

Trade Policy Review Body
2 and 3 March 2000

TRADE POLICY REVIEW

TANZANIA

Minutes of Meeting

Chairpersons: H.E. Mr Jean-Marie Noirfalisse (Belgium) (First Session)
H.E. Dr. Iftekhar Ahmed Chowdhury (Bangladesh) (Second Session)

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I. INTRODUCTORY REMARKS BY THE CHAIRPERSON

1. The first Trade Policy Review Tanzania was held on 2 and 3 March 2000. The Chairperson welcomed the delegation of Tanzania, led during the first session by Ambassador Ali Mchumo in the absence of Minister of Industry and Trade, Mr. Iddi Simba, who led the second session, and the discussant, Mr. Albert Wright (Denmark). As usual, the discussant spoke in his personal capacity and not as a representative of his country. In accordance with the established procedures, the discussant had made available, in advance, outlines of the main issues he intended to raise.

2. The Chairperson recalled the purpose of the Trade Policy Review Mechanism and the main elements of the procedures for the meeting. The report by the Government of Tanzania was contained in document WT/TPR/G/66/Rev.1 and its subsequent annex, and that of the WTO Secretariat in document WT/TPR/S/66; the main issues raised by the discussant were contained in document WT/TPR/D/46. Copies of advance written questions, submitted by eight delegations (Hong Kong, China; Switzerland; Canada; Japan; the European Union; the Republic of Korea; the United States; and India) were transmitted to the delegation of Tanzania. These are reproduced at Annex. If full replies could not be provided during the meeting, supplementary written replies could be provided later.

II. OPENING STATEMENT BY THE REPRESENTATIVE OF TANZANIA

(1) Economic environment

3. The representative of Tanzania stated that his country was pleased to participate in its first Trade Policy Review exercise, the main purpose being to provide greater transparency and understanding of the trade policies and practices of WTO Members.

4. Tanzania paid great attention to liberalization and globalization and continued to participate effectively in formulating and implementing policies geared towards these objectives. It appreciated the role played by the WTO in advocating a rules-based, transparent and predictable international system.

5. The principal objectives of Tanzania's trade and economic policies were poverty alleviation, employment generation and sustainable use of environmental resources, such that the quality of life of the Tanzanian people could be improved. It was in this respect that the Government of Tanzania had embarked on comprehensive and protracted economic and socio-political reforms modelled on prior economic reform programmes – the Structural Adjustment Programmes (SAPS), the National Economic Survival Programmes (NESP) and the Economic Recovery Programme (ERP) of the 1980s. The Government of Tanzania had recognized the importance of the private sector as the engine of growth for the economy and had directed its efforts towards implementing the following policy measures:

- enhancing investment opportunities by enacting a new investment law embodying fiscal incentives for investors;
- enhancing financial sector liberalization and establishing a stock exchange with the attendant regulatory structure;
- promoting efficient utilization of domestic resources and restoring equilibrium on the balance-of-payments front; and
- participating in various regional integration initiatives, principally within the Eastern, Southern African, and Indian Ocean Rim subregion.

6. Tanzania considered the above measures as part of an appropriate strategy to turn its command economy into a more market-oriented one, and in the process resume growth and sustain economic and social development.

7. On economic management, Tanzania's macroeconomic policies were aimed at controlling the budget deficit and lowering interest rates with a view to creating an enabling environment for domestic and foreign investment. Following the structural adjustment and stabilization programmes of the 1980s, there had been a marked improvement in GDP growth rates. However, in the early 1990s there had been slippages in the implementation of economic reforms, due to discretionary exemptions on import duties and other taxes and also because of government-instituted debt conversion and gold purchase schemes, which had triggered inflation. By 1995 though, the Government had moved quickly to arrest the deteriorating economic and financial situation and adopted a strong recovery programme, which had in turn led to the restoration of donor assistance under the Enhanced Structural Adjustment Facility (ESAF) programme, beginning 1996/97.

8. Tanzania was a developing country with a free market economy, which would continue to encourage and stimulate the private sector to play a pivotal role in the realization of economic growth and social development objectives.

9. Tanzania called upon its trading partners to rapidly and significantly remove distortions, barriers, and other obstacles to trade and ensure that the benefits from the multilateral trading system accrued to all and marginalized none.

(2) Trade policies

10. In the trade sector, Tanzania had undertaken necessary reforms in order to integrate its economy into the multilateral trading system. Key among these were: (i) simplification of export procedures; (ii) relaxation of exchange controls; and (iii) privatization of state-owned companies and new investments, particularly in the mining sector.

11. These efforts had led to an increased level of merchandise exports (8.5% between 1992 and 1998), increased reserves, equivalent to 13 weeks of import coverage (as against two weeks prior to liberalization), and restoration of equilibrium in the balance-of-payments accounts. Nevertheless, the structure of Tanzania's export sector continued to be dominated by traditional exports, although efforts to diversify and introduce non-traditional exports were encouraging.

12. The Tanzanian Government recognized the potential contribution that capital markets could make in its efforts to mobilize domestic resources and encourage private participation in the economy. To this end, the Capital Market and Securities Agency was established in 1995 and the Dar-es-Salaam Stock Exchange began trading in 1998. Further, to usher in a new era of banking sector liberalization, the Banking and Financial Institutions Act of 1991 was enacted.

