not effectively distributed to targeted communities. Hence, due to what leads to many traders particularly cross border, traders lack that needed information that guide them to proper formal trade between countries.

### **East African Community Integration Through Cross-Border Trade**

East African Community is one among intergovernmental region block comprises of six member countries, which includes: Burundi, Kenya, Rwanda, Uganda, Tanzania, and South Sudan (Union, 2000). Together members come up and agree to establish a common market/single market aiming at facilitating trade integration, economic cooperation, and improve their technological enhancement and other regional cooperation's. The EACCM considered as the second achieved East African Regional Integration milestone, after start being implemented by members in July 2010.

Established East African Community Common Market has helped to strengthen and strongly contribute to improving cooperation among member countries in area of economic and other development affairs and played a big role to members by helping them to maintain among each other common ground towards agreed on both right and freedom of the movement from and to within the region. Common agreed freedom of the protocol involves four key factors, such as free movement of goods, free movement of people from and to, free movement of services, and as well free movement of capital. On the agreed rights of the signed protocol it includes two rights, the right of establishment and the right of residence.

Typically, from the time EAC member states agreed on the re-united again as one block namely East African Community, few studies have been conducted by different researchers to analyze how the impact of regional cooperation contributes to increasing the volume of trade among them. Ihiga (2007), Tumuhimbise and Ihiga (2007), and Mmasi and Ihiga (2007) conducted the study on the analysis of EAC trading pattern among members and as well as on those major products mostly traded between the period of 2001 up to 2005. Consultations on conducted studies of the analysis on the findings involve the participation of respectively public and private sector concerned. Focus is more on validating previous existed NTBs and on the rise of newly NTBs. Conclusion on validation came up with the result as many of Non-Tariffs Barriers inhibit the implementation of the members' integration goals and affect their economic development. Analysis of study findings points out main hindering NTBs' exist among members was found to rise from practicing of member states government bureaucracy on their trade policies, introducing restrictive practices to products entering from another countries, restriction on entry permit, misuse of Sanitary and Phyto-Sanitary (SPS) measures requirements, public officials taking long time for processing documents and other trade services than the normal hours required for clearance and other trade barriers.

Conclusion on these studies conducted it indicates, the existence of these NTBs, within the region on its impact towards regional trade and community welfare members, does not take it seriously as the major issue that has been hindering their integration. Hence, from such point, the study recommended for members to effectively implement the established EAC common market treaty; there is a need to build mutual trust/goodwill on their cooperation and have transparency on their trade policy among each other.

### **Cross-Border Trade and Trading Under the WTO System**

The World Trade Organization has been a key/ruling organization controlling trading system among countries worldwide, based on the agreements signed by its members. Under these agreed rules, it has binding WTO countries to trade among each other (cross-border trade) by considering three main principles, i.e., a non-discriminatory principle (MFN), National treatment, and rules of origin principle. From this agreed principle, each member country gains the right that when trading with others its products will be treated equally when entering the trading partner market. This must be the same for importation of products into each member

country. As it has been agreed by all WTO members regarding on the rules and principle, therefore the implications of those rules and principles on intra-trade and trading under WTO are as explained below.

**Most Favored Nation (MFN) principle.** Under this principle, the country should not discriminate against one another. After the formation of new trading arrangements WTO system, then the MFN became the main binding rule under the GATT, which demonstrated more on trade in goods. The MFN principle considered to be the main principle guiding trade agreements between WTO members as it has been explained as well in GATS, Article 2 and as well on Agreement on Trade-Related Aspects of Intellectual Property Rights TRIPS, in Article 4.

However, for each trade arrangement, this MFN principle is considered quietly different from the others. Although few exceptions allowed for certain circumstances that benefit both countries or for protection one country internal affairs. Under WTO rules, MFN principle emphasizes more as when one country provides a trade favor or opens a market to another country among its trading members, it must do so for the same to all its partners disregarding of other countries economic condition whether developed or least developed.

