TANZANIA

TRADE SUMMARY

In 2000, the U.S. merchandise trade surplus with Tanzania was $11 million, a sharp decline of $22 million from 1999. U.S. exports to Tanzania were $45 million in 2000, representing a decline of $24 million from the previous year. Tanzania was the United States' 135th largest export market in 2000. U.S. imports from Tanzania were $34 million, a decline of $2 million from 1999.

During the past five years, the pace of reform to improve the country's trade and investment environment has quickened. A comprehensive privatization program for all sectors has been devised. Financial sector reform and privatization of the banks have been ongoing and a local stock exchange was opened in 1998 to assist in the privatization effort. The availability of foreign exchange is now subject to market forces. However, governance issues have hindered investment and, at times, the reform program. More progress is required to further streamline and regularize customs procedures and to rationalize the tariff structure, especially the lowering of some tariff rates.

IMPORT POLICIES

Import duties and value-added taxes are assessed on all Tanzanian imports, unless otherwise exempted. In an effort to remove ministerial discretion in the granting of exemptions, the Import Duty Act was amended to centralize exemption granting authority within the Income Tax Department of the Tanzania Revenue Authority.

Tanzania grants at least Most Favored Nation (MFN) treatment to its trading partners. Effective July 1999, the Government of Tanzania adopted a five-tier structure for tariff rates: zero percent; zero to five percent for raw materials, replacement parts, and capital goods; five to 10 percent for semiprocessed inputs and spare parts (except spare parts for motor vehicles); 15-20 percent for fully processed inputs and motor vehicles spare parts; 20 percent to 25 percent for consumer goods. Previously, tariff rates were zero percent, 5 percent, 25 percent, 30 percent, and 50 percent. The simple average of applied import duties is now 16.1 percent. The average tariff for finished goods is 18.3 percent, while the average rate for primary and semiprocessed goods is 13.3 percent. Tariffs still vary widely from product to product and, in many categories, tariffs on semiprocessed goods are as high as for finished goods. Due to Tanzania's status as a least developed country, its limited national income, and competition from other sources in the Tanzanian market, removal of all of Tanzania's tariff barriers would result in an increase of U.S. exports of less than 10 million dollars.

Since its introduction in July 1998, the Value-Added Tax (VAT) has remained unchanged at the flat rate of 20 percent. Exports are zero-rated. Imports of food, health items (e.g., pharmaceuticals), education supplies, water, and transport and financial services are also zero-rated. VAT exemptions may apply on capital goods for importers who hold incentive certificates from the Tanzania Investment Center (TIC). Some agricultural equipment may also qualify. An excise tax is levied on domestic and imported petroleum, alcoholic and non-alcoholic beverages, and tobacco products, among other items.

Tanzania is a member of the Southern African Development Community (SADC) and the East African Cooperation (EAC). Upon implementation of the SADC trade protocol, member countries will begin to phase in intra-SADC preferential tariff treatment over a period of eight years. The EAC member countries intend to harmonize their tariff and customs regimes in FY 2000, and to enact a common external tariff (CET) in 2004. Effective September 2000, Tanzania withdrew from the Common Market for Eastern and Southern Africa (COMESA).

Customs Procedures

Tanzania was scheduled to implement the WTO Agreement on Customs Valuation at the start of 2001, after being granted a one year extension by the WTO Committee on Customs Valuation. At this time, WTO records indicate that Tanzania has not notified its legislation or the Customs Valuation Checklist to the WTO Committee on Customs Valuation.

Tanzania continues to maintain its preshipment inspection (PSI) regime. However, in the extension Decision granted by the WTO Committee on Customs Valuation, Tanzania agreed that, should it decide to continue use of PSI, it would limit the use of preshipment inspection services in the area of customs valuation to post-entry risk assessment procedures, and it would establish a government mechanism to address expeditiously any problems exporters from other countries might encounter with its preshipment inspection services.

In January 2001, COTECNA, a Swiss firm, renewed its contract with the government to conduct quality and quantity inspections, determine customs valuation and classification, as well as import eligibility (i.e., checking for proper labeling, expiration date, and ensuring that an item is not a prohibited good) and payable duty and tax.

The Customs Department and the port authority remain a great hindrance to importers throughout Tanzania. Unpredictable and lengthy clearance delays and bribes to expedite service are commonplace. Clashes among different departments frequently occur over issues relating to tax exemptions. The mandate for instituting a minimum dutiable value for imported goods has been vested in the Tanzania Revenue Authority, which has been known to have misused its authority on several occasions.