13. Over the years, the Government had undertaken deliberate efforts to encourage private investment by creating the required positive environment to attract private investors, including enactment of a new investment law embodying fiscal incentives. Given that Tanzania possessed an ample labour force, abundant natural resources, political stability, and a geographically strategic position bordering the Indian Ocean and the hinterland of six countries, the Government of Tanzania felt the country was a naturally attractive investment destination.

(3) Regional cooperation

14. Tanzania attached great importance to regional cooperation and viewed it as an important building block towards integration into the global economy. In this regard Tanzania was a member of several regional integration groupings including the Southern African Development Community (SADC) and the Indian Ocean Rim-Association for Regional Co-operation (IOR-ARC).

15. As a Member of the WTO, Tanzania was committed to a strong and fair multilateral trading system, and to implementing its multilateral commitments. However, effective participation had been constrained severely due to technical and financial capacity limitations and as a result, the Government had been unable to implement its Uruguay Round commitments. Further, there was a limited understanding of the WTO Agreements within both the public and private sectors and efforts were needed to address this problem in conjunction with the WTO Secretariat.

16. In the area of capacity building, both at the institutional and human resource level, Tanzania had received valuable technical assistance. Nevertheless, given the special challenges being faced by the LDCs and their marginalization within the multilateral trading system, it was essential that capacity building and increased market-access programmes be actively implemented. The international trading community needed to ensure that the on-going Integrated Framework for LDCs was adequately funded and provision for resources in the regular budget of the WTO and other core agencies committed towards technical assistance programmes was faithfully maintained.

III. STATEMENT BY THE DISCUSSANT

17. The discussant (Mr. Albert Wright) wondered why a country, that had initiated a series of reforms distancing itself from a command economy, especially since 1995, had failed to see its exports grow faster than imports. Despite taking a number of bold policy decisions, export growth had continued to be sluggish and the export to import ratio had remained virtually unchanged for almost two decades.

18. The following courageous and wise policy decisions had been taken by the Government:

- to abandon import substitution and pursue outward-oriented policies;
- to launch a programme for the privatization of previously nationalized industries, and the de-collectivization of agriculture;
- to launch the Investment Act of 1997, guaranteeing national treatment for FDI and permitting 100% foreign ownership in most sectors;
- to remove export restrictions in all major sectors, simplify export procedures and remove foreign exchange controls; and
- a disciplined approach to public expenditure and macroeconomic policy-making, which had enabled a respectable GDP growth of well over 3%.

19. Nevertheless, Tanzania remained one of the poorest countries in the world with a per capita GNP of about US\$210 and a myriad of interconnected problems typical of many LDCs. Setting aside population increases, which had left real per capita growth at only 0.6% over the past five years, the country continued to face a long-term production decline in agriculture and, since 1997, a sudden drop in manufactured exports. He was tempted to think that while decline in agricultural production was perhaps due to price increases for imported inputs, elimination of fertilizer subsidies and non-attainment of export quality standards, manufactured exports were being impeded by the escalatory nature of the tariff structure. These, along with the extensive granting of duty exemptions, were leading to an ever-larger misallocation of resources.

20. The Secretariat Report suggested a number of causes for this disappointing economic performance on which it would be inappropriate to dwell in a Trade Policy Review, e.g: (i) concerns about administration and governance; (ii) inadequacies in the business infrastructure; (iii) a newly established financial structure, which was in need of strengthening; and (iv) major supply side constraints such as the insufficient provision of roads (only 5% paved), electricity (covering only 10% of the population) and telecommunication services.

21. However, a few of the causes fell squarely within the remit of this Body. Chief among them, he believed, was the high average levels and escalatory nature of the tariff structure, which he considered the biggest shortcoming in Tanzania's trade policy regime. Further, the high rate of exemption from duties and taxes, implemented with perhaps a degree of arbitrariness, further compounded the problems of resource allocation and even militated against their seemingly directed purpose of revenue generation.

22. Another area of concern was the extent to which the various government institutions dealing with trade matters were coordinated or integrated into a coherent vision for export development. In its report for the Round Table Consultation on Trade-Related Assistance held in Dar-es-Salaam in October last year, the Government of Tanzania itself had drawn attention to the fact that, while its Civil Service Reform programme clarified these issues in theory, there continued to be different interpretations of roles, responsibility and accountability in practice.

23. This led to a number of questions. How did the Tanzanian Government propose to consolidate its sectoral trade-related policies, including that of encouraging FDI, into a single policy focused on the goal of enhancing export growth? What was the coherence of the trade policy advice provided by the IMF, World Bank and other international organizations, given their inextricable linkage with Tanzania's economic development programmes? Tanzania was a recipient of trade-related assistance and had been working with several international institutions and bilateral donors under the Integrated Framework mechanism. Towards this end, what was the extent of efficient cooperation and how were the problems of delayed implementation being tackled, given especially that Tanzania had been among the earliest beneficiaries of this Framework? And what was the expected economic and development impact of the new trade-related assistance projects, estimated at approximately US\$43 million, which were due to be tabled at a Consultative Group meeting in Paris in May?