**National treatment principle.** Trading system under this principle requires countries to give the same treatment on foreign products as those given to their domestic goods at the time when both products enter on the same market. As in MFN principle, the national treatment rule also covers in all the three WTO main agreements as it was covered under MFN principle too. For GATT and TRIPS, this principle has been explained in Article 3 of the text and lastly in General Agreements in Trade and Service under Article 17 of the WTO text. However, under national treatment principle, there is no violation when one member charges custom duty against another country even though its domestic goods are charged differently compared to imported products (foreign products).

**Predictability based on binding and transparency rules.** The multilateral trading system (WTO) works out/attempts to ensure members governments to make the business environment stable and predictable. Though stability investments are increased, more jobs opportunities are created, however by doing so, the society can have variety of choices at the lowest prices and enjoy the benefits of member countries working as a team with transparency. As in the WTO trade agreements, this system requires government member countries to practicing sharing of information on each other or when the issue is critical they must notify World Trade Organization secretariat to improve stability and transparency among them.

**Fair trade/competition among members.** The WTO system has been classified as one of the “free trade institutions”, which try to prevent “unfair” practices, such as Non-Tariffs Measures (NTMs) practices by its members against one another due to political reasons or other reasons and other government bureaucracy. Though in some ways, the system gives out the room to members to protect themselves if the situation is threatening their growth or when there is a need of protection of infant industries that can not compete with products imported from more developed countries among trading partners. Moreover, WTO institute is a work under agreed binding rules and principles committed to help its members by making sure there will be fair and transparency among them and that can be applied to all its members regardless of differences on them.

**Rules of origin.** Requirements under this principle try to minimize/reduce third-country material to be used in a production of the goods where above 50% of material used are not from the originating country where exported. So, simply because goods are considered to originate from one territory, it does not mean that another territory will consider them also to have originated there. It is however seen that, these effects countries. But to comply with these rules/principles of WTO custom requirements, other rules and regulations for crossing

border trade must be fulfilled by each member states; this includes, official border crossing duties, invoicing, documents submission to customs office at the border for checking, and following allowed 35% inserted for the material from third-country on the rules of origin requirements for the products exported. By doing so, there will be no doubt but bring an impact to the economy growth of trading countries and reduce the costs of doing business.

### **Objective**

This research paper focuses on suggesting strategic policy recommendations to Tanzania Government as the best way in approaching the issues of ICBT between Tanzania and its neighboring countries in EAC region.

### **Materials and Methods**

The research paper conducted in Tanzania expanded into its four-selected borderland area within its neighboring countries in East Africa Community (EAC). The four-selected area: Mutukula (Tanzania—Uganda), Namanga (Tanzania—Kenya), Rusumo (Tanzania—Rwanda), and Kabanga (Tanzania—Burundi) has been chosen due to nature of the topic as those are places where the issue of ICBT is very crucial in Tanzania and its border area countries.

The study uses the combination of primary and secondary data collection and analyzes using a qualitative method. The primary data collected by using a communication-based research by interviewing respondents using a semi-structured interview and in-depth Interview. The methodology used under in-depth interview procedure mainly focuses on the characteristics of people involved informal sector, activities conducted along the border area (type, quality, and prices of traded items). A total number of 16—traders, agents, and transporters is in all four selected border areas.

Semi-structured interviews use the list of questions that were covered during the conversation by interviewing two public officials from each four-selected border area and eight public officials from the Ministry of Industry, Trade and Investment who work under the section of Integration Trade (EAC region matters).

The analysis of the data collected and conclusion of the study have been done using descriptive data analysis and qualitative data analysis techniques. Qualitative methodology assists to decode, describe, analyze, and interpret accurately the meaning of certain phenomena while the descriptive research assists in focusing on terms that are based on current trend on globalization and regionalism factors in relation to their impact on the growth of the world economy.

