



## **TANZANIA AT A GLANCE**

<b>Formal Name</b>	: United Republic of Tanzania
<b>Short Name</b>	: Tanzania
<b>Capital</b>	: Dar es Salam
<b>Date of independence</b>	: 9 <sup>th</sup> Dec. 1961
<b>Capital City</b>	: Dar es Salam (Legislative Office in Dodoma)
<b>Location</b>	: 6 00 S, 35 00 E
<b>Area</b>	: Total: 945, 087 sq km
<b>Climate</b>	: Temperature from 20 to 33 C. Three Rainy seasons a year, Generally comfortable.
<b>Time Zone</b>	: GMT + 3 hours
<b>Population</b>	: 37, 187, 939 (2002)
<b>Population Growth Rate</b>	: 2.8% per annum (2002)
<b>Life Expectancy</b>	: 45.5 years
<b>Literacy Rate</b>	: 78.2% (2002)
<b>Government Systems</b>	: Republic with 25 administrative Regions Legislative offices are in Dadoma where National Assembly meets regularly.
<b>Political System</b>	: Presidential democracy
<b>Head of Government Prime Minister</b>	: Frederick T Sumaye
<b>Legal System</b>	: Based on English common law; Judicial review of legislative acts Limited to matters of Interpretation; has not accepted Compulsory ICJ jurisdiction.
<b>Religions</b>	: Christians: 40%, Muslims: 40%, Others 20%. Ethnic Groups, Native African 99%
<b>Languages</b>	: English, Swahili (Official Languages), Mix of Arebic and Bantu, Gujarathi
<b>GDP growth</b>	: 6.1% (2002)
<b>GDP per Capita</b>	: \$ 600 (2002)
<b>Composition of GDP</b>	: Agriculture 48.1%, Industry 15.4%, Service 36.5%,
<b>Economic Growth</b>	: 4.8% (June 2003), Inflation 4.8% (June 2003)
<b>Currency</b>	: TZSSHILLING
<b>Exchange Rate</b>	: US \$ 1 = TZS 1,045, 1 Rupee = 22.07

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## ECONOMY OF TANZANIA

### **Introduction**

Tanganyika (former name of Tanzania) became independence on 9 December 1961 (from UK-administered UN trusteeship); Zanzibar became independent on 19<sup>th</sup> December 1963 (from UK); Tanganyika was united with Zanzibar on 26 April 1964 to form the United Republic of Tanganyika and Zanzibar; that was renamed United Republic of Tanzania on 29 October 1964. Tanzania is the largest of the East Africa countries. The country has spectacular landscapes of mainly 3 psychographics regions: the island, the costal plains and the highlands. Tanzania is one of the poorest among the developing countries of the world.

### **Geography**

Tanzania is located in Eastern Africa, bordering the Indian Ocean, between Kenya and Mozambique. Boarder countries are Burundi 451 km, Democratic Republic of the Congo 459 km, Kenya 769 km, Malawi 475 km, Mozambique 756 km, Rwanda 217 km, Uganda 396 km and Zambia 338 km. Kilimanjaro is highest point in Africa is in Tanzania.

This mountain is bordered by three of the largest lakes on the continent: like Victoria (the world's second largest freshwater lake) in the north, Lake Tanganyika (the world's second deepest) in the west, and Lake Nyasa in the southwest.

### **Population and Language**

Estimates for this country explicitly take into account the effects of excess mortality due to AIDS; this can result in lower life expectancy, higher infant mortality and death rates, lower populations and growth rates, and changes in the distribution of population by age and sex than would otherwise be expected (July 2003 est.) Median age is 17.5 years. Kiswahili or Swahili (official), Kiunguju (name for Swahili in Zanzibar), English (official, primary language of commerce, administration, and higher education), Arabic (widely spoken in Zanzibar), many local languages note: Kiswahili (Swahili) is the mother tongue of the Bantu people living in Zanzibar and nearby coastal Tanzania; although Kiswahili is Bantu in structure and origin, its vocabulary draws on a variety of sources, including Arabic and English, and it has

become the lingua franca of central and eastern Africa; the first language of most people is one of the local languages.

### **Economy – A Review**

The Economy of the country is heavily dependent on Agriculture, which accounts for 50% of GDP, provides 85% of exports, and employs 80% of the work force. Topography and climate conditions, however, limit cultivated crops to only 4% of the land area. The World Bank, the International Monetary Fund, and bilateral donors have provided funds to rehabilitate Tanzania's out of date economic infrastructure and to alleviate poverty. Industry in Tanzania traditionally featured the processing of agriculture products and light consumer goods. Growth in 1991- 2002 featured a pick up in industrial production. A development played an important role in this growth. Also, recent banking reforms have helped increase private sector growth and investment.

Agriculture is still the lynchpin of the Tanzania economy. It accounts for over 50% of the Gross Domestic Product (GDP) at factor cost and 85% of foreign exchange earnings. The sector produces and exports value added products such as textiles and yarn, processed coffee and tea, sisal twine and ropes, paper and chemical products. There are two product categories namely food cash crops. Major food crops include maize, paddy (rice), sorghum, wheat, beans, and cassava, potatoes and sugar canes. Major cash (export) crops are further subdivided into traditional and non- traditional products. Traditional crops are coffee, cotton, sisal, tea, cashew nuts, tobacco, pyrethrum and cloves. Non- traditional export groundnuts, cowpeas, wine grapes sunflower, soybeans, castor seeds,

palm oil seeds, sesame oil, copra, cut flowers, fruits and vegetables.