24. While heartened to note Tanzania's membership in regional organizations, COMESA, SADC and the EAC, he was disquieted to learn how little trade took place between Tanzania and its trading partners and perplexed by Tanzania's intention to withdraw from COMESA. He wondered whether concern about revenue losses arising from ongoing COMESA tariff liberalization was the primary cause.

IV. STATEMENTS BY MEMBERS OF THE TRADE POLICY REVIEW BODY

25. Members commended Tanzania for its efforts to promote economic development through structural reforms, liberalization of external trade, privatization, and implementation of prudent macroeconomic policies. Members understood the problems Tanzania was facing and wished the Government of Tanzania every success in its endeavours. They encouraged Tanzania to pursue further liberalization of its trade and investment regime and to fully integrate itself into the multilateral system. Several Members had prepared a number of technical questions and looked forward to receiving answers from the Government of Tanzania.

26. The representative of the European Union praised the role played by Tanzania to promote reconciliation and stability in the Great Lakes region by hosting the Arusha peace talks on Burundi and the International Tribunal for Rwanda, as well as accommodating large numbers of refugees within its borders. The representative also appreciated the Government's efforts in stressing macroeconomic stability and fiscal reform, particularly since 1995, which had restored donor confidence and paved the way for access to future structural adjustment support and debt relief through the Heavily Indebted Poor Countries programme (HIPC).

27. Nonetheless, fundamental problems relating to Tanzania's economic development remained, ranging from endemic corruption to the limited nature of its export capacity. Given that Tanzania's export base was extremely vulnerable to fluctuating commodity prices and a depreciating currency, concerted efforts towards building a more diversified and stable economic base were necessary. Further, the need to institute good governance, efficient administration, honest tax administration, and a broad institutional framework were crucial. The EU recognized that the Tanzanian Government had undertaken initiatives to combat this situation, including law reforms, introduction of a civil service reform programmes and adoption of a national anti-corruption strategy, and suggested that the EU would assist such important endeavours.

28. On the trade liberalization front, it was important for Tanzania to complete the transition to an outward-oriented economy and the EU, through its new partnership agreement with the 71 ACP countries (which included Tanzania), would be supportive. Further, an important aspect of the improvement of the EU trade regime for all LDCs was free access for essentially all products into the EU market by the year 2005. At the same time though, the representative was puzzled by the Government's announcement to withdraw from COMESA and queried the rationale behind the decision.

29. The representative of Hong Kong, China appreciated that Tanzania had pursued an aggressive privatization programme since 1992 and did not restrict any foreign direct investment in the privatization process. He commended Tanzania for making efforts in revising its patent and trade marks legislation towards meeting its obligations under the TRIPS Agreement and encouraged Tanzania to further deepen and broaden its services commitments. While he was glad to note that the standards requirements of Tanzania did not distinguish between imported and domestically produced goods, labelling and packaging requirements for different products were regulated by different institutions and he hoped that harmonization of such requirements would be instituted.

30. The representative of Switzerland expressed appreciation for Tanzania's efforts to fight corruption and implement policies emphasizing economic stability and liberalization. Despite being extremely poor and heavily dependent on agriculture, Tanzania had instituted policies that provided greater support for primary education, basic health care and basic infrastructure. While Switzerland was committed to supporting the economic and social development of Tanzania, it would carefully monitor the progress achieved in laying down the framework for an open economy and implementing necessary structural reforms.

31. The representative of Bolivia commended Tanzania's efforts to liberalize its trade regime and initiate important socio-economic reforms. Though rich in natural resources and attractive as a tourist destination, Tanzania continued to suffer from a number of economic problems, most notably an increasing trade deficit. Despite an open economic policy, there was no perceived improvement in the trade deficit and, indeed in 1998, there had been a significant decline in manufactures. She believed, that it was necessary to evaluate more critically the extent to which the application of the Uruguay Round Agreements had promoted market access and better integration of the least developed countries.

32. The representative of Mauritius complimented the Government of Tanzania for its strong economic recovery programme, which had had a catalytic effect on other sectors. The launching of the independent Tanzanian Revenue Authority, adoption of the Enhanced Structural Adjustment Facility, and consideration for bilateral and Paris Club debt relief were all measures of Tanzania's economic progress.

33. Nevertheless, Tanzania continued to be a poor, indebted country with low life expectancy and high illiteracy and needed to continue its liberalization initiatives aggressively. Particularly important was the need to expand beyond the limited export capacity and diversify its product base so as to take advantage of the easy access that Tanzania enjoyed in major markets, particularly the EU under the Lomé Convention. The gold sector, and jewellery in particular, were perhaps indicators of that diversification and he asked the Tanzanian delegation to provide more information on efforts being undertaken to develop that sector.

34. With regard to services, he noted that privatization was under way in a number of sectors, notably telecommunications, insurance and financial services and hoped that this would lead to greater liberalization. Mauritius also applauded Tanzania's attempts to fulfil its obligations under the GATS and TRIPS regimes and believed Tanzania deserved more technical assistance and support on this front.

