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EVOLUTION, APPROACHES, PERSPECTIVES AND CHALLENGES OF INTERNATIONAL POLITICAL ECONOMY (IPE)

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Abstract: **International political economy is a relatively recent study within the political science field. It studies problems that arise from or are affected by the interaction of international politics, international economics, and different social systems and societal groups such as the farmers at the local level, different ethnic groups in a country, immigrants in a region such as the European Union, and the poor who exist transnationally in all countries. It explores a set of related questions that arise from issues such as international trade, international finance, relations between wealthier and poorer countries, the role of multinational corporations, and the problems of hegemony (the dominance, either physical or cultural, of one country over part or all of the world), along with the consequences of economic globalization. This study looks at the international economic factors ranging from politics of trade as well as international events that shape the international political economy.**

Keywords: **International Political Economy, Post-War World Economy, Free Trade, Rentier States.**

I. INTRODUCTION

International Political Economy refers to the interplay and interaction of economics and politics in the global arena and world affairs (Eckhardt, 2016). It strives to explain what drives the world economy. It also attempts to explain that which creates and perpetuates institutions and what impact these institutions have. There have been some major events in history that have shaped the global political economy.

The 2008 Global Economic Crisis and The Post- War World Economy

This started when a vital United States financial firm (The Lehman Brothers) failed. This rapidly spread and created an emergency in most developing countries. The world economy literally faced a meltdown. An economic crisis of such a magnitude had not been experienced since the 1930s. As a result, the UK and USA governments were forced to inject money into the economy and bail out banks so that the markets could not dry up. Countries as Ireland, Greece and Portugal were not able to meet their debts and had to look for assistance from the European institutions and the IMF (Hout, 2007). This crisis highlighted four key things;

i. The role of institutions in the global economy and the primacy of the US economic model.

ii. The relationship and tensions between states and markets. (Some states did fail to impede their financial markets and actually let their banks amass huge profits at the expense of the societies and the other countries.)

iii. The shifting global power and the relations between the industrialized North and the developing South.

iv. The challenges of globalization. (Who benefits most from globalization?)

Cohen (2008) indicates that the framework and the institutions of this world economy had their roots in the planning of a new economic order that did take place in the last phase of World War two. At Bretton Woods USA in 1944, policy makers came together with an aim of rebuilding the war-torn Europe economies and to see to it that a 1930s Great Depression was not going to happen again by putting in place an open world trading system and ensuring a global monetary system that was stable (Mario Tela, 2007). In order to promote this new economic world-order they created (planned) three institutions; The International Monetary Fund (IMF)whose role was to provide emergency assistance to countries that were facing temporary crisis and to ensure that there was a stable exchange rate regime; The International Bank for Reconstruction and Development (IBRD) that was later called the World Bank. Its role was to facilitate private investment and ease reconstruction in Europe and ensure development in other countries. The other institution was GATT (General Agreement on Tariffs and Trade) which became the platform for any negotiations on trade liberalization. This was only a signed interim agreement.

According to Friden (1999), in 1945, USA took the containment of the Soviet Union as its primary foreign policy and therefore the 1944 world economy plans had to be postponed. In fear of the rise of communism, USA announced the 1947 Marshall Plan that did direct huge financial aid to Europe. In the 1950s, IMF, GATT and World Bank began to function but they were heavily dependent on the US. Sooner than later, Europe began to

'catch up' and this resulted to a drop in the competitiveness of US services and goods. Back in Asia, Taiwan, Japan and South Korea continued to indicate a success in export and this eventually did create a challenge to the

US trade competitiveness. In 1971 due to the growing pressures, the US imposed a 10% surcharge on import duties. This would help to limit the outflow of dollars and to improve its very own trade balance through curtailing imports that were by the flooding into US. It also stated that it would no longer convert dollars to gold at $35 per ounce. This is what eventually broke the Bretton Woods System. In the 1970s, the time stretch of high growth that was enjoyed after the WW2 came to an instantaneous end. This left a very soaring and lofty inflation. To make matters worse, a 1973 Oil Crises further pushed the world economy into a state of stagflation. (A combination of economic stagnation/low growth and a high inflation). The 1990s marked the end of Cold War and the key challenge was to find ways of how to integrate the European, Central countries and the former Soviet Union to the world global economy. A shift in the global economic power became evident in the first decade of the 20^{th} Century.