**Cloves:** Zanzibar is famous for its fragrant and aromatic spices. Nutmeg, ginger, chilies, black pepper and cinnamon. It is a major world producer of top-quality cloves. Today, cloves continue to be the islands' principal cash crop and foreign currency earner. Clove production is characterized by a natural cycle of alternate bumper and low harvested. Understanding the cyclical nature of clove production and to ensure that clove producers receive as much income as possible, the corporation of clove manufacturers is striving to reduce its administrative costs and constantly monitors the price system. Zanzibar now faces much greater competition in the world

**Coffee:** The rich soil, good humidity, sufficient rainfall and correct temperature make for perfect cultivation conditioned, but despite all that, over the last thirty years the coffee industry in Tanzania has been in terminal decline. Tanzania produces between 40 to 50,000 metric tones of coffee a year, making it only the 6<sup>th</sup> largest coffee producer in Africa after Cote d'Ivoire, Cameroon, Uganda, Ethiopia and Kenya. Tanzania also has a trump card in that it is one of only three coffee producing countries in the world that grows 'Colombian Mild', which is a highly prized Arabic bean; the other two are Kenya and Colombia. The demand from Tanzania's two biggest export markets, Germany and Japan is strong, but that demand will only be met once Tanzania has replaced its ailing stock of pest- prone coffee bushes. The coffee bushes, which are growing in Tanzania, are very susceptible to disease, especially leaf rust and coffee berry disease.

**Cashew nuts:** Tanzania is among the major producers and exporters of cashew nuts, which has a lucrative market in India and Japan. But most cashew nuts exported from Tanzania are raw. Tanzania loses an estimated Tsh.175 billion through the export of raw cashew nuts in every five-year span. This money could be ploughed back into the national economy if the crop was processed. The cashew nut Board of Tanzania (CBT) is taking some measures to improve the situation of raw exports. The crop is sometimes re-imported in Tanzania after processing and jobs away even the small income that was paid at the time of export. The country is forced to sell to countries with processing abilities such as the EU and America whether it fetches good price or not. In Tanzania most cashew nut processing factories are out of function. The few that are surviving are privately owned, doing well. But they are very few in number and are not capable of processing much. Concerned authorities should ensure that cashew nut processing factories in Tanzania are established in several points where the crop is produced in big quantities. Also, there should be encouragement and financial assistance from financial institutions for those who venture into the cashew nut processing industry in a bid to save billions of shillings lost.

**Sugar:** Sugar cane is grown in Tanzania and there are few Sugar factories. A study conducted in a sugar factory area recommends that the government should play an active role in promoting the dissemination of the village level sugar processing technology as part of basic industry strategy in all the areas that have potentials. The potential interest groups such as NGO's, banks, manufacturing workshops and private companies should be motivated

through fiscal and legal policies to participate in their relevant areas of support in the technology dissemination. Walchandnagar Industries Ltd has a prestigious turnkey project at Kagera, Tanzania.

**Fishing:** Tanzania's potential fish resources are promising in both marine and freshwater as well as in agriculture. The annual yield in fresh water fishing is about 307,105 metric tonnes while that of the coastal fisheries is around 51,669 metric tones. Fish products from both the inland water bodies and from the Indian Ocean accounted for 11.3% of total Tanzanian exports in 1999. On an average, fishing contributed to about 2.9% of GDP in 1999 and its performance indicated a growth of 3.1% per annum.

**Livestock:** Tanzania is among the top three African countries boasting of having the largest livestock population. Other countries are Ethiopia and Sudan. Livestock keeping contributes an average of 7% of the country's GDP and about 13% of the country's agricultural produce. Its annual performance stands at an average of 2.4%.

**Forestry and Hunting:** Tanzania has an estimated forest and woodland area of 44 million hectares. This is about half of the total land area of the country. The forestry sector account for 10% of foreign exchange earnings. The major products of this sector which are also exported are beeswax, honey timber and timber products, mushrooms and to a lesser extent meat and animal trophies. Apart from its contribution of 6% to GDP, the forestry sub sector provides rural energy, protecting watersheds, conserving soil and the environment.

**Manufacturing:** Manufacturing industry is a very important sector in the economy. Improvement in industrial performance was mainly attributed to more stable power supply and the economic liberalization measures, notably the restructuring of the parastatal sector, implemented by the Parastatals Sector Reform Commission (PSRC). This move greatly enhanced private sector investment and participation. During the period between August 1993 and June 1999, a total of 191 entities were privatized out of the 410 earmarked under the privatization program. Notable improvements were recorded in the production of beer, wheat flour, pyrethrum extract, cement, aluminum products and dry cells. Total manufacturing production in 1999 increased by 16.5%. However, low production was recorded in biscuits, Konyagi, cigarettes, sisal twine and ropes, fishnets, petroleum products and dry cells, due to shortage of working capital.