35. The representative of Canada welcomed Tanzania's efforts since 1993 to convert from a socialist, centrally directed, one party system of government to a multi-party democracy with an open, liberalized economy. She noted that Canada and Tanzania had shared common political and economic goals, having worked together under the United Nations and the Commonwealth to fight racism, apartheid and colonialism.

36. Canada was pleased that Tanzania had taken steps to reform its economy, attract private sector investment, particularly in the energy and mining sectors, and was engaged in a dialogue with the Confederation of Tanzanian Industries. Nevertheless a number of problems currently faced by private sector investors remained. Tanzania needed to create a stable, predictable and non-discriminatory operating environment, its government departments and agencies needed to honour investor agreements in full, and the contradictory, out-of-date or vague nature of business legislation needed to be curtailed.

37. Canada looked forward to receiving responses to its specific questions concerning such issues as trade and investment agreements, trade policy features, laws and regulations, services, and other measures affecting imports.

38. The representative of Japan commended Tanzania's deregulation, privatization and trade liberalization initiatives. Japan welcomed the positive signs in Tanzania's macroeconomic situation and hoped that the reform process would be broadened and extended with the cooperation of the IMF and the World Bank. Apart from written questions already submitted Japan had specific queries pertaining to banking sector liberalization, the nature of hindrances in promoting investment, and the types of difficulties faced by Tanzania in the course of its compliance with WTO obligations.

39. The representative of the Republic of Korea appreciated Tanzania's efforts to undertake structural reforms and shift its focus from import-substitution to outward-oriented policies. Though Tanzania still had many economic problems to tackle, the Republic of Korea hoped that fluid trade flows would accelerate economic growth and create new sustainable sources of wealth.

40. The primary concerns of the Republic of Korea were impediments faced by exporters, such as high transportation costs and port-user fees, and irregularities relating to the Agreement on Preshipment Inspection. Further, tariff escalation was hampering the efforts of both foreign and local firms to diversify production. Though Tanzania relied on the tariff revenues, a pressing need remained for the tariffs to be lowered with simultaneous reduction in the number of tariff exemptions.

41. The representative of Kenya congratulated the Government of Tanzania on its courageous economic reform measures and for enhancing the country's attractiveness for FDI. Kenya recognized the important role played by Tanzania in contributing to peaceful co-existence amongst and within the countries of the subregion, concurred with Tanzania's position regarding future WTO negotiations, particularly on liberalization of agriculture, and welcomed Tanzania's commitment to eliminate all tariff and non-tariff barriers as scheduled in the regional integration initiative.

42. The representative of Norway commended the Government of Tanzania for the reforms instituted and the efforts undertaken to attract greater foreign investment. Tanzania needed to continue reforms aimed at enhancing its export potential and address red-tape difficulties, which were inhibiting new foreign investment and the operations of businesses. A more serious challenge was to encourage domestic savings, which were at an insufficient level.

43. With regard to effective implementation of WTO commitments and participation in present and future trade negotiations, Tanzania was hampered by lack of adequate national expertise. Norway felt it was necessary to increase the regular budget of the WTO with the aim of improving the Secretariat's capacity to respond to developing countries' needs for trade-related technical assistance.

44. The representative of Uruguay commended the Government of Tanzania on having introduced and undertaken structural reform measures. Acknowledging the essential function of the agricultural sector in ensuring economic development, the representative emphasized the importance of providing special and differential treatment for the least developed countries within the international trade regime, to hasten their integration into the multilateral system. Similarly, it was important that Tanzania's financial and human resource limitations be taken into account while proceeding with further negotiations on trade liberalization.

45. The representative of the United States acknowledged Tanzania's demonstrated commitment to rules-based trade and active implementation of its WTO obligations, including notifications circulated to other Members whenever the Government felt it faced difficulties in implementing its obligations on schedule. The United States would endeavour to support continued technical assistance so as to advance Tanzania's broader interests within the multilateral system.

46. With regard to core labour standards, Tanzania was strongly encouraged to continue its efforts to adhere to the various ILO conventions and, aided by technical assistance from the ILO, bring its labour laws and practices into conformity with ILO norms. The United States commended Tanzania on signing an open skies agreement with the United States and for implementing noteworthy liberalization initiatives. However, Tanzania needed to progress further in areas of tax rationalization, privatization, and reform and modification of the agricultural sector.

47. The representative of Australia acknowledged the important economic reforms that Tanzania had undertaken since the mid 1980s and further accelerated since 1995. Tanzania had benefited from participation in the Integrated Framework for LDCs and had made positive moves in various areas. These included reform of customs duties and introduction of privatization in the telecommunications,

utilities and financial services sectors. Tanzania needed to make improvements in several areas of trade policy, most notably, development of legislation on anti-dumping, countervailing, safeguard measures, and government procurement. The representative hoped that, while Tanzania would benefit from its involvement with several regional groups, the Government would ensure that its regional arrangements did not interfere with or diminish its commitments to the multilateral system.

