TANZANIA

TRADE SUMMARY

In 2001, the U.S. goods trade surplus with Tanzania was $36 million, an increase of $24 million from 2000. U.S. exports to Tanzania were $64 million in 2001, an increase of $19 million from 2000. Tanzania was the United States' 127th largest export market in 2001. U.S. imports from Tanzania were $28 million, a decrease of $4 million from 2000.

During the past several 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, with substantially the entire financial sector now in private hands. 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 the reform program and have had a dampening effect on investment. More progress is required to further streamline and regularize customs procedures and to rationalize the tariff structure, including the lowering of some tariff rates. The Government, nonetheless, has decided to call a pause in its trade liberalization measures out of fear that its fledgling industries will be overwhelmed by foreign competition.

IMPORT POLICIES

Import duties and a value-added tax (VAT) are levied on all Tanzanian imports, unless otherwise exempted. Drugs used to combat HIV/AIDS, malaria and tuberculosis, for example, are fully exempted from all duties and taxes. Other VAT-exempted products include: computers, printers and accessories; ground transport operated by tour companies; milk packaging materials; capital goods for education projects; and locally produced yarn.

VAT exemptions for the government and its institutions have been abolished. However, exemptions will remain for goods and services for projects that are financed by donors, voluntary and charitable organizations under the existing law, and special agreements. A new "gaming tax" has been introduced and the VAT currently paid on games of chance will be removed so as to simplify collection of the new tax. An excise tax is levied on domestic and imported petroleum, alcoholic and non-alcoholic beverages, and tobacco products, among other items. The excise duty on wine produced with locally grown grapes has been reduced and rates on petroleum products have been adjusted.

Tanzania grants most-favored-nation (MFN) treatment to its trading partners. Effective July 2001, Tanzania adopted a new four-tier structure for tariff rates: zero percent for inputs for agriculture, animal husbandry and fishing, human and livestock pharmaceuticals, motor vehicle parts, inputs for manufacturing pharmaceutical products, raw materials, replacement parts, and capital goods; 10 percent for semi-processed inputs and spare parts (excluding parts for motor vehicles); 15 percent for fully processed inputs and motor vehicle spare parts; and 25 percent for final consumer goods. Previously, Tanzania had a five-tier tariff rate structure.

Tanzania is a member of the Southern African Development Community (SADC). SADC's trade protocol was implemented in September 2000 after ten member states, including Tanzania, deposited their instruments for implementation. Intra-SADC preferential tariff treatment will be phased in over a period of eight years. The goal is to establish a SADC free trade area by 2008. Tanzania is also a member of the East African Community (EAC). EAC member countries intend to harmonize their tariff and customs regimes and to enact a common external tariff by 2004. Tanzania withdrew from the Common Market

for Eastern and Southern Africa in September 2000.
Few restrictions exist regarding the source of raw materials and where products may be sold. Notable exceptions are the textile and leather goods 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.

Customs Procedures

Tanzania began implementation of the WTO Customs Valuation Agreement (CVA) in January 2001. Tanzania continues to maintain its pre-shipment inspection (PSI) regime and renewed its PSI contract with COTECNA, a Swiss firm, in 2001. Currently, with implementation of the CVA, all imports of commercial goods with a value of $5,000 or more are subject to inspection. The Customs Department and the Port Authority remain a great hindrance to importers throughout Tanzania. Unpredictable clearance delays and bribery are reportedly commonplace. Clashes among different departments frequently occur over issues relating to tax exemptions.

Import/Export Licenses and Restrictions

Trade liberalization introduced since the mid-1980s has eliminated most import and export license requirements. Import licenses still are 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.

Trade liberalization since 1996 has involved the removal of export registration and licensing requirements and the elimination of surrender requirements of export proceeds. 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.

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) and 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. Reports suggest that tenders frequently are 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 usually are employed. Tanzania is not a signatory to the WTO 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 a newly privatized commercial bank, the National Bank of Commerce (NBC). Amalgamated Banks of South Africa has purchased 70 percent of the shares of the divested NBC. 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 on agricultural products.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Tanzania is a member of the World Intellectual Property Organization, 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 the country, and Tanzania is a market for pirated recordings from third countries. The Government is committed to enforce its intellectual property laws and is working with the Copyright Collective Management Association on enforcement issues. 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.