**Mining:** The mineral sector is becoming an important foreign exchange earner for the country, following an increase in private sector involvement in mining activity and improved market services for the minerals as a result of a new mining policy. Export earnings from minerals have increased from US Dollars 15.1 million in 1995 to US Dollars 80.4 million in 1999. Gold production is now Tanzania's largest export earner producing 1.5 million ounces a year. Output is expected to rise to 2 million ounces a year when the investments now taking place come on stream. Over the past seven years, export earnings from gold have risen to \$440 million a year from \$25 million. Mining has transformed Tanzania and continues to emerge as an important sector in Tanzania's developing economy. Mining represents approximately 5.8% of the country's GDP, with an expected rise to 6% this year with the inflation rate on the decline. Gold has dominated the mineral industry of Tanzania with the successful development of four gold mines. Tanzania's gold production has doubled to 34t in 2001, overtaking Zimbabwe as Africa's fourth largest producer. Tanzania is 4<sup>th</sup> largest producer of Gold in Africa. In recent years, the mineral industry of Tanzania has also produced iron ore and steel and such industrial minerals as

bentonite, kaolin and other clays; calcite; diamond and other gemstones; granite; gypsum; phosphate rock; salt; silica sand; and soda ash. The country also has produced coal, petroleum products, and such building materials as cement, limestone, and sand and gravel. Deposits of cobalt, copper, natural gas, nickel, and titanium also are known to occur in Tanzania. This unprecedented growth of the mineral sector in such a short period has a massive impact on the economy through the creation of employment, importing of new skills through first class training and payment of a range of taxes to the government. Tanzania only has one operating diamond mine, Williamson Diamonds Mine at Mwadui, south east of Mwanza. The Mwadui kimberlite was one of the largest producing kimberlite pipes. The mine has been in operation since the 1930's and has produced as much as 2Mct. Production has dropped significantly, due to flooding of the mine coupled with exhausted ore reserves. The mine produced 212 000 carats in 2001. A MINING company, Hillal Minerals Limited, which is wholly owned by Tanzanias, is finalizing plans to dig for diamonds in Mwadui, Shinyanga region. This will be the second largest mine in the country, after the Williamson Diamonds Mine, which is also located nearby.

**Cement Industry:** There are three cement plants in the country, at Mbeya, Wazo Hill (near Dares Salaam), and Tanga. These have been rehabilitated with Danish and Swedish aid, enabling production to rise. Domestic demand for cement is less than this, and the country is thus able to export the product. Tanzania Portland Cement Ltd. remains the market leader in Cement industry in Tanzania. The company manufactures two types of cement: Twiga ordinary and Twiga Extra.

**Cotton Industry:** The Tanzania government has formulated an ambitious plan to trip its cotton output in the next six years. To improve cotton production in the country, the Government has decided to provide farmers with fertilizers, pesticides and other farm inputs. The textiles and garment market study done jointly by the Board of External Trade (BET) and the Confederation of Tanzania Industries (CTI) has recommended the urgent establishment of an institute for textile and garment design.

**Chemical and Chemical Related Industries:** Tanzania's chemical and chemicals related industries include the production of fertilizers, pharmaceuticals products, oxygen and carbon dioxide, and cement. The oil industry's discovery of natural gas in the Songo field ammonia/urea fertilizer plant, soon to be constructed at Kilwa Masoka, with a joint venture company, Kilwa Ammonia Co. (KilamCo), supervising the project.

**Tourism:** There are twelve national parks, more than thirty game reserves and unique landmarks such as Mount Kilimanjaro, the Serengeti and Ngorangora craters. The spicy islands of Zanzibar are also important attractions. Other attractions include an extensive 800km coastline featuring beautiful natural beaches, historical sites and rich cultural traditions that form the base for cultural tourism. The industry experienced a major revival in the 1990s, with the official number of visitors rising from 200,000 in 1992 to more than 600, 000 in 1999. For almost three decades since independence, tourism was given a very low profile. The Ministry of Tourism has commissioned a \$70 million Tourism Infrastructure Project, funded by the World Bank, to see what can be done quickly to improve things', while a longer-term Tourism Master Plan backed by the European Union promises to root out many remaining obstacles to fully exploiting Tanzania's massive tourism potential.

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**Infrastructure:** Tanzania is the transport gateway not only to East but also to eastern Southern Africa and the great lakes area of Rwanda, Burundi, Zambia, Malawi and Congo.