48. The representative of the Czech Republic commended Tanzania's important efforts to reform the national economy. Given that Tanzania had been increasingly exposed to external shocks, extreme weather conditions and other constraints to its trade and economic development, the economic results achieved were especially impressive. The representative noted though that much remained to be done and suggested that the WTO and the international community develop a meaningful package of measures in favour of the least developed countries including duty and quota free access to international markets for their products.

49. The Czech Republic had two specific questions regarding duty exemptions and manufactured exports and looked forward to the responses.

50. The representative of Cuba noted the level of poverty and the critical situation of Tanzania despite its structural reforms. There was an urgent need for the country to change its production base. The macroeconomic and social environment that Tanzania had to face had not been conducive to economic development. He believed that developed countries needed to make an effort to facilitate market access, which would give Tanzania the higher export revenue necessary to transform its production base. Restrictions maintained against Tanzania's exports should be removed and greater technical assistance given to enable Tanzania to comply with the technical standards that prevailed on the market. It was essential to increase official development assistance. It was also very important to cancel Tanzania's debt as it was one of the highly indebted countries.

51. The representative of Madagascar praised the Government of Tanzania for its programme for economic recovery, which included foreign trade liberalization measures. Tanzania was to be praised for having respected its commitments within the framework of regional integration and qualifying for, and receiving, certain debt cancellations. Nevertheless, the representative noted with concern that Tanzania, like other LDCs, remained marginalized within the multilateral trading system, due primarily to its inability to adopt and fulfil WTO obligations. In this regard, Madagascar supported the call for further technical assistance to LDCs.

52. The representative of Nigeria congratulated the Government of Tanzania on having provided good governance and internal stability and prudent macroeconomic policies. He hoped that this would be maintained as Tanzania continued its market-oriented path of economic development. However, crushing debt burdens and destabilizing events such as natural disasters, floods and famines had impeded Tanzania's ability to implement WTO obligations, and it was hoped that the international community would take these into account and take steps to assist Tanzania's fuller integration into the international economy.

53. The representative of Zimbabwe welcomed Tanzania's economic liberalization measures and paid tribute to their bilateral relationship and initiatives, which included participation in regional trade arrangements. Nonetheless, he expressed concern about Tanzania's decision to leave COMESA and looked forward to hearing the reasons that had prompted the decision. He also noted that, despite market access arrangements overseas and an extended programme of liberalization, Tanzania had failed to increase its export capacity. Hence, building capacity to manufacture and take advantage of liberalization and market access arrangements was of primary importance and international assistance towards this end was urgently called for. He cautioned, however, that liberalization was not the answer to all problems of development.

54. The representative of India appreciated the macroeconomic and fiscal reforms instituted by Tanzania and supported by the international financial institutions. The simplification of export procedures, privatization of state-owned companies, and new investments in the mining sector had led to a continuous increase in Tanzania's exports. He noted though that, in spite of reforms and participation in the multilateral trading system, Tanzania remained one of the most highly indebted nations in the world, and the structure of its export sector had remained unchanged with traditional exports dominating non-traditional exports. Part of the problem perhaps was attributable to Tanzania's inability to benefit from the Uruguay Round Agreements due to lack of understanding of these Agreements. To that end, he hoped that trade-related technical assistance under the aegis of the Integrated Framework and the Special and Differential Treatment provisions for the LDCs would be meaningfully implemented.

55. With regard to specific areas of Indian concern, he noted problems in the drawing up and implementation of technical regulations, in the setting of minimum dutiable value, and in the registration process for companies wishing to export pharmaceutical items. He requested that these problems be addressed by the Tanzanian authorities.

56. The representative of Egypt commended Tanzania on its economic and trade liberalization initiatives and stressed the long history of political and commercial links between their two governments. Egypt had some specific queries concerning Tanzania's membership in COMESA and looked forward to the Government's response.

57. The representative of Jamaica congratulated Tanzania for its efforts to undertake comprehensive structural adjustment and economic liberalization measures. However, some particularly troubling issues remained. Despite the extended time frame of implementation of structural adjustment measures, per capita income had hardly increased from 1970s levels, traditional exports continued to dominate, and the current account deficit remained excessively large. In light of such circumstances, the need for enhancing capacity building and further developing the Integrated Framework for trade-related assistance was increasingly urgent. He hoped that preferential trade arrangements extended to Tanzania (and other ACP countries) by the European Union under the Lomé Convention would continue to be looked on favourably by the WTO, and inadequate implementation of WTO Agreements, due to lack of technical capacity, treated sympathetically. On the positive side, Tanzania's services sector had grown appreciably over the past few years and he hoped that it would be further encouraged by the Tanzanian authorities.

V. REPLIES FROM THE REPRESENTATIVE OF TANZANIA AND ADDITIONAL COMMENTS

58. The representative of Tanzania thanked Members that had commended Tanzania on its economic and trade liberalization measures. He gave an overview of the detailed responses prepared by his delegation. Three topics had emerged from the various questions asked in the first-day session: (1) economic environment; (2) trade policies by measure; and (3) sectoral policies.