Import/Export Licenses and Restrictions

Trade liberalization introduced since the mid 1980s has eliminated most import and export license requirements. Import licenses are still required on goods deemed to be sensitive for health or security reasons (such as arms and ammunition, explosives, military equipment, and narcotic drugs). An import license is required from the Ministry of Agriculture for livestock, meat and edible offal, live trees and other plants, edible fruit, nuts, vegetables, roots, and tubers. Other import controls may be administered by the Bank of Tanzania. Tanzania does not currently have any legislation on antidumping, countervailing duties, or safeguard measures, but the government has plans to introduce such legislation in the future.

Trade liberalization since 1996 has involved the removal of export registration requirements, the removal of export license requirements, and the elimination of surrender requirements of export proceeds. Ministerial clearance or permits are required for goods that are monitored in order to protect the environment and the national heritage. These include wildlife, forest products (only teak and pau rosa logs may be exported; other varieties must undergo some processing before being exported), marine products, and some food stuffs. Fish products are subject to landing requirements to obtain health certificates before exportation. Since June 1998, export restrictions have been placed on white maize, rice, cereals, and beans for purposes of national food security. There is also a ban on charcoal exports. The importation of contraband drugs and pornographic materials is prohibited.

Exports from Tanzania must be paid for in foreign currency (unless otherwise permitted by the Bank of Tanzania) within 90 days for agricultural and natural resources and 180 days for manufactured goods (unless advance arrangements are made with a commercial bank registered in Tanzania).

STANDARDS, TESTING, LABELING AND CERTIFICATION

The Tanzania Bureau of Standards (TBS), under the Ministry of Industry and Trade, is charged with overseeing standards, labeling, testing and certification. There are no unusual requirements pertaining to standards, but a certificate of compliance must accompany every import consignment. The certificate fee is 0.2 percent of the cost and freight. TBS is a member of the International Organization for Standardization (ISO), the United Nations Food and Agriculture Organization, and serves as the contact point for the WTO Agreement on Technical Barriers to Trade, the Agreement on the Application of Sanitary and Phytosanitary Measures, and for the Code of Good Practice for the Reparation, Adoption, and Application of Standards. There are 572 published Tanzanian standards, of which 105 are adopted from ISO standards and 400 are voluntary. Other standards are typically based on European or other international norms. The British pharmacopoeia, for example, is used for pharmaceutical products. TBS recognizes testing procedures performed by counterpart entities in exporting countries. The Ministry of Agriculture is responsible for phytosanitary regulations and zoo-sanitary inspections. Domestic and imported products are treated equally.

Labeling and packaging requirements are not harmonized in Tanzania. Regulating entities include TBS, the Tanzania Pesticide Research Institute, the Pharmacy Board, and the National Food Control Commission. TBS issues a Standard Mark of Quality equally to foreign and domestic producers.

GOVERNMENT PROCUREMENT

Government procurement regulations require that all purchases over $5,000 be made via open tender. The Central Tendering Board, based in the Ministry of Finance, is the responsible organ for administering procurement of $3 million or higher and reviewing procurement between $1 million and $3 million. Regional tender boards are responsible for tenders of less than $1 million. The Ministry of Public Works is responsible for procurement related to road and building construction. Each relevant ministry reviews the technical qualifications of suppliers to determine an open list of prequalifiers that are permitted to bid on its contracts. Domestic bidders are given a 7.5 percent price preference in the final determination. Reports suggest that tenders are frequently awarded to uncompetitive firms in which government officials have a significant interest. The decisions on some significant government contracts, especially those involving medicines and military hardware, have lacked transparency. Most major projects, however, are funded by international donors, and the procurement procedures of those organizations are usually employed. Tanzania is not a signatory to the WTO plurilateral Agreement on Government Procurement.

EXPORT SUBSIDIES AND TAXES

Concessional credits have been available in limited quantities to exporters at various stages of export processing from the state-owned National Bank of Commerce. This bank is in the final stages of privatization, with final payment details being worked out with the Amalgamated Banks of South Africa (ABSA). Subsidies supporting agricultural production have been removed, but concessional credit is available for the purchase of inputs from the newly created Agricultural Input Trust Fund. Input prices have been decontrolled and marketing monopolies eliminated. The Tanzanian government no longer imposes export duties or taxes.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Tanzania is a member of the World Intellectual Property Organization (WIPO), the International Union for the Protection of Industrial Property (Paris Union), and the International Union of the Protection of Literary and Artistic Works (Berne Union), and is a signatory to the Harare Protocol on Patents and Industrial Designs, the Banjul Protocol on Trademarks, and the Madrid Agreement on Trademarks. On September 14, 1999, Tanzania became a member of the Patent Cooperation Treaty. The Government of Tanzania can grant patents, but has never done so. As a member of the African Regional Industrial Property Organization (ARIPO), it refers patent applications to ARIPO for preliminary and substantive searches and registration. Under the Tanzanian intellectual property law, patents are granted for ten years, renewable for two periods of five years each. Trade and service mark protection is granted for ten years, renewable thereafter for seven-year periods. Copyright protection is for the life of the author (or surviving author) plus 50 years. Applied art is protected for 25 years from the date of creation. Anonymously published and audio-visual works are protected for 50 years from the date of publication.