### **Results**

The objective of the paper focuses on suggesting strategic policy recommendations to Tanzania Government and its neighboring countries in EAC region on solving the issue of ICBT in relation to its impact to the economy. Therefore, this article makes an analysis on the objective by answering two questions: (1) What are the factors towards the driving force on the rise of ICBT between Tanzania and its neighboring countries? (2) What are the impacts of ICBT on Tanzania's economy?

A total number of 32 respondents were interviewed from both (in depth and semi-structured interview). The table below summarizes the characteristics of respondents interviewed from all the four-selected border areas and from Ministry of Industry, Trade, and Investment accordingly.

Table 2

*Distribution of Interviews by Their Characteristics (Interview Guide)*

Bio data	Variable name	No of people
Gender	Male	22
	Female	10
Age	Below 18 years old	2
	18-25 years old	4
	26-35 years old	8
	36-45 years old	9
Education level	Above 46 years old	9
	Primary education	5
	Secondary education	6
	University/college	20
Marriage status	None	1
	Married	12
	Widowed	3
	Divorced	1
	Separated	2
	Single	14

Source: Compile from Interview, 2017.

Out of 32 respondents, most of them were male (22) and only a few women (10). The results of the study came with the finding as the main reason is that of the challenges that women face in the informal sector, such as sexual harassment since ICBT is the kind of business that involves illegal paths and does not follow proper procedures. This finding agrees with the findings from a study by Akatsa-Bukachi (2012) on the border trade in the paradox of women who are crossing the border to do business within the East African Community. Also, from the point women in Tanzania play a major role in taking care of children, the sick, the elderly, and others (Stärken & Wandeln, 2009). This is because they (women) are required to work closely with family members to meet their needs, hence, this decreases number of women's participation in crossing-border trade.

However, the average age of people deal with ICBT shows to above 26 years old; they are maturity individual and they have ability to make rational decision associated with cross-border trade within the country even to other EAC partner states, regardless of any barriers that may arise.

Education level: The result shows that most of respondents have obtained some level of education at least primary education. This will enable them to read and understand proper business procedure and follow the rules in analyzing and making better decision on business transactions.

Marital status: As the results shows, most of respondents are married which implies that they (owners) have family responsibilities. The results in this study concur with the results in a study by Mwamnyange (2008), on financing agricultural market in Tanzania country, in the sector (maize & rice) to Kyela and Dar es Salaam region. The study referred to concludes that, marriage plays an important role in shaping social organizations and relations.

### **Factors Towards the Driving Force on the Rise of ICBT Between Tanzania and Its Neighboring Countries**

**No access to information/awareness of Cross-Border Trade Regulations.** From the finding, main reason toward the driving force is due to lack of information to traders when crossing the border. Here, 60% of group of people interviewed agreed by stating that, many of business people who are crossing border for trading are not aware of general requirements needed at the time when they want to do cross-border trade and

this has been due to lack of enough education about cross border regulations, brochures, and other documents where they can go through and find useful information about kind of business, lack of transparency on trade policy among member states in the region, i.e., EAC integration goals preferential are just there on papers without being shared to the community who are the main beneficiaries of the agreed goals. Others say that the documents might be there to read but most of them are not user-friendly to give them enough information to be useful for them for better understanding the cross border trade in a right channel and follow required procedures. Below statement came from one of public officer working at the border area clarifying the need for traders to have enough information when do cross border trade with other EAC countries.

Lack of knowledge on preferential treatment of the EAC common market that is granted to traders who cross borders with goods that have above 80% rules of origin produced within the region get customs duty reduction of 18% and those goods produced outside the region get reduction 25% on customs duty. Effectively practices of this by each member states in some ways will help reduce the number of traders who are crossing the border informally. (Sajo, 2017)

From the study finding, it also shows that other traders remain in Informal Cross-Border Trade because of their financial difficulties having no any other means to survive rather than doing illegal trade to overcome their socioeconomic circumstances and since formal trade requires some extent of commitment such registered firms, following proper trade regulations and duties, invoicing, in full form following legal practices.