For four decades, GATT did exist as an arrangement amongst the contracting parties. It was supported by a small secretariat situated in Geneva and a very minute budget (Albritton & Simoulidis, 2003). GATT was a platform for trade negotiations and had numerous rounds of talks some of which were successful. For instance, the 1962-7

Kennedy Round, advancements were made in the scaling down of trade barriers in industrialized countries. But, in the 1970s protectionism flourished and GATT could not impede muscly members as USA and the European countries from the restriction of trade. GATT was also a forum for upholding trade rules and for settlement of disputes. Nonetheless, it was slow and ineffective as it was inhibited by the need for a consensus or agreement on any decision regarding a dispute (William Bernhard, 2003).WTO (World Trade Organization) replaced GATT after the 1986-94 Uruguay Round. In January of 1995, WTO was established (Kennedy & Southwick, 2008). Its functions were; Administration of WTO trade agreements, handling of the trading disputes, It acted as a forum/platform for the trade negotiations, monitoring of the trade policies, ensuring co-operation with the other international organizations, training and giving technical assistance for the developing countries.

II. APPROACHES TO IPE

Traditional Approaches

a. Liberal Tradition

According to this approach, the world economy has the potentiality of being a flawless global market place where free trade and a free movement of capital can shape the policies of economic actors and governments. Through the invisible hand of competition that is present, order would be achieved. It assumes that the free trade and the free movement of capital ensures that the investments flow to where they are most profitable to invest. Free trade is very important as it allows countries to accrue benefits from the comparative advantage (Each and every country can explore its very own natural advantages, endowments and resources and gain from specialization.) Freely exchangeable currencies are what oils the economy. Governments and institutions have the role to ensure a smooth and unfettered operations of the markets (Robert Jackson, 2007)

b. Mercantilist Tradition

This approach indicates that IPE is the arena of interstate competition. Order can only be achieved only when there is a balance of power. It assumes that the world economy is a coliseum of competition amongst states that aim to maximize relative strength and power (Armijo, 2001). It presents the international system as a jungle where every state has to do what it can to survive. Each state aims at maximizing its wealth and independence and it will achieve this by ensuring that they are self-sufficient by selective investments and using trade protectionism subsidies. The most powerful states will define the rules and the limits of the system. This approach does not center on individual policy makers and their policy choices.

c. Marxian Tradition

It views the world economy as a ground of competition but not among states. The driving force in the world economy is capitalism. The economic relations are perceived as a class struggle between the oppressor who own the means of production and the oppressed who are the working class. A struggle arises between these two since the capitalists aim to increase their profits and as a result, they exploit the working class much more harshly.

New Approaches

a. Political Economy (The Application of Rational Choice to Groups within the State)

To explain politics, this approach borrows economic concepts (Kline, 2005) .The rational choice centers on the

incentive structure that is faced by those who are making decisions. This approach assumes that the actors' preferences and interests are fixed and known. The rational choice provides the framework that help in understanding the coalitions which groups enter and their interactions with the other institutions.

b. Institutionalism (The Application of Rational Choice to States)

This approach borrows on the theories of Delegation and Agency (Rutherford, 1994). It attempts to explain why institutions exist and for what purpose. This theory put in the assumption of rational choice to the states in the interaction with the other states. Key assumption is that the states do create the international institutions and then

delegate power to them so as to maximize utility amongst the restraints of world politics and world markets. The institutions are created so that they can ensure there is no free riding or defection and to ensure that a collective goal is achieved.

c. Social Constructivism

Historical and sociological factors affect policies in the world economy (Michaela Pfadenhauer, 2018). It pays attention to ways the actors formulate preferences and processes which decisions are not only made but also implemented. Behavior, actions and interests in the world economy are perceived to take place within a structure of ideas, knowledge and culture. The way the actors understand their preferences is dependent largely on the prevailing beliefs and the patterns of thinking that are in the world economy, many of which are incorporated in the institutions.

