

**The role of export processing zones on export growth and export diversification: a case of
Export Processing Zones in Tanzania 1993-2008**

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The Export Processing Zones is an industrial zone with special incentives to attract foreign investment, in which imported materials undergo some degree of processing before being exported again. Tanzania adopted the Export Processing Zones in 2003 as one of the trade development tool aimed to promote investment for export led industrialization and increase exports. As envisaged in the Tanzania. Development Vision 2025 targets, Tanzania aims at increasing the share of manufacturing sector to Gross Domestic Product (GDP) to 25 percent by 2025. This entails diversification of the economy by introducing new agricultural and manufactured products for exports to that can be attained via Export Processing Zones. This study examines the role of Export Processing Zones in increasing diversifying and increasing exports in Tanzania from 2003 -2008 using a quantitative analysis model. The exports growth is proxied by export values, non EPZ export values, values of capital imports, World Gross Domestic Product and/or output, Average Commodity Prices and Real Effective Exchange Rates. The result from the Johansen co-integration indicates the presence of long run relationship between exports growth, exports from export processing zones and other determinants. In addition, the findings show that most important factors that determine the growth of exports have been captured in the model. The study finds the existence of a significant role of Export Processing Zones on exports growth and diversification. This justifies for improved policies that will spearhead the realization of the motives towards establishment of Export Processing Zones in Tanzania.