Copyright holders have been unable to defend their rights due to the lack of well-defined property right laws and inadequate law enforcement. Pirated video cassette recordings and unauthorized television and film shows can be found in country, and Tanzania is a market for pirated recordings from third countries. The government does not currently have the resources to enforce its intellectual property laws, but is working with the Copyright Collective Management Association on enforcement issues. The government plans to establish a commercial court that would also have the authority to deal with intellectual property issues in a timely manner.

To improve the legal framework for the defense of intellectual property rights, the Tanzanian parliament passed the Copyright Act No. 7 of 1999. Among other things, this law covers artistic, literary, and broadcast copyrights. For the first time, a copyright infringement is treated as a criminal offense.

SERVICES BARRIERS

Tanzania has opened its service sectors to foreign investment and participation. Significant progress has been made in the financial, telecommunications, and transportation service sectors. Travel agent services are restricted to Tanzanian nationals.

The financial sector has undergone significant reform. The Bank of Tanzania is responsible for the supervision and licensing of banks and other financial institutions. The new regulatory and supervisory environment of the financial sector has been modeled along the lines of the Basle committee's core principles. The minimum capital requirement to open a commercial bank is 1 million Tanzanian shillings. For a non-bank financial institution, it is 500,000 Tanzanian shillings. The Bank of Tanzania is cooperating with other EAC countries to harmonize regional banking supervision. The government is in the process of privatizing the remaining three state-owned banks.

Insurance is regulated by the Insurance Act of 1996, which brought an end to the government monopoly in this sector. There are now 11 operating insurance companies. The Act requires that at least one-third of the controlling interest of any insurer be held by Tanzanian citizens. No such restriction applies to brokers or agents. Minimum paid up capital is required for insurers, and ranges from 2 to 1,000 Tanzanian shillings, depending on the type of service provided. The Act also allows for the creation of a national reinsurance corporation in which all local insurance companies would be required to participate. But no effort has been made to create such a corporation. No reinsurance is now available within Tanzania; all reinsurance is placed outside the country. Supervision for the insurance industry rests within the Ministry of Finance.

Since 1993, the government has moved to liberalize the telecommunications sector. New licenses have been issued for basic telephone services (for Zanzibar), data communications, mobile cellular telephone service, other value-added services, and equipment importation. The Tanzania Communications Commission (TCC) regulates the sector and issues type approval, but in practice, International Telecommunications Union (ITU) standards are applied. Privatization of the telecommunications parastatal, Tanzanian Telecommunications Corporation (TTCL), is underway. A consortium of MSI Cellular of the Netherlands and Detecon of Germany reached an agreement to purchase the Tanzanian telecommunications parastatal, TTCL. The consortium will invest $120 million into TTCL for 35 percent of the equity and management control. A period of exclusivity, likely to be three to four years, will be granted for domestic and international services on the mainland. Fifty-one percent foreign ownership is permitted in any of the non-basic service categories. License applications are subject to 35 percent local participation for approval. Tanzania has not made any specific commitments in the WTO with respect to telecommunications.

The government is restructuring the transportation sector. New legislation is being prepared to set standards of performance and safety, preserve infrastructure, and protect the environment and consumers against monopolistic practices. Immediate goals involve the sale of a national railway, the national airline, airports, and portions of the harbor authority. Tanzania does not have a national maritime fleet. Domestic air services have been deregulated. Foreign entities are not restricted from establishing and providing aviation and air cargo services, except for cabotage. In 1999, the United States and Tanzania signed the first ever open skies agreement involving an African country, providing for unrestricted air service to, from, and beyond each country's territory. Unrestricted rights for passenger charters will be phased in over two years.

In the tourism sector, the GOT allows only Tanzanian nationals to have travel agent licenses. If not in a joint venture with local investors, no foreign investor is allowed to operate a travel agent business. The Hotel Act of 1963 and the Tourist Agency Licensing Act of 1969 are the major laws regulating the tourism sector in Tanzania, and the Tourism Agency Licensing Board is the regulatory body.

In addition to restrictions applied to non-Tanzanians, quantity restrictions exist with regard to tour operators in the country. The GOT requires foreign investors to own at least ten new vehicles valued at US$300,000. All vehicles must be registered under the company's name. The requirement that foreign investors need to purchase US$300,000 in automobiles not only discriminates against foreign investment but also ties up a significant amount of capital. This requirement entails unnecessary costs to foreign tour operators.