III. PERSPECTIVES ON THE POLITICS AND ECONOMICS OF INTERNATIONAL TRADE

The study of the nexus between economic activities and state interests or politics originated long before the widely used term "political economy" was used. An example of this can be seen in writings by Aristotle 384–322 BCE, who criticized Plato's conception of communal ownership and placed the state in the role of guarantor of private property in the Politics. The concept of international political economy (IPE) entails a larger intersection of politics and economics, as goods, services and human resources are constantly crossing national borders. The term, "international political economy" (IPE) began to appear in the scholarly literature in the mid 1960s as problems of the world economy and lagging development in the third world gained scholarly attention. Some scholars and researchers have used the term "global political economy" (GPE) and this was aimed at recognizing what happens in the world is not just about interactions between states, and that the global political economy includes many different kinds of actors and interests. One of the main national interests of states has been the reality of engaging in trade with other states and there has been direct influence to advance this interest both in private and public sectors.

Trade Unions and Blocs

The relationship between economics and politics can be seen in other aspects of contemporary International relations. A trade union or bloc is a type of intergovernmental agreement, which is sometimes part of a regional intergovernmental organization with an aim of facilitating trade through the reduction or elimination of trade barriers for the participating countries. Trade blocs or unions can be stand-alone agreements between many different countries such as the NAFTA agreement and OPEC. The trade blocs can also be part of a regional organization such as the European Union. Depending on the level of economic integration, trade blocs can be classified as preferential trading areas, free-trade areas, customs unions, common markets, or economic and monetary unions (Michalak, 1997).

The East African Community (EAC)

The East African Community is an intergovernmental organization composed of six member countries in the African Great Lakes region in eastern Africa: Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda. The organization was founded in 1967, collapsed in 1977, and was revived on 7 July 2000. In 2008, the EAC agreed to an expanded free trade area including the member states of all three organizations. The EAC is an integral part of the African Economic Community with its capital in Arusha. The East African Community (EAC) in 2010 launched its own common market for goods, factors of production and human resources within the region, with the aim of creating a common currency and ultimately morphing into a fully-fledged political federation. (Reuters,

2020). In 2013, a protocol was formally signed between the members of the East African community member states, outlining their blue print plans for launching a monetary union within a decade (Reuters, 2020). In September 2018 a committee was formed to begin the process of drafting a regional constitution. (The East African, 2020). The fundamental aspects of the customs union include; Common External Tariff from other countries, Duty-Free Trade for member states and Uniform Custom procedures.

Different duty rates are applied for raw materials unprocessed goods at 0%, intermediate products or semi processed good at 10% duty and finally 25% for finished goods. This represents a significance decrease from what the three founding members of the EAC used to charge as duty taxes was it was previously varying prices with in Kenya charging 35%, Tanzania 40% and Uganda 15% (David Booth, 2007).However, this customs union is not yet been actualized as they were laid down in paper, because there is a significant list of exclusions to the Common External Tariff and tariff-free movement of goods and services (David Booth, 2007).Technical work is also needed to harmonize and modernize the customs procedures in the EAC's major ports of entry. From a trade- integration perspective, the EAC some analysts argue that it may not be the best-chosen unit, because the current trade between the three countries is comparatively small, and the EAC's 105 million citizens do not represent a large market in global terms, given the very low average incomes.