**Member states government bureaucracy.** One of the key trading principles under WTO system is that non-discriminatory principle does not allow members to discriminate among each other when trading across. Under these principles, it states that when one country provides favor to one country it should be given the same treatment to other countries as well disregard of any circumstances or differences from certain countries. And the rule also clearly states that the country should not discriminate other countries (foreign products and services) in a different way it treats national products (national treatment principle).

Despite these binding rules and principles governing trade among WTO members, this study finds out under EAC community there are still discrimination among each other through the practices of unfair business/government bureaucracy as of which the practices of it create difficulties to traders when crossing the border. Such bureaucracy/harassment includes non-recognition of travel documents (entry permit) from customs officers at the border area despite there are agreements on the entry permit that is easily available to all and it lasts for the period of seven days from the day of entrance to the neighboring countries within the EAC community. However, there also a signed agreement to strengthen trade among members by introducing the Simplified Trade Regime (STR) which gives special provision to small traders who regularly transact in low-value consignments.

Other government bureaucracy is on economic reasons since we are almost producing competitive products one country can put restrictions of entering same products from another countries; main aim can be protecting their infants industries as explained in Article 3 of GATT, Article 17 of GATS, and Article 3 of TRIPS, under the principle of national treatment which states that the same treatment given to domestic products must be the same treatment foreign products from other trading countries which will receive when entering the same market, and this will go not only to products but also services from foreign companies, trademarks, copyrights, and to patents. This finding also agrees with economic integration theory “a member of RTA who is producing products that are directly competing or complement to each other for them to gain efficiency of their economic integration must avoid trade barriers among each other and keep their external tariffs low”.



The issue of bureaucracy of governments has been much within the regional reason behind being most of EAC countries are producing same products which compete so sometimes this happens with a reason behind of protecting their own infant's industries by putting political policy restrictions of not allowing products entering from neighboring countries. (Kavula, 2017)

**Long processing/time consumed by traders for them to cross the border.** From the finding, it also shows that the reasons that raise the growth of ICBT in the region due to long queue/processes undertook before crossing the border, i.e., documentation, pass checkpoint, etc. Though EAC member states have agreed upon establishment of One Stop Border Post (OSBP) which has helped to control operation of the two neighboring trading countries in a way that people, goods, and vehicles need to stop only once in the country of entry than before having to stop both in a country of exit and country of entry.

However, from the finding still, the problem of a long queue is there and has been hindering formal trade participation and leads to informality. These have been attributed mainly by unprofessional practices by public officials to obtain economic rent/bribes (ICBT facilitate illegal Trade and Promotion of Corruption) from those traders who want their products to be quickly cleared at the border area. Therefore, traders by attuned corrupt culture make them engage in informal trade sometimes unintentionally.

Other reasons attribute to this also due to poor infrastructure, weak institutions performance at the border area i.e. no proper delegation of power, sometimes few staffs compared to the number of traders crossing the border.

**Respondents' Perceptions on Positive/Negative Impact of ICBT**

Cross-border classified as the main goal of establishing regional integration has shown success keeps on growing from time to time since those days due to gains of trade and its contribution to the economy growth of the countries and through trade many people have overcome financial difficulties as it gives them a supplement way of surviving and being able to get their basic needs. Other studies conducted by previous researchers have shown that cross-border trade played an important role by lifting economic growth of the country and became one of the major sources of employment to the society. To study these reasons, the study makes comparison of the findings on respondents' perceptions towards positive/negative impact of ICBT as shown on the table below.

Table 3

*Comparison on Respondents' Perceptions Towards Positive/Negative Impact of ICBT*

Positive impacts of ICBT	Negative impacts of ICBT
The finding made on this paper regarding informal sector is viewed as very active sector and plays a big role in the society by creating stable environment to people who are unemployed and, in that ways, has been looked as a sector that contributes to the economic growth of the country.	In long-term, the perception towards the sector has been looked in a different way considered to be the sector which reduces government serving collected from tax collection which can be used for investment plans for society benefit and country growth and at the end reduce number of people who do proper formal trade which is beneficial for the whole community.
The study also sees, ICBT as a means that provide small business traders to escape from poverty and are able to meet their basic needs, such as foods, housing, being able to provide education to their children.	Under this study conducted, informal sector viewed as a kind of business that has been practiced by small entrepreneurs whom do escape paying taxes due to the habit of finding ways to do business in illegal routes or also classified as those business people who only pay their taxes in small quantity as a result hinder government in providing social services to the community, i.e., school, hospitals etc.