- **Railway:** The railways network of Tanzania allows travel throughout much of the country; giving visitors the chance to see areas difficult to reach by road. Tanzania has two railway systems, namely Tanzania Railways Corporation (TRC) with a length of 2605 km and the Tanzania - Zambia Railways Authority (TAZARA) with a length of 960 km. Together, the railways link 14 out of the 20 regions on the mainland, and neighbouring countries of Zambia, Democratic Republic of Congo, Burundi, Rwanda, Uganda (through steamer services) and Kenya.
- **Road Network:** Travel itineraries by road within Tanzania could be spectacular. There are 6 main roadways. Highways: total: 88,200 km, paved: 3,704 km; unpaved: 84,496 km.
- **Maritime:** Maritime transport includes deep seas, coastal and inland waterways. There are four major port namely, Dar es Salaam, Mtwara, Tanga and Zanzibar for deep sea, coastal transport and cargo handling services. Lake Tanganyika, Lake Victoria, and Lake Nyasa are principal avenues of commerce between Tanzania and its neighbours on those lakes.
- **Power generation:** Electricity production: 2.906 billion kWh (2001). Electricity production by source: Fossil fuel: 18.9% hydro: 81.1%. Electricity consumption: 2.752 billion kWh (2001). Electricity - imports: 50 million kWh (2001).
- **Ports:** Bukoba, Dares salaam, Kigoma, Kilwa, Masoka, Lindi, Mtwara, Mwanza, Pangani, Tanga, Wete, and Zanzibar.
- **Air:** Tanzania has 63 airports including airstrips servicing domestic and international traffic, elaborate air and ground aids systems and a cadre of highly trained national to facilitate air transport. International Airports are Dar es Salaam (DIA), Kilimanjaro International Airport (KIA) and Zanzibar International Airport (ZIA).
- **Communication:** In Tanzania, communication and information technologies form one of the fastest growing industries. Major structural and policy changes, which were initiated since the mid 1990s in the communication sector have resulted in, increased telephone services. Fair system operating below capacity and being modernized for better services. VSAT (very small aperture terminal) system is under-construction. Domestic: open-wire, microwave radio relay, troposphere scatter, and fibre-optic cable provide. Trunk service where some links being made digital. There are 2 international satellite earth stations (1 Indian Ocean and 1 Atlantic Ocean). Internet service providers: 6 (2000). Internet users:

300,000 (2002), There are 13 Internet service providers. Tanzania is effectively implementing a dynamic communications policy and its impact on connectivity already surpasses levels in many SSA countries – Her International bandwidth availability is over 2048K.

**Export Processing Zone:** EPZ was established in Zanzibar in 1992, as an export – oriented strategy that would enable Zanzibar to participate in the global market. Zanzibar, as part of TANZANIA, enjoys the European Unions Preferential Treatment under the convention, including duty and quota free access for all its industrial products. Zanzibar allows investors to easily import raw material and semi-finished goods for their production line. At all stage the enquiry, application and project implementation, staff at the EPZ Authority assist investors to obtain the necessary documentation required to get the project up and running. The first Tanzanian Export Processing Zone (EPZ) spread over 270 acre in the Dar es Salaam International Airport area is built in March 2003. Most of the funding is to come from over 70 investors from US, UK, South Africa, Asia, Kenya and Uganda. The project is envisaged as a strategic move to fast track investment flows for the development of manufacturing and trade sectors geared to emerging international markets.

**Banking:** Tanzania has around 20 commercial banks, of which 12 are foreign owned and eight local. Tanzania was once burdened with a huge external debt. But over the years, Tanzania has worked with the World Bank through the long process of qualifying for its debt relief programme. “This means that Tanzania’s stock of debt has been more than halved, down to \$3 billion from \$7 billion.

**Stock Exchange:** In 1998, when the DSE (Dar es Salaam Stack Exchange) started trading, there was only one session per week. Now four weekly sessions are necessary to handle the business generated by investors and Dar es Salaam’s six brokerage firms.

## **TRADE ACTIVITIES IN TANZANIA**

World Trade Organization has reported Sub Saharan Africa’s (SSA) rapidly declining share in world commerce. It also suggests a tendency of SSA’s exports to be concentrated in products whose share of world trade is declining. This has caused marginalization of African countries in world economy. Government in African countries have become aware of the situation and have started taking important steps towards liberalization. Open economies grow faster than closed ones and this message is more important for any of the African countries. Tanzania Government has started taking steps towards liberalization by starting EPZ, privatizing most of the public sector areas.

### **Tanzania’s Export- Imports**

Figures from Bank of Tanzania indicate that during the year ending September 2002, non-traditional exports increased by 27% to \$ 630.7 m, accounting for 49.0% of the export trade. The increase was

attributed to increase in the volume of gold exported as result of commissioning of a new gold mine. Gold production is estimated to hit one million ounce this year, up from 250,000 ounce last year and the Ministry of Energy and Minerals expects that the mining industry will represents as much as 10% of the country's GDP by 2005. Other categories of non-traditional exports such as fish and fish products and horticultural products also recorded an increase of 28%, while exports of traditional commodities increased by 53.0% to \$ 8.9 million in September 2002 from \$ 5.8 m recorded in August 2002, attributed to the increase in maize exports to Zambia and Malawi (which faced food shortage), increase in oilseeds exports to Asian countries, and increase in export volumes of coffee, cotton, cashew nuts and cloves. Major Export's items are: Coffee, raw cashew nuts, sisal, tobacco, Oilseeds, cloves, diamonds, gold, gemstones, Tanzanite, cotton, minerals, timber, fish and Horticultural products. Major Export destinations are: India (15.2%), Japan (12.4%), Netherlands (9.2%), UK (6.8%), Belgium (6.5%), Kenya (5.9%), Germany (4.8%).

**Imports** Tanzania's import was worth US\$1.55 billion in 2002. Major Imports items are: Consumer goods, food & beverages, crude oil, construction material, Transport equipment, Machinery, electrical equipment, pharmaceuticals, footwear, fuel, textiles, and industry raw materials. Tanzania imports all its oil. Major Imports are from: South Africa (12.7%), China (7.9%), Kenya (6.6%), India (6.3%), UK (6%), Japan (4.5%), US (4%), Australia (4%). During 1997- 98, Tanzania's industrial sector remained weak, though small gains were posted in the production of cement, soft drinks, corrugated iron sheeting, food processing, chemicals, leather products and textiles. Tanzania's industrial sector contributed approximately 8 percent to the GDP of the nation in spite of disruptive power supply. Liquidity problems, poor management, lack of spare parts, insufficient capital to import raw materials and stiff outside competition from imported goods contributed to the low performance of the industrial sector. Privatization and diversification of Tanzania's industrial sector is progressing at a slow but steady pace. More than 400 firms were already privatized.