Protectionism

Trade protectionism is yet another very significant way to draw the relationship between economic interests and state politics. Proponents argue that protectionist policies shield the small producers, struggling businesses, and defends workers from exploitation thereby protecting import-competing sector in the country from foreign competitors. However, they also reduce trade and adversely affect consumers in general (by raising the cost of imported goods), and harm the producers and workers in export sectors, both in the country implementing protectionist policies and, in the countries, protected against. Protectionism in trade is a policy that protects domestic industries from ‘unfair’ competition from foreign competitors. Tariffs, Subsidies and Quotas are the three primary tools that are employed in trade protection. Tariffs are the taxes or duties imposed on imports that are coming into a country. Tariffs increase the price of imported goods in the domestic market, which, consequently, reduces the demand for them. They are aimed at protecting the prices of local good or the small struggling industries in a country. Quotas are restrictions on the volume or the amount of good that can be imported into a country for a given period. Quotas are also sometimes known as a “non-tariff trade barrier.” Bottlenecks in the supply volumes causes an increase in the prices of imported goods, thereby reducing the demand for that particular good or service in the domestic markets. Subsidies are negative taxes or tax credits that are given to domestic producers by the government. They create a discrepancy between the price faced by consumers and the price faced by producers.

IV. PRINCIPLES, STRUCTURES AND OBLIGATIONS THAT UNDERLIE THE POST WORLD WAR TWO INTERNATIONAL TRADE SYSTEMS

After World War II, the major countries of the world founded the General Agreement on Tariffs and Trade, which rapidly became the most important global multilateral trade arrangement. The member states set up the GATT in response to the waves of tariff barriers that crippled world trade during the Great Depression of the 1930s. GATT has significantly reduced the tariff barriers on manufactured goods. Since the founding of GATT in 1947, average tariffs set by industrial countries have reduced from about 40 percent to about 5 percent today. During the two decades after the Second World War, international trade expanded at its most rapid pace of the twentieth century. Between 1948 and 1968, the total volume of merchandise exports from non-communist countries grew by a remarkable 290 percent (Ashworth, 1987). And the growth of world trade during this period far exceeded the expansion of world output. Growth rates of this magnitude have attracted considerable attention from economic historians, who have attempted to extract explanations.

The end of the Second World War marked the beginning of a new era for the world economy. Policymakers increasingly embraced international trade as essential for economic growth, shifting away from the isolationist policies of the inter-war period. Within this new framework of cooperation, international trade grew rapidly and consistently during the 1950s and 1960s. Between 1948 and 1960, the total value of merchandise exports of non- communist countries rose from $53 billion to $112.3 billion, at an average growth rate of more than six percent per year. Growth was even faster in the 1960s, when the average annual rate of export volumes increased to more than eight percent (A.G. Kenwood, 1992). These growth rates far exceeded the rate of expansion of world trade experienced in the half-century before 1914, the period that hosted the highly celebrated “first globalization”. Since 1973, world trade has grown at a slower average pace of about 4 percent per year and has been considerably more erratic. This paper will be looking at the principles, structures and obligations of the international trading system that underlie the post-world war II International trade systems. The Governing structures being GATT and WTO. These organizations set the guidelines and principles for trade today.

The WTO agreements are lengthy and complex because they are legal texts covering a wide range of activities. They deal with: agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards and product safety, food sanitation regulations, intellectual property, and much more. But a number of simple, fundamental principles run throughout all of these documents. These principles are the foundation of the multilateral trading system:

Trade without discrimination

a. **Most-Favored-Nation (MFN): Treating other people equally**

Under the WTO agreements, countries cannot normally discriminate between their trading partners. When you grant someone a special favor (such as a lower customs duty rate for one of their products) then you have to do the same for all other WTO members. This principle is known as most-favored-nation (MFN) treatment. It is so important that it is the first article of the General Agreement on Tariffs and Trade (GATT), which governs trade in goods. MFN is also a priority in the General Agreement on Trade in Service (GATS) (Article 2) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (Article 4), although in each agreement the principle is handled slightly differently. Together, those three agreements cover all three main areas of trade handled by the WTO (Tervio & Irwin, 2000). Some exceptions are allowed. For example, countries can set up a free trade agreement that applies only to goods traded within the group discriminating against goods from outside. Or they can give developing countries special access to their markets. Or a country can raise barriers against products that are considered to be traded unfairly from specific countries. And in services, countries are allowed, in limited circumstances, to discriminate. But the agreements only permit these exceptions under strict conditions. In general, MFN means that every time a country lowers a trade barrier or opens up a market, it has to do so for the same goods or services from all its trading partners whether rich or poor, weak or strong.