(1) Economic environment

59. The representative of Tanzania reiterated the commitment of his Government to pursue economic liberalization and prudent macroeconomic management so as to ensure accelerated growth. In response to the discussant's fundamental query as to why Tanzania, despite having introduced a series of market-oriented reforms, had failed to achieve sustained export growth, he noted that economic liberalization, by itself, was not necessarily the panacea to all problems of economic development. Factors impinging on Tanzania's economic development included an export sector largely dominated by traditional exports and lacking in adequate financial, institutional, technological and technical capacities. In this regard, a substantial increase in technical assistance was called for, so that Tanzania (and other LDCs) could break free from the vicious circle of poverty.

60. The Government was committed to encouraging the flow of FDI and the Investment Policy placed a special emphasis on adding value to the country's raw material supply. Towards this end, investment was being encouraged in the refineries, lapidary and jewellery production sectors, and removal of investment impediments and red tape was being actively pursued. A fast-track lane to facilitate investors had also been established in all ministries. Given that the civil service was in need of further training, the Government, through the Tanzania Investment Centre, had started a civil service sensitization campaign. Meanwhile, the Tanzania Investment Centre was mandated to provide all investment-related information to investors, facilitate work permits and even assign derivative rights of land lease to foreign investors. The Government had also established a Commercial Court, which was fully functional and dealing with all cases of a commercial nature.

61. Regarding Tanzania's decision to withdraw from COMESA, this was based on the need to rationalize membership in regional trade arrangements. Given the increasing costs of membership and participation in these regional trading organizations, which were themselves continuing to multiply, the decision to withdraw from COMESA was taken. The decision was not based on concerns of revenue losses stemming from tariff reduction, and eventual elimination of duties within COMESA, nor was it taken with the aim of protecting local industry. Notwithstanding the decision to withdraw, Tanzania would continue to cooperate with COMESA Member States through other organizations, e.g. SADC and the EAC, and at the bilateral level.

(2) Trade policies by measure

62. The representative of Tanzania recalled that many of the delegates had taken note of Tanzania's low average tariff rate of 16.1% and clear progress in dismantling quantitative restrictions. However, the gap between bound and applied rates and the problem of exemptions had drawn the concerns.

63. He noted that the tariff structure was based on degree of processing, i.e. the applicable rate was lowest for investment goods and highest on consumer goods. It was envisaged that, while such a move would reduce government revenue in the short term, in the long run it would encourage diversification, improve domestic production and enhance export of manufactures. Exemptions, meanwhile, were granted on the basis of various factors, such as statutory reasons; fulfilment of social obligation, due to agreements with international donor agencies; and bilateral agreements. However, the Government had virtually stopped all discretionary exemptions and was considering

proposals to ensure that goods upon which exemption had been sought were being utilized as expected. In this regard, he also hoped that donor agencies, governmental and inter-governmental agencies would also seek to abide by such disciplines.

64. With regard to possible plans to extend tariff bindings to cover other products and reduce the gap between applicable and bound rates, Tanzania was fully committed to its WTO obligations and would do everything commensurate with its ability to take on more responsibility. With enhanced technical assistance under the Integrated Framework, areas of further liberalization could be identified and gaps between bound and applied rates reduced.

65. In the areas of inspection, standards and customs valuation, the Government of Tanzania had deferred the application of Article VII on Customs Valuation until year 2001 so that proper implementation arrangements could be put into place. In this regard, the Committee on Customs Valuation's approval was highly appreciated.

66. The representative noted that the contract between the Government and COTECNA (PSI agency) included provisions of technical assistance in the enhancement of capacity building. Training programmes on customs management, valuation methods and data base establishment had been undertaken. The contract term provided time for the customs authority to build capacity to take over the responsibilities once PSI had been phased out after the two-year period in March 2001. Meanwhile, the Government had contracted an audit firm to ensure that PSI was operating as per contract. This audit process was not intended to be a re-inspection.

67. With regard to contingency measures legislation, various delegations had raised the issues of export tax, minimum dutiable values, and the need to put in place trade remedy measures. While the Government did not have in place legislation and mechanisms for anti-dumping, countervailing measures and safeguards against "unfairly low priced goods," there was recognition that some imports were priced unfairly low for purposes of tax evasion. In this regard the Government had mandated the TRA to determine and institute a moderate minimum dutiable value on those goods in a transparent manner. Further, all legislation and mechanisms being considered would be in conformity with WTO rules.

(3) Sectoral policies

68. On the question of why Tanzania was not setting a deadline for the extension of the privatization process, the representative noted that structural reforms had focused on the restructuring and privatization of public enterprises. A total of 295 out of 395 public enterprises had been divested and others were in the process of divestiture. In 1998/99 alone, a total of 36 privatizations were related to utilities and large financial institutions. These included the Dar Water and Sewage Authority, (DAWASA), Tanzania Electric Supply Company (TANESCO), Air Tanzania Corporation (ATC), Tanzania Telecommunication Company Ltd. (TTCL), National Bank of Commerce (1997) Ltd., National Microfinance Bank Ltd. (NMB) and National Insurance Company (NIC). The Co-operative and Rural Development Bank had already been privatized and privatization measures, primarily due diligence proceedings, were also under way in the telecommunication sector. Meanwhile, the Government, through the Presidential Parastatal Sector Reform Commission, was working on other institutions, and foreign participation was eagerly sought.