**Balance of Trade** Tanzanian economy witnessed a repetitive trade deficit from the year 1998 to 2002. In the year 2002 the deficit figure went up to US \$ 1059 million from US\$ 467 million in 1998. This trend indicates that in order to have improvement in the balance of trade situation, Tanzania needs to increase its Exports.

### **Tanzania-India Trade Activity**

India and Tanzania have been traditional partners over the years. This age old trade relations could be traced back to 2500 BC when the Indian merchants reported to have started trade in spices at the port of Zanzibar. Future Indo- Tanzania trade is now very promising due to formulation of Joint Trade Committee between India and Tanzania in 2002. India and Tanzania's bilateral relation are friendly, warm and cordial; marked with mutual understanding; and Historical commercial contacts, especially with Zanzibar, Tanzania is a major beneficiary of India's technical& economic co- operation. The Indian community is over 40,000 with Tanzania nationality,

settled in Tanzania for generations, influenced in business and economic life and nearly 5,000 Indian expatriates- in business, industry and services sectors even.

The following tables show what India imports from Tanzania, Tanzania's imports from India and India's share in Tanzania's global imports.

**Table-8.3.1: Top Commodities of India's Exports to Tanzania (US\$ Million)**

<u>Commodity</u>	<u>2001- 02</u>	<u>2002- 03</u>
Cotton yarn, Fabrics, made ups etc.	17.75	15.17
Transport Equipment	8.28	7.67
Manufacturers of Metals	5.02	4.43
Plastic & Linoleum Products	5.23	5.67
Primary & semi finished Iron and Steel	5.94	6.47
Glass/ Glassware/ Ceramics/ Refractories/ Cement	2.55	3.48
Rubber Manufactured products except footwear	2.81	4.08
Paper/ wood products	1.93	3.64
Drugs, Pharmaceuticals & Fine Chemicals	8.51	10.85
<b>Rice (other than Basmati)</b>	<b>2.50</b>	<b>5.93</b>
<b>Manmade Yarn, fabrics, made ups</b>	<b>3.52</b>	<b>7.31</b>
<b>Machinery &amp; instruments</b>	<b>7.94</b>	<b>12.14</b>
Other Commodities	2.86	7.60

Indian exports to Tanzania have been increasing gradually and the top commodities where there was a substantial rise were paper and wood products, drugs, pharmaceuticals and fine chemicals, rice, manmade yarn, fabrics, machinery and instruments and other commodities.

**Table-8.3.2: Top Commodities of India's Imports from Tanzania (US\$ Million)**

<u>Commodity</u>	<u>2001- 02</u>	<u>2002- 03</u>
Pearls Precious, semi Precious, stones	16.51	11.57
Cotton Raw: Combed/Uncombed/waste	7.63	2.96
Pulses	11.81	9.66
Other Textiles Yarn, Fabrics, Made up articles	1.01	0.16
Wood and wood Products	0.65	0.70
Raw hides and skins	0.04	0.14
Gold	2.66	2.95
Dyeing, Tanning, Colouring Materials	1.01	1.32
Spices	1.67	2.34
Metalifers Ores and Metal Scrap	0.54	1.39
Other Commodities	2.80	6.53
Cashew/ Nuts	33.16	50.73

Tanzania's exports to India have increased in cashew nuts (by US \$ 17.57 million), spices, metal scrap and raw hides & skins and other commodities. This indicates that there is a large scope for Tanzania to utilize the export market potential in these product categories.

In Tanzania's global exports, India's major share is in cotton (61%), locomotives (41%), articles of apparel (38%), Pharmaceuticals products (25%) and organic chemicals (19%). Refer to table 8.3.3: India's share in Tanzania's imports has been steadily increasing in the above mentioned commodities. Therefore India has a scope for increasing its exports in these categories, as there appears to be a considerable market potential in these areas.

## **MARKET OPPORTUNITIES IN TANZANIA**

### **Competitive Investment Climate**

In the African countries improvement index report, Tanzania has climate the top spot. In a report titled "The Africa Competitiveness Report 2000/ 2001", benchmarking macro economic and investment climate success factors, Tanzania ranks first followed by Morocco, Mozambique, Nigeria, and Uganda. Tanzania is free of ideological confrontations, ethnic problems and labour disputes. It is a center of economic and political stability in Sub Saharan Africa. Multi party democracy adopted in 1992 has not disturbed the peaceful political climate of the country. The political scene is characterized by parliamentary democracy and public consensus on key social and economic priorities.

Tanzania offers a wealth of market opportunities for foreign companies. With a population of over 32 million consumers, a rapidly growing economy, and high levels of domestic investment spending, the Tanzania market will remain an important target destination for local and foreign products and services. On top of that, Tanzania is part of two distinct market areas: Southern Africa development Community (SADC) and the East African Community (EAC), with some 300 million consumers. Tanzania has a central location in terms of its distance from major global markets. As such Tanzania location is close to any export markets. The pro investment attitude by Government is clearly demonstration by the innovative investment legislation, the increasing number of foreign direct investments in the country and economic and structural reforms that have led to substantial progress in establishing a functioning market economy. Institutional support for priority investment project is readily available from the Tanzania Investment Centre (TIC) and other Government institutions.