b. **National treatment: Treating foreigners and locals equally**

Imported and locally produced goods should be treated equally at least after the foreign goods have entered the market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents. This principle of “national treatment” (giving others the same treatment as one’s own nationals) is also found in all the three main WTO agreements (Article 3 of GATT, Article 17 of GATS and Article 3 of TRIPS), although once again the principle is handled slightly differently in each of these. National treatment only applies once a product, service or item of intellectual property has entered the market. Therefore, charging customs duty on an import is not a violation of national treatment even if locally-produced products are not charged an equivalent tax.

Freer Trade: Gradually, Through Negotiation

Lowering trade barriers is one of the most obvious means of encouraging trade. The barriers concerned include customs duties (or tariffs) and measures such as import bans or quotas that restrict quantities selectively. From time to time other issues such as red tape and exchange rate policies have also been discussed. Since GATT's creation in 1947-48 there have been eight rounds of trade negotiations. A ninth round, under the Doha Development Agenda, is now underway. At first these focused on lowering tariffs (customs duties) on imported goods. As a result of the negotiations, by the mid-1990s industrial countries' tariff rates on industrial goods had fallen steadily to less than 4%. But by the 1980s, the negotiations had expanded to cover non-tariff barriers on goods, and to the new areas such as services and intellectual property. Opening markets can be beneficial, but it also requires adjustment. The WTO agreements allow countries to introduce changes gradually, through "progressive liberalization". Developing countries are usually given longer to fulfil their obligations (Rose, 2002)

Predictability: Through Binding and Transparency

Sometimes, promising not to raise a trade barrier can be as important as lowering one, because the promise gives businesses a clearer view of their future opportunities. With stability and predictability, investment is encouraged, jobs are created and consumers can fully enjoy the benefits of competition choice and lower prices. The multilateral trading system is an attempt by governments to make the business environment stable and predictable. In the WTO, when countries agree to open their markets for goods or services, they "bind" their commitments. For goods, these bindings amount to ceilings on customs tariff rates. Sometimes countries tax imports at rates that are lower than the bound rates. Frequently this is the case in developing countries. In developed countries the rates actually charged and the bound rates tend to be the same. A country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade. One of the achievements of the Uruguay Round of multilateral trade talks was to increase the amount of trade under binding commitments. In agriculture, 100% of products now have bound tariffs. The result of all this: a substantially higher degree of market security for traders and investors.

The system tries to improve predictability and stability in other ways as well. One way is to discourage the use of quotas and other measures used to set limits on quantities of imports administering quotas can lead to more red- tape and accusations of unfair play. Another is to make countries' trade rules as clear and public (transparent) as possible. Many WTO agreements require governments to disclose their policies and practices publicly within the country or by notifying the WTO. The regular surveillance of national trade policies through the Trade Policy Review Mechanism provides a further means of encouraging transparency both domestically and at the multilateral level.

Promoting Fair Competition

The WTO is sometimes described as a "free trade" institution, but that is not entirely accurate. The system does allow tariffs and, in limited circumstances, other forms of protection. More accurately, it is a system of rules dedicated to open, fair and undistorted competition. The rules on non-discrimination MFN and national treatment are designed to secure fair conditions of trade. So too are those on dumping (exporting at below cost to gain market share) and subsidies. The issues are complex, and the rules try to establish what is fair or unfair, and how governments can respond, in particular by charging additional import duties calculated to compensate for damage caused by unfair trade (Kohlhagen, 1978). Many of the other WTO agreements aim to support fair competition: in agriculture, intellectual property, services, for example. The agreement on government procurement (a "plurilateral" agreement because it is signed by only a few WTO members) extends competition rules to purchases by thousands of government entities in many countries. And so on.