69. The discussant and the representative of the United States took note that, despite the increasing number of private banks, credit facilities to SMEs was still low. In this regard they asked what were the financial facilities available to exporters from commercial banks.

70. The representative of Tanzania replied that, at present, there were no discriminatory financial facilities provided to SMEs or exporters from the banking system. However, high lending rates and lack of collateral discouraged SMEs from using the banking system as a source of capital.

Nevertheless, with the operationalization of National Microfinance, which targeted micro-businesses, it was hoped that the situation would change.

71. In response to concerns about Tanzania's falling agricultural production and deteriorating terms of trade, the representative of Tanzania concurred that low rainfall followed by El Niño and La Niña over the past three years had negatively affected the performance of the agricultural sector. Further, it had also affected the export and the manufacturing sectors, which depended in various ways on agriculture. However, the performance of the services sector and mining were picking up considerably with huge investments going into the sector. Imports of raw materials and capital goods had also been rising. Further, the weather forecast for the coming season was encouraging, and therefore it was hoped that production would increase. Additionally, in the agriculture sector there were moves to encourage investors, including private foreign investors, in irrigation activities with areas specifically earmarked for investment.

72. The representative of Japan queried whether foreign-owned banks, or partly owned banks, were operating in Tanzania and to what extent Tanzania envisaged further liberalization in the near future.

73. The representative of Tanzania replied that there were 18 banks and 11 financial institutions operating in Tanzania, of which only three were state-owned banks and only two were state-owned financial institutions. The rest were all privately owned. With regard to privatization, all banks were currently engaged in the process, and foreign banks were particularly invited and encouraged to open businesses to boost the competitiveness of the sector. The Government was also working on the establishment of community banks in rural areas as a way of mobilizing and efficiently utilizing rural resources.

74. The representative of Tanzania stated that a number of other questions raised by various delegations would be answered later in writing.

VI. CONCLUDING REMARKS BY THE CHAIRPERSON

75. We have had open and positive discussion on Tanzania's trade policies and measures. Members of the TPRB have been clearly impressed by Tanzanian's progress on economic reform begun in 1985, and pursued with renewed focus and vigour since 1995. These policies have seen real growth of Tanzania's GDP in the past few years. However, it has been acknowledged by all Members that, as one of the poorest nations in the global economy, Tanzania still has difficult challenges ahead, in particular a large foreign debt whose servicing poses a constraint on its economic development.

76. The large number of questions and comments from Members is a testimony to the importance of Tanzania in the region. It is also an indication of the level of interest in Tanzania's process of economic reforms.

77. Members commended Tanzania for its strong support of the multilateral trading system. They were unanimous in commending Tanzania for its process of economic reform and liberalization. These steps have included the dismantling of import and export license procedures, the simplification of the tariff structure, the elimination of foreign exchange controls, and the broad efforts by the Government to create an environment more conducive to both foreign and domestic investment. Particular note was made of Tanzania's natural endowments. It was felt that its recent successes in attracting significant levels of investment to its mining sector, which, it was anticipated, would provide notable benefits to the economy.

78. Members expressed concern in a number of areas, focusing both on the growth of imports and particularly on Tanzania's supply side constraints which prevents it from taking advantage of export opportunities. Mention was also made of governance issues and other regulatory obstacles which still impede activities of the private sector. Several Members referred to problems related to standards and to Tanzania's delay in implementing the WTO Agreement on Customs Valuation. Appreciation was, however, expressed of the fact that Tanzania had provided Members an early indication regarding this matter.

79. Members noted that the difficulties faced by Tanzania in implementing some of its WTO undertakings are not unique to Tanzania, but are shared by many Members. As a consequence, there was unanimous agreement that more attention needs to be given to the provision of technical assistance regardless of whether such assistance come directly from the WTO, through the mechanism of the Integrated Framework, or through other efforts such as the JITAP.

80. Members also asked for details in a number of more specific areas including:

- Tanzania's participation in regional integration agreements, and in particular, its decision to withdraw from COMESA;
- issues related to Tanzania's agricultural sector and plans for further diversification and export development;
- reasons for the underdeveloped nature of the manufacturing sector and its significant decline in 1997;
- Tanzania's ongoing process of privatizing its parastatal sector and the timetable for further privatizations, particularly in its financial services and telecommunications sector;
- the escalatory tariff structure and, in particular, the suspension or exemption of a very high percentage of collectable duties;

- the extent of tariff bindings and the significant gap that exists between applied and bound rates;
- aspects of trade-related intellectual property rights, particularly the implementation of Tanzania's TRIPS commitments and enforcement efforts;
- government procurement procedures and any plans to become a signatory to the WTO Agreement on Government Procurement;
- the transparency and implementation of the investment regime and further efforts to improve the business environment;
- implementation of safeguards and other trade remedy legislation;
- Tanzania's intention to make further services commitments under GATS, particularly with respect to telecommunications and financial services; and
- implementation of competition policy.