## **EXPORTS OPPORTUNITIES**

**Engineering Goods:** There exists immense potential for exports of engineering goods from India like agricultural implements and machinery, machinery for road construction and bridges, irrigation equipment and water pumps, diesel sets, mining machinery etc.

**Table-8.3.3: Top 30 Product Groups of Tanzania's Global imports and India's Share US\$ Million (1988)**

<b>Rank</b>	<b>Description</b>	<b>Global Imports</b>	<b>Imports From India</b>	<b>India's Share (%)</b>
1	Nuclear reactors, boilers, machinery, etc.	257.87	8.22	3.19
2	Vehicles other than railway, tramway	224.21	7.96	3.55
3	Minerals fuels, oils distillation products, etc.	127.27	0.07	0.05
4	Electrical, electronic equipment	114.94	1.88	1.64
5	Article of iron or steel	64.71	1.71	2.64
6	Cereals	64.53	4.38	0.79
7	Sugar and Sugar confectionery	59.38	0.05	0.08
8	Animal, vegetable fats and oil, cleavage products, etc.	57.86	0.01	0.02
9	Plastics and articles thereof	45.69	2.369	5.19
10	Pharmaceuticals products	40.76	10.74	26.35
11	Iron and Steel	38.32	4.10	10.69
12	Other made textile articles, sets, worn clothing etc	34.33	2.91	8.48
13	Paper & paperboard, articles of pulp, paper & board	31.89	1.12	3.52
14	Optical, photo, technical, medical, etc apparatus	25.29	1.23	4.88
15	Rubber and articles thereof	24.74	3.78	15.27
16	Miscellaneous chemical products	20.63	0.66	3.21
17	Furniture, lighting, signs, prefabricated buildings	19.95	0.20	0.99
18	Railway, tramway locomotives, rolling stock,	19.58	8.20	41.85
19	Milling products, malt, starches, insulin, wheat gluten	19.09		
20	Articles of apparel, accessories, not knit or crocheted	18.90	7.21	38.14
21	Explosives, pyrotechnics, matches, pyrophorics, etc	17.62	0.09	0.53
22	Milling products, malt, starches, insulin, wheat gluten	17.37	0.09	0.49
23	Printed Books, newspapers, pictures etc	15.69	0.68	1.35
24	Inorganic chemical precious metal compound, isotopes	13.94	1.83	13.13
25	Fertilizers	13.80		
26	Miscellaneous edible preparations	13.32		
27	Tools, implements, cutlery, etc of base metal	11.98	0.98	8.19
28	Aluminium and articles thereof	11.15	0.60	5.38
29	Organic chemicals	10.80	2.14	19.85
30	Cotton	10.55	6.46	61.17

Other Potential items of exports from India to Tanzania include Drugs and pharmaceuticals, Electronic goods, household appliances, bicycles and parts, automobiles and auto components, gems and jewellery, foodstuffs, leather and leather goods, rice, tobacco, machine tools, processed fruits and vegetables and their products, computer hardware and software, scientific instruments, plastic, chemicals, transportation equipments, metals, beverages, hospital equipments, stationary items etc. India can also do a lot of business with Tanzania by exporting wide variety of intermediate technology specifically for which the country has earned considerable experience and reputation in promotion of small-scale industries to sustain the economic development process and is required immensely by Tanzania. Similarly India can offer consultancy services on a much wider scale in Tanzania.

**Potential Area for Economic Co-operation:** The possible areas of co-operation are: SMEs, HRD, IT, agro & food processing, healthcare, hotels, Agriculture & irrigation, manufacturing, natural gas, mining, railway, fishing, floriculture, wood, paper, chemicals, engineering, pharmaceuticals, non metallic mineral products, fabricated metal products, machinery and equipment etc. Indian businessmen are very welcomed to invest in these areas.

**Investment Opportunities:** Tanzania offers tremendous opportunities for investors as it is endowed with abundance of natural resources such as arable land, a wide base for raw material supply from local source, political stability, good market policy, excellent geographical location in East African and excellent tourist attraction. The key investment sectors are: Agricultural and livestock, Leather, Mining, tourism, Infrastructure, Information Technology, Insurance and Human resources development, Petroleum and mining (gold, Rubies, diamonds etc).

**Infrastructure Facilities:** There is sustained programme for building good quality roads. Two railway networks connect 14 out of 20 cities and the neighbouring country of Zambia. There are also international and domestic airports

linking Tanzania to the world. The three major ports of Dares Salaam, Tanga and Mtwara function as hubs for traffic emanating from, and destined to land locked neighbouring countries of Uganda, Burundi, Rwanda, Zambia, Malawi, and Democratic Republic of Congo.

**Fiscal Regime:** Tanzania has a stable fiscal regime with sustainable level of inflation.

**Investment Incentives:** Tanzania offers a well-balanced and competitive package of fiscal incentives in comparison with other African countries. Aiming at providing competitive fiscal regime on foreign trade, Tanzania has signed double taxation treaties with Denmark, India, Italy, Norway, Sweden, Kenya, Uganda, Zambia and Finland. Countries with which negotiations are continuing include South Africa, republic of Korea, Zimbabwe, United Arab Emirates, Russia, Seychelles, Mauritius, Egypt, Yugoslavia and Oman.