Encouraging Development and Economic Reform

The WTO system contributes to development. On the other hand, developing countries need flexibility in the time they take to implement the system's agreements. And the agreements themselves inherit the earlier provisions of GATT that allow for special assistance and trade concessions for developing countries. Over three quarters of WTO members are developing countries and countries in transition to market economies. During the seven and a half years of the Uruguay Round, over 60 of these countries implemented trade liberalization programmes autonomously. At the same time, developing countries and transition economies were much more active and influential in the Uruguay Round negotiations than in any previous round, and they are even more so in the current Doha Development Agenda.

At the end of the Uruguay Round, developing countries were prepared to take on most of the obligations that are required of developed countries. But the agreements did give them transition periods to adjust to the more unfamiliar and, perhaps, difficult WTO provisions particularly so for the poorest, “least-developed” countries. A ministerial decision adopted at the end of the round says better-off countries should accelerate implementing market access commitments on goods exported by the least-developed countries, and it seeks increased technical assistance for them. More recently, developed countries have started to allow duty-free and quota-free imports for almost all products from least-developed countries. On all of this, the WTO and its members are still going through a learning process. The current Doha Development Agenda includes developing countries’ concerns about the difficulties they face in implementing the Uruguay Round agreements.

V. PROBLEMS AND CHALLENGES OF FREE TRADE

Free trade is a worldwide policy where a country does not discriminate against any imports or restrict with exports by applying tariffs on any imports or subsidies on exports (Driesen, 2000) . Free trade strategy does not necessarily indicate that a country abandons all control and taxation of imports and exports. An example of free trade is the east African trade between Kenya, Tanzania and Uganda. The goods move freely within the boarders without restrictions. Ideally, Free trade is supposed to eliminate unfair barriers to global commerce and lift the economy in developed and developing nations alike (Zeiler, 1991). Trade will and has produced many unpleasant negative effects, namely deplorable working conditions, job loss, economic damage to some countries, and environmental damage globally. The World Trade Organization continues to advocate for free of charge and unfettered trade, much to the detriment of some national economies and many workers (Ghosh, 2010).

Any free trade lacking regulation will allow business ventures to make substantial decisions that will cut costs to their operations and increase net revenues (Glenn Harrison, 2002). Supporters of free trade will argue that it allows new businesses to take off and provides all members of society with an equal shot at becoming successful in the business world (Urata, 2010). In reality, the most avid supporters of free trade are those who are already wealthy and firmly planted atop the monetary mountain and those who don’t know any better. Government’s corrupt officials exploit workers and do not protect the business environment. An ambitious continental free trade area has been realized, but the real challenges still lie ahead. The African Continental Free Trade Agreement (AfCFTA) is one of the world’s newest and largest single market. However, coordination and implementation challenges still weigh on its prospects.

Removing tariffs on intra-African trade, as the AfCFTA envisages, could reduce continental tariff revenues by

4.1 billion dollars (9.1% of current revenues) under full liberalization, but exemptions mean the actual figure will be much lower (Signe & Ven, 2019).The effects will not be even as tariff revenue represents a larger share of government revenue in some countries. As percentages of current expenditure, the greatest losses will be experienced by Guinea (4.4%), Togo (3.5%) and Benin (2.0%). The greatest losses as a percentage of current tariff revenues will be in Burkina Faso (44%), Zimbabwe (36%), Malawi (22%) and Ghana (21%). Removing the valorem tariff equivalents of non-tariff barriers on goods and services would result in a 1.25% increase in net real income, or 37 billion dollars. Applying WTO's Trade Facilitation Agreement (TFA) would grow the benefits even further, with an estimated aggregate real income gain of three .5%, or some 100 billion dollars. It was difficult for the Partner Countries to apply the rising external tariff. Customs at the boarder assessment procedures differed, resulting in specific measured prices for taxation of various products. Uganda has created an inventory of commercial goods, exempted from the CET, since 2005. Rwanda and Burundi have a similar list of industrial products for in situ. In addition, the United Republic of Tanzania, as a member of both the Southern African Development Community (SADC) and therefore the EAC, has taken integration commitments in both regional contexts, thereby having to implement two CET, one being for EAC and therefore the other for SADC. Similarly, the remaining four – EAC members are also members of the European Union for Eastern and Southern Africa (COMESA), thus facing similar challenges as Tanzania faced multiple commitments under a varied integration agenda (Kraus, 2007).