Due to Tanzania’s status as a least developed country, its limited national income, and competition from other sources in the Tanzanian market, industry estimates that removal of all Tanzania’s services barriers would result in an increase of U.S. exports less than $10 million.

INVESTMENT BARRIERS

With few exceptions, 100 percent foreign ownership is permitted in most sectors. Ownership of land is still subject to restrictions, but the government intends to implement a new land law that will sell government land, such as large farms and ranches, to private entities, including foreigners. A separate law applies to the petroleum and mining sectors and addresses the payment of royalties. Those sectors are open to foreign ownership.

Gemstone Mining Requirements

Gemstone mining is an area in which foreigners are required to form partnerships with local investors. The GOT does not allow foreign investors to own gemstone mining licenses unless they form joint ventures/partnerships with local businesspeople. Nevertheless, the GOT allows foreign investors to own mining licences for the exploitation of other minerals, even without forming partnerships or joint ventures with local businesspeople.

Personnel Requirements

Except in the mining sector, the GOT allows foreign investors to employ only a maximum of five foreign expatriate workers. A firm hiring expatriate workers beyond the quota of five must prove to the government that it has failed to fill the positions with Tanzanians. In addition, the Labor Commission requires the investor to create a training program that will enable Tanzanians to eventually replace the foreign employees. This restriction limits the ability of foreign investors to minimize their operating costs, making them less competitive internationally.

Performance Requirements

Few restrictions exist regarding the sourcing of raw materials and where products may be sold. A notable exception is the textile and leather good industries, where the GOT requires that investors use domestically produced cotton and hides. The GOT will only allow investors to use imported cotton or hides if there is sufficient evidence that the cotton and hides produced domestically do not have the required quality.

In 1997, the government updated the 1990 Investment Code and established the Tanzania Investment Center (TIC) to replace the Investment Promotion Center (IPC). The TIC has no authority to deny an investment, but does determine whether an investment qualifies for incentives. Incentives are available to all foreign investors wishing to invest more than US$300,000 in the country (US$100,000 for local investors). Investments in leading sectors (including infrastructure and export processing zones) can import capital goods duty-free. Investments in priority sectors are allowed to import capital equipment at five percent duty. Priority sectors include agriculture, aviation, commercial construction, export-oriented projects, manufacturing, natural resources, rehabilitation and expansion, tourism and tour operators, broadcasting, human resource development, and designated special development areas. Both leading and priority sectors benefit from deferment of VAT charges until the start of operations, a five-year tax holiday, and a 100 percent capital allowance deduction during income earning years. Enhanced incentives are available from various ministries for strategic investments, a concept which has yet to be fully defined. Currently, only sugar is considered a strategic investment.

Despite investment code reform, the TIC still finds it difficult to perform its duties effectively because of overlapping laws and regulations. On several occasions, TIC approvals have been rejected by other institutions within government, especially the Tanzania Revenue Authority and the immigration department. The TIC will assist all investors to obtain necessary permits and authorizations required by other laws.

The island of Zanzibar has separate investment provisions, which are stipulated in the Investment Act of 1986. One hundred percent foreign ownership is allowed in most sectors in Zanzibar. However, some restrictions exist in small retail, tourist operations, and small-scale fishing sectors.

Tanzania is a signatory to the convention establishing the Multilateral Investment Guarantee Agency (MIGA) and a member of the International Center for the Settlement of Investment Disputes. Tanzania has bilateral investment treaties with Germany, Netherlands, Switzerland, and the United Kingdom, and double taxation treaties with Denmark, India, Italy, Norway, Sweden, and Zambia.

Privatization Program

Privatization of state-owned firms is progressing at a slow but steady pace. The privatization of large parastatals has lagged because the necessary legal and regulatory framework has not been in place. The Parastatal Sector Reform Commission (PSRC), established in 1993, listed 395 parastatal corporations for privatization over a period of five years. By September 1999, 330 firms had been privatized.

There are restrictions imposed on foreign investors in acquiring formerly government-owned firms. The PSRC in some cases requires foreign investors to form joint ventures or share the ownership of the company with local nationals at pre-determined proportions.

In privatizing major utilities, the GOT strictly requires foreign investors to form joint ventures or co-ownership with local nationals. For instance, in privatizing the water supply and sewage system in Dar Es Salaam, the GOT requires the foreign investor to form an operating company with local investors. However, local investors in the operating company must have minority shareholdings ranging between twenty and forty-nine percent. This partnership is subject to government approval. In privatizing the Tanzania Telecommunications Company Ltd. (TTCL), the GOT intends to retain five percent of the shares for TTCL's employees and ten percent for local financial institutions.

In November 1999, parliament extended the life of the PSRC for another four years. Sales of privatized entities require approval from various government committees, including the cabinet, as a check to limit individual influence.