**Abundant Natural Resources:** Tanzania's untapped natural resources offer a wide range of investment opportunities; arable land, minerals and natural tourist attractions are all awaiting potential investors. Tanzania is internationally renowned for its abundance of wildlife attractions and unexploited mineral

reserves. These sectors (Mining and Tourism) are the leading recipient of foreign investment flow and tipped to become the “growth sectors” of the economy.

**Investment Guarantees:** Investments in Tanzania are guaranteed against nationalisation and expropriation. Tanzania is a signatory of several multilateral and bilateral agreements on protection and promotion of foreign investment. Among other international agreements and membership, Tanzania is a member of Multilateral Investment Guarantee Agency (MIGA) and International Centre for Settlement of Investment Disputes (ICSID).

**Economic and Structural Reforms:** Tanzania had been carrying out successful economic and structural reforms, which have improved economic performance and sustained growth. These achievements are based on solid foundations of political and economic reform undertaken by the Government since 1986, placing Tanzania in a position where a prolonged period of high GDP growth rates is expected.

**Labour Cost and Availability:** Access to low cost labour is a key priority for companies competing in African economies. Tanzania offers trainable skilled labour at significantly lower labour costs. The Government has made a long-term commitment to develop a pool of well-trained and educated specialists. In the 2001 budget, for example, the Government has increased its education budget by 20% compared to the previous budget.

## **DOING BUSINESS WITH TANZANIA**

### **Export and Import Procedures**

Some products require specific licence/ permit from the Government department/ Institutions or controlling body is legally empowered to do so.

### **Acquisition of a Bonded Warehouse Facility**

There are two classes of bonded warehouse: -

- General bonded warehouses, which are used to warehouse goods generally. Imports by licensees of these types of bonded warehouse are not allowed in the warehouses they operate. They may warehouse them in general bonded warehouses operated by other licensees.
- Private warehouses are used to warehouse goods, which are the property of the licensee.
- In order to acquire any of the above bonded warehouses, the respectively company is require to apply to the Commissioner for Customs and Excise.

The procedural details can be obtained from: The Commissioner, Customs and Excise, Department, Tanzania Revenue Authority, P.O. Box 9053, Dares Salaam, Tanzania. Tel: 255 22 2119269/ 2127783-4; Fax: 255 22 2124523, Email: [customs@afsat.com](mailto:customs@afsat.com); Website: [www.tra.go.tz](http://www.tra.go.tz)

### **Import Procedures**

Importers in Tanzania are required to establish whether or not the goods to be imported are subject to Presupply Inspection (PSI). Obtain and fill an Import Declaration Form (IDF) from any commercial bank. 1.2% of FOB value must be paid as pre-shipment fee to a designated commercial bank when submitting the IDF to the Bank, for goods worth US\$ 5000 and above. Consignment with proforma invoice FOB value of less than US\$ 5,000 or any other such value as may be determined from time to time are exempted from PSI. The Commercial Banks are obliged to pass the IDF and Proforma invoice to PSI Company as quickly as possible in order to avoid delays. Upon receipt of the IDF and proforma invoice, the details are entered on the PSI Dares Salaam Company and sent to the inspecting PSI office in the declared country of supply. Upon receipt of the IDF, the executing office in the country of supply automatically contacts the seller on record detailed on the importer's IDF to request information and arrange inspection. Importers must submit the Single Bill of Entry (SBE) to the commercial bank and pay the duties and taxes as indicated in the SBE.

### **Tax structure**

The tax structure is composed of direct taxes (e.g. taxes on income and properties) and indirect taxes (taxes on consumption and international trade). The direct taxes are administered by income Tax Department while the Customs & Excise and VAT departments administer the indirect taxes. Large Taxpayer Department deals specifically with large taxpayers of both direct and indirect taxes.

### **Investment Tax Incentives**

In an effort to improve the investment climate in Tanzania, stable and predictable fiscal incentives have been put in place which provides a soft landing platform for all investors during the initial period of project establishment in recognition of the fact that investors need to recover their investment costs first before paying taxes. In this regard, investors pay very little or no taxes at all to establish their projects in Tanzania. These fiscal tax incentives are structured according to Tanzania's Investment priorities in the areas of Lead and Priority sectors. All prospective investors are most welcome to take advantage of the generous incentives under the liberalized environment offered by the new investment regime Tanzania Investment Act, 1997 (Act No. 26 of 1997).

### **Lead Sectors**

Tanzania offers a well-diversified economy with the following categories as lead sectors, which includes: agriculture, agro based industries, mining, tourism, petroleum and gas economic infrastructure.

## Agriculture

There is no duty for All Capital Goods, Agricultural Machinery/ Equipments, Fertilizers & Pesticides, Farms Implements & Other Inputs and one Non Utility Adm. Vehicle. VAT is differed on All Capital Goods while it is exempted other wise. Corporate Tax is 30%. There is no Withholding Tax on Interest on foreign Sourced Loan.