Trade rules from the start have been largely successful within the region, aside from sort of challenges where disputes have arisen and verification missions were constituted to affect the problems; for instance in the wheat industry, we've as an example observed protectionist tendencies which are justified using rules of origin related arguments. Internal Tariff Elimination may be a sector where the EAC Partner States have scored one hundred pc in implementation, and it's our anticipation that this achievement is getting to be a yardstick to influence the others. East Africa community trade between countries has undergone through great effort to eliminate Non-Tariff obstacles. The same efforts are observed by SADC and COMESA levels, where national and regional structures to observe and prevent NTBs are in place; and have attracted a true cooperation between the public and private sectors. There are however variety of NTBs remaining within the EAC also as in COMESA and SADC: while some are eliminated, others are turning up (Khorana & Kimbugwe, 2007).

Most Tanzanians however lack awareness of the regional integration process and can't intrinsically articulate the advantages which will be drawn from the EAC integration process. Furthermore, as any other African country, the country has grown to inadequate and poor infrastructures that prevent it to tap the opportunities at hand. Despite that, the people, including within the private sector, aren't very entrepreneurial as they need a bent to over- rely on the government; this could be labelled as 'tradition of ujamaa' the socialist political system that was in place in the country for over three decades after independence. Issues of bureaucratic procedure and corruption are within the headlines, especially in important areas like power generation and provide challenges that make the value of doing business high. The most unpleasant behavior of Tanzania within the regional partnership is on the Food Export Ban; this does not only show the country as an untrustworthy partner to the rest EAC Partner countries but it also demoralizes farmers who are forced to store their produces and face losses where they need more appropriate storage facilities. It also encourages cross-border informal trade, thereby denying the govt revenues and statistics (Patron, 2009).

Free trade can also contribute to higher income inequality, especially in high-wage countries, because it promotes cheaper goods from low-wage countries. Also, owners of property would receive more of the income gains, since FTAs often protect patents and copyrights. Income inequality has already been high in many Asia Pacific countries, like China, the Philippines, Singapore, Thailand and Vietnam.

VI. RENTIER STATES AND ECONOMIES IN IPE

A rentier state is a state which derives all or a substantial portion of its national revenues from the rent paid by foreign individuals or governments (Hafez, 2009). There is no "pure" rentier economy. Rentier aspects exist in every economy and it's a matter of perspective. Rent based economy evinces a preponderance of rent elements. In a rentier economy, the labor force may utilize and distribute wealth while the minority of capital owners generate it

The political economies shaped by oil wealth are primarily studied within the politics literature through the concept of the rentier state, which suggests that the dominance of oil wealth has distinctive, largely unavoidable political, social, and economic effects. Countries rich in natural resources don't all experience the resource curse in an equivalent way. The rentier state logic holds that the foremost political- economic impacts of resource dependence rest on how the state handles windfall resource rents. Most third world countries from East Asia and the Pacific are known for abundant natural resources, from exhaustible petroleum and mineral wealth to renewable stores of timber, agriculture and fisheries. In the contrary, instead of serving as the blessing they would appear to be, these resources are often experienced as a political–economic curse. Natural resources do not, however, inevitably doom low income countries to a gloomy fate. Governing elites can make policy choices and build institutional arrangements in and around the resource that promote the prospects of reaping the benefits of their natural abundance.