The Government of Tanzania, with some development assistance from the Danish Government (DANIDA), was able to establish a Commercial Court in September 1999 in Dar es Salaam. The Commercial Court of Tanzania is actually a Commercial Division of the High Court of Tanzania. The establishment of the Commercial Court was expected to enhance and promote the effectiveness and efficiency of the judicial system in the resolution of commercial disputes involving all sectors. The Commercial Court is planning to extend its services to rural areas and will soon open branches in Arusha and Mwanza. The Commercial Court has the authority to deal with intellectual property rights (IPR) issues in a timely manner. A total of three IPR cases have been litigated at the Court in Dar es Salaam and more are being filed. Of the three cases, one was litigated in year 2000 and two were litigated in 2001.

SERVICES BARRIERS

Tanzania has opened its services sectors to foreign investment and participation. Significant progress has been made in the financial, telecommunications, and transportation service sectors. Tour and 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 one billion Tanzanian shillings. For a non-bank financial institution, it is 500 million Tanzanian shillings. The Bank of Tanzania is cooperating with other EAC countries to harmonize regional banking supervision. The Bank of Tanzania works closely with other international institutions such as the IMF, the World Bank and the Bank for International Settlements in the development and strengthening of the regulatory and supervisory framework in line with evolving domestic and international best practices. The completion of NBC privatization in March 2000 has enabled the Bank to be fully involved in lending. The government is in the process of privatizing the remaining state-owned financial institutions including the National Micro Finance Bank Ltd. (NMB) and the National Insurance Corporation (NIC).

Insurance is regulated by the Insurance Act of 1996, which brought an end to the government monopoly in this sector. Following a collapse of one insurance company, TUDOR Insurers Ltd., there are now 10 actively operating insurance companies in Tanzania. The total number of Insurance Brokers in Tanzania is 37, while that of Insurance Agents is 269. 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. Efforts are being made by the Government to create such a corporation. The only reinsurance services available within Tanzania are currently provided through the Department of Reinsurance of the NIC. Otherwise, reinsurance is mostly placed outside the country. Supervision for the insurance industry rests with the Ministry of Finance.

Since 1993, the Government has liberalized 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 regulates the sector and issues type-approvals, but in practice, International Telecommunications Union standards are applied. The privatization of the telecommunications parastatal, Tanzanian Telecommunications Corporation , was finalized in February 2001. The consortium of MSI of the Netherlands and Detecon of Germany took a 35 percent equity position in the company. The Government of Tanzania retained 65 percent. The consortium will invest $120 million into TTCL. Fifty-one percent ownership is permitted in any of the non-basic services categories. License applications are subject to a 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.

Foreigners are only allowed to operate a travel agent business in a joint venture with local investors. 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. For example, the GOT requires foreign investors to own at least ten new vehicles valued at $300,000. All vehicles must be registered under the company's name. Tour operators report that the requirement that foreign investors need to purchase $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.

INVESTMENT BARRIERS

With few exceptions, 100 percent foreign ownership is permitted in most sectors. Private ownership of land is still subject to restrictions, including for Tanzanians, 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: 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 licenses for the exploitation of other minerals without forming partnerships or joint ventures with local businesspeople.

Personnel Requirements: Except in the mining sector, the GOT allows foreign investors to employ a maximum of five foreign expatriate workers. A firm hiring expatriate workers beyond the quota of five must prove to the government that it cannot 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.

In 1997, the Government updated the 1990 Investment Code and established the Tanzania Investment Center (TIC) to replace the Investment Promotion Center . 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 $300,000 in the country. Local investors are only required to commit $100,000 to be eligible. 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 subject to a preferential 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 regulation. On several occasions, TIC approvals have been rejected by other institutions within the government, especially the Tanzania Revenue Authority or 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. The focus over the past 12 months, as in the previous year, has continued to be on the utilities, infrastructure and large commercial enterprises. Major transactions in progress include the Dar es Salaam Water & Sewerage Authority, Tanzania Railways Corporation, Tanzania Harbours Authority, Tanzania Electric Supply Company Ltd., Air Tanzania Corporation, National Insurance Corporation and National Micro Finance Bank Ltd. The Parastatal Sector Reform Commission (PSRC) has a legal mandate to complete the parastatal reform program by the year 2003. PSRC's responsibilities were expanded to include the creation of regulatory institutions, which will be needed to monitor the utilities and infrastructure firms after privatization.

When it was established in 1993, PSRC listed 395 parastatal corporations targeted for privatization over a period of five years. At the end of June 2001 a total of 326 divestiture transactions had been completed. 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 in pre-determined proportions.

In privatizing major utilities, the GOT requires foreign investors to form joint ventures or co-own the utility with nationals. For instance, in privatizing the water supply and sewage system in Dar es Salaam, the GOT required the foreign investor to form an operating company with local investors, whose equity position should range between 20 percent and 49 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.