(Table 3 continued)

Positive impacts of ICBT	Negative impacts of ICBT
Informal sector also acts as a supplementary source of income to people who have been losing their jobs following different circumstances.	On the other hand, respondents react by saying that informal sector is for poor households who have nothing to depend on such as stable jobs, no education so only hope left with informal business to meet their daily needs. Hence conclusion looked out as a sector that is temporarily when there is no hope while the formal business credited as a sector sustainable one and can depend on for development and growth process.
Informal trade increases circulation of money at the border area and increases more production at border area.	Informal trade reduces foreign currency reserve at the central bank since the money circulated is not within government proper channels.

Source: Compile from Interview, 2017.

### Discussion

From the above findings, the study summarizes and agrees that, Informal Cross-Border Trade classified as kind of business that involves the existence of illegal performance and avoids taxation payments and other obligation rules required for an individual to do a cross-border trade, which has been driven from factors such as lack of awareness on rules and regulations when crossing the border, time consuming/long processing for clearing goods at the border area and documentation process, bureaucratic procedures practices by member states governments and other unfair business practices. In the presences of all these factors automatically lead to increasing the number of Non-Trade Barriers (NTBs) among members, as a result, promote participation of traders towards informal business.

On the implications of impacts of ICBT on Tanzania's economy, through the analysis done on respondents perception towards positive/negative impact of ICBT, the study finds out that ICBT in a short-term provides a welfare creation, financial stability, and reducing poverty, and increases circulation of money at the border area yet in the long run it has more negativity on country economy and other advancement aspects by creating unfair business practice towards formal sector, which reduces government servings and investment plans for society benefit and country growth at large as well as lowering formal business opportunities in regional.

### Conclusions

Regarding factors towards driving force of ICBT, there is no way the issue of informal trade can be solved without trying to understand the informality attached to it. In some ways, the increasing number of ICBT has due to increase in the greater number of unemployed people to the society and even to employed one, which becomes a second source of income due to difficulties in their economic situation. Hence to increase a clear and formal Cross-Border Trade (CBT) in Tanzania with its neighboring countries proper mechanism must be considered such as:

(1) To work as a team towards complete removal of Non-Tariff Barriers (NTBs) to easily facilitate regional trade among member's countries, harmonization of tax regimes as this will reduce the trade imbalances, tax evasion schemes like smuggling as they will be no incentive to avoid official boarder points.

(2) Practicing a manner of sharing information on matters pertaining their integration, providing enough education on the aim of establishing Common Market Protocol within the region, and letting the community know about EAC preferential treatment as sharing this information will lead them to the main goal of the integration.

(3) EAC member states should push each other through their commitment to full integration and concentrate, i.e., strictly monitoring on the implementation of preferential tariff discount by each member states to promote proper formal trade channel since fulfilling commitment will make it easy in doing trade among each other.

(4) Lastly, EAC countries should agree together and have a common definition regarding the sector informal trade as a way forward to solve the issue of ICBT in the same perception and policy. Since informal trade sector is all about unrecorded statistics dealing with it in a different way may create a more problem or government member states may fail to prescribe appropriate policies when solving it.

### **Recommendations for Further Study**

The present study makes analysis and finds out best strategic policy recommendations on how best to address the issue of ICBT in Tanzania borderland with its neighboring countries in East Africa Community (EAC). Future studies should thus seek to give out policy recommendation on how best to solve the issue of ICBT within the whole region of East Africa Community. Also, the present study took a descriptive form; further studies can use explanatory form to explore the problem.

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