The concept of the resource curse serves as shorthand for conveying the multifaceted economic, political and social challenges facing countries with abundant natural wealth. Countries rich in natural resources have been found to grow more slowly than their resource-poor comparators at similar levels of income (Warner, 2012).Greatest policy challenge when responding to the resource curse lies in mastering the politics and governance dimensions associated with it. Political elites are not ignorant of the resource curse and its consequences, nor of the policies they could deploy to mitigate these effects. Yet their incentives typically lead them to act in ways that accentuate the resource curse rather than diminish it. Through the comparison with their resource-poor comparators, countries dependent upon natural resources have variously been found to experience more civil conflict, be more likely to be governed by authoritarian regimes and suffer social consequences such as poorer education outcomes and the marginalization of women in the workforce (Dunning, 2008). Countries that are dependent on natural resources also experience a series of predatory political–economic distributive patterns (Lane, 2010)

A crucial element linking these various effects, and determining their severity and the ways in which they manifest, is how resource-dependent countries generate and distribute the windfall rents from their natural resource endowments. The concept of the rentier state hinges on the fact that natural resources yield a windfall income stream that resources the state directly in lieu of taxes (Ross, 2013). These extraordinary rents reduce the fiscal need for non-resource taxation. Resource revenues have been shown to displace other forms of taxation or revenue (Knack, 2008). In turn, by limiting a government's need for other forms of revenue generation, natural resource rents dilute the need for the administrative apparatus necessary to collect taxes and can lead to the collapse of institutional capacity-building (Moore, 2004).

Even worse, when political elites have access to windfall revenue streams in the absence of institutional checks on their accountability, the temptation is for them to use the state apparatus in a predatory fashion, such it's oriented towards extracting rent from society and dispensing that rent through patronage networks. As a result, political and economic elites might intensify their battles for control over the prize of natural resources rents and therefore the ability to gather and distribute them, in what has been labelled the 'voracity effect'. Even if resource abundance does not cause a deterioration in governance, the quality of institutions will most likely affect the quality of economic policy-making and natural resource management (Robinson, 2013).In particular, governments can be tempted on the basis of short-term revenue windfalls to make policy and public-spending decisions with adverse long-term consequences (Karl, 1997).

Timor-Leste's rent generation has indeed been enhanced in this manner through the use of model contracts and exemplary bidding practices. In countries with low degrees of political inclusiveness where elites do not have the incentives to make decisions oriented toward broad-based collective welfare, mobilizing collective action could improve rent distribution practices. For example, earmarking a portion of resource rents for social sector and public investment spending or community-based budget oversight or participation at some level of the public investment process could help to ensure that at least some portion of resource rents are spent on the public good.

Although natural resources dependence brings with it certain structural effects, the resource curse isn't a deterministic outcome. Even in Papua New Guinea, where short time horizons and low political inclusiveness appear to make certain elements of the resource curse over-determined, decision-makers have the ability to implement policies that can mitigate the worst of the resource curse. Sound resource rent management through stabilization fund-based mechanisms that ensure expenditure smoothing, along with earmarking of revenues for public goods may yet improve outcomes in Papua New Guinea, with the major known new resource stream offering a window of opportunity. The principles of simplicity, predictability, transparency and accountability in resource rent management carry across all rentier states that wish to avoid the resource curse but finding the best way to achieve these goals in the resource sector depends upon a more finely grained apprehension of a country's particular rentier state experience.

VII. CONCLUSION

The growing importance of IPE as a field of study is in part a result of the continuing breakdown of disciplinary boundaries between economics and politics in particular and among the social sciences generally. Increasingly, the most pressing and interesting problems are those that can best be understood from a multidisciplinary, interdisciplinary, or transdisciplinary point of view. If there is an "IPE Project" its objective is to pull down the fences that restrict intellectual inquiry in the social sciences so that important questions and problems can be examined without reference to disciplinary borders. It is therefore important to study and view IPE as a set of related problems. It should encompass an analysis of the political economy of international trade, international finance, North-South relations, multinational corporations and hegemony. The new IPE as has been broadened in the recent years and it now centers less on international politics and the problems of the nation state. It also does not focus much on economic policy issues. It seeks to create a new discipline of IPE that would transcend the perceived limits of International Politics and International Economics as fields of study and research.

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