## Mineral Sector

The sector was given a major boost in 1997 following the formulation of Mining Policy and Enactment of a new Mining Act of 1998, which repealed the Mining Act of 1979. This law has been enacted to remove ambiguities that prevented smooth operation of the sector. As a Testimony to the country's commitment to encourage private investment in mining, a special fiscal incentive package is offered for the sector. Mineral section gets the same incentive for duty. VAT is relieved. Corporate tax is 30% and Capital allowance are 100%. Resident and non- resident withholding tax in technical services is 3%. Other applicable tax and levies on mineral sector are as follows:

- Royalty 3% except for diamonds, which is 5%.
- No tax, duty, fee or other fiscal impost on dividends.
- No capital gain tax.
- Losses carried forward for unrestricted period.
- Duty rate of 5% and VAT will be charged after the first five years of commercial production.
- Yearly appreciation of unrecovered capital in investment.
- Importation by or supply to a registered licensed exploration.

## Economic Infrastructure

Economic infrastructure sectors include road, railway, air and sea transport, port facilities, telecommunication, banking and insurance.

- All incentives as applicable in mining sector;
- There is a Provision of Strategic Investors Status with incentives beyond those
- Provided to normal investors.

## Tourism

All the incentives are same as Minerals. VAT is deferred.

## Petroleum and Gas

- Tax exemption of equipment and material used for exploration;
- Negotiated levels of cost oil or gas split after the discovery of oil or gas for the purpose of recovering costs for exploration, development and production;
- For the oil marketing companies operating in downstream, the incentives being granted are those provided by Tanzania Investment Centre (TIC) Certificate of Incentives;

- Importation by or supply to a registered licensed exploration, prospecting, mineral assaying, drilling or mining company of goods which if imported will be eligible from relief from duty under customs law, and service for exclusive use in exploration, prospecting, drilling or mining activities.

### Priority Sectors

Priority sectors include manufacturing, natural resources such as fishing and forestry, aviation, commercial building, financial services, transport, broadcasting, human resource development and export oriented projects. All the incentives are same as Minerals except Raw Material where VAT is 20%.

### KEY CONTACTS

- **High Commissioner**

High Commission for the United Republic of Tanzania

F- 63, Poorvi Marg, Vasant Vihar, New Delhi – 1100057.

Tel: 261531489/ 26153249/ 26153289; Email: [tanzrep@del2.vsnl.net.in](mailto:tanzrep@del2.vsnl.net.in)

- **High Commissioner of India**

Dar-es-Salam, Tanzania, Fax: 255-51-2600697

Email: [hcitz@simbanet.net](mailto:hcitz@simbanet.net)

- **Consulate General of India**

8 Migombani P.O. Box 871

Zanzibar, Tanzania

Tel: 255-24-2232711/ 2230720; Fax: 255-24-2230001

- **The Executive Chairman**

Presidential Parastatal Sector Reform Commission (Cashew Industry)

Second Floor, Sukari House, Sokoine Drive/ Ohia Street,

P.O. Box 9252, DAR ES SALAAM, Tanzania

Fax: (255 22) 211 3065, 211 3066, Email: [info@psrctz.com](mailto:info@psrctz.com)

The improvement in economic climate coupled with political stability, its location for investors to access other neighbouring countries as well as European market, and ethnic cohesion with law and order situation makes Tanzania an attractive destination for business. All in all, India and Tanzania are closely linked through diverse geographical, historical, cultural, political, economic, commercial and other ties. Several bi-lateral and multilateral agreements between India and Tanzania have been signed indicating both the countries are eager to do business with each other. Setting up of Indo - Tanzania Trade of Commerce in India will facilitate and expedite bilateral

trade and investments between India and Tanzania. The Openness and commitment of Tanzania Government to foreign investment clearly indicates scope for enhancing trade. This is also further indicates an opportunity for setting up ventures or branches by big as well as small and medium size companies.

India has 8.6% share of two way trade and ranks as the second largest partner of Tanzania after United Kingdom. In recent years Indian companies have been showing keen interest in investigating in Tanzania and entering into manufacturing and technology based services sector collaboration projects. Tanzania's huge wealth of natural resources and favourable liberalization policy attracts European, American and Asian countries to invest.

Currently, India exports cotton yarn, ready made and Pharmaceuticals in large quantities. India also exports machinery instruments and transport equipments. Indians are not exploiting the opportunities available such as, land, water, tax incentives, low cost labour and Government's encouragement for investment. India can explore opportunities in Human resource development, infrastructure and IT. Developing India - Tanzania economic linkages could be a model for South-South Cooperation.

Indian products have broad acceptability in Tanzania. Indian businessmen should take advantage of vast market potential of Tanzania and its land locked neighbours: Malawi, Zambia, Congo, Rwanda and Burundi. Indian products are not suitable but they are affordable unlike those imported from Western countries. With close political and economic co-operation and cultural interactions that developed in the past, the prospects for further strengthening Indo - Tanzania cooperation in the future appear brighter. Entrepreneurs seeking to exploit the current business climate of doing business with Tanzania need to expedite their interest. India can offer consultancy services on a much wider scale in Tanzania. E.g. setting up small and medium scale industries, road building (Tanzania produces extra cement), and expansion of Railway, information technology etc. The Tanzania President, Benjamin W. Mkapa, said that his country was keen to replicate the success of Bangalore in IT and other technological sectors for the speedy transformation of his country's community.