81. Plaudits are owed to Minister Simba for the frank and comprehensive responses provided by him often made against the broad socio-economic matrix. Also Ambassador Mchumo is to be thanked for his role in this exercise. Members look forward to further responses to those questions which could not be specifically addressed during these two days. Tanzania's assurances of continued economic reforms and improvements in efficiency have been noted with satisfaction. Members also acknowledged the importance of coherence among institutions that provide advice related to trade issues and economic development.

82. In conclusion, it is my feeling that this has been a most successful Review of Tanzania's trade policies. Members welcomed Tanzania's determined efforts to improve its economic performance as well as the quality of life of its people through the alleviation of poverty and other measures. Tanzania is to be commended for its commitment to WTO principles and its leadership in both this institution as well as those in which it participates in its region. I encourage all Members to continue their support for Tanzania's efforts.

ANNEX

ADVANCE WRITTEN QUESTIONS

HONG KONG, CHINA

Tariffs (WT/TPR/S/66, p. 29, paras. 2-3, and pp. 32-35, paras. 15-19)

We appreciate that Tanzania maintains a simple tariff and does not apply any seasonal duties, tariff quotas or variable levies. However, we note that Tanzania's tariff bindings under the UR is confined to a few tariff lines and the gaps between the bound and applied rates are rather significant. We are interested to know whether Tanzanian authorities have any plan to extend its tariff bindings to cover more products, and to narrow the gaps between the bound and applied rates.

Services (WT/TPR/S/66, p. 62, paras. 76-107)

It is noted that further liberalization is planned for various service sectors: the privatization of government-controlled banks (para.78), privatization of the National Insurance Company (para. 84) and commercialization of the state-owned Tanzania Telecommunications Corporation, Ltd. (paras 99-101). However, little information is provided about the plans. Would the Tanzanian authorities share with us more information, such as the time-frame and whether foreign participation will be permitted on these liberalisation plans?

SWITZERLAND

Economic Policies

We commend Tanzania for the recent economic reforms and the progress made in the ambitious privatization programme, especially in the financial sector.

Could Tanzania elaborate on the progress made in the privatization of national entities in the fields of telecommunications and financial services?

Trade

The dismantling of quantitative restrictions, the rationalizing of the tariff structure, the lowering of the average rate to 16.1 % are commendable steps.

What are the authorities' intentions towards limiting the numerous exemptions kept on dutiable imports, which render a further lowering of rates more difficult?

There is no law regulating anti-dumping, countervailing and safeguards measures even though the report mentions that the Government intends to impose such measures in the future. Do the Tanzanian authorities consider adopting their own legislation regarding such instruments and if so, when? Could Tanzania be more specific on the choice of trade remedy measures?

Protection of high-value goods is higher than the average, thus discriminating against producers in the manufacturing sector. Are there plans for reducing this distortion?

Regional integration

The IMF has conducted studies on the effects of the foreseen FTA (among COMESA) on government revenues in the COMESA member countries; such a study on Zambia concluded that the

benefits of free trade far outweigh its costs. Has a study been conducted on Tanzania and what have been its conclusions towards Tanzania's revenues and economic growth prospects?

Can the Tanzanian authorities explain the reasons behind their decision to withdraw from COMESA? Will this decision be implemented next August as planned?

CANADA

III. Trade Policies by Measure, (2) Measures Directly Affecting Imports, (viii) Government Procurement, (WT/TPR/S/66, para. 48)

We note that the Tanzanian Government is currently reviewing its regulations on Government procurement. What is Tanzania's intention with respect to both accession to the WTO Agreement on Government Procurement and status as an observer to the Agreement?

IV. Trade Policies by Sector, (5) Services, (iii) Telecommunications, para. 107

Canada commends Tanzania on its measures to liberalise its telecommunications market. We note that Tanzania intends to make GATS-specific services commitments in order to reflect this liberalisation. Will Tanzania be incorporating the Reference paper on Basic Telecommunications into its commitments?

Summary Observations, (3) Trade Policy Features, (i) Trade policy instruments and their impact, para.19

Could Tanzania provide an update on the privatisation process currently under way in the telecommunications and utility sectors as well as in financial services?

Summary Observations, (3) Trade Policy Features, (ii) Policies by sector, para. 24

The report states that Tanzania intends to underline its commitment to telecommunications liberalization by making specific bindings under the General Agreement on Trade in Services (GATS). Does the Government of Tanzania intend to make specific bindings in other GATS-related sectors where liberalization is currently under way, e.g. financial services?

II. Trade Policy Regime: Framework and Objectives, (4) Laws and Regulations, (ii) Investment code, para. 26

Could we have an update on the progress of the Land Act legislation that will allow for foreign ownership of land?

II. Trade Policy Regime: Framework and Objectives, (5) Trade and Investment Agreements and Arrangements, (iii) Regional agreements, paras. 67 and 74

We note that Tanzania is a signatory to the Common Market for Eastern and Southern Africa (COMESA) treaty as well as a member of the permanent Tripartite Commission for East African Co-operation (EAC). Both agreements have as an objective the liberalization of trade via the free movement of people. What progress has been made towards reaching this objective under these agreements?

JAPAN

Competition policy

It is reported that the Fair Trade Practices Act of 1994 does not apply to imports (WT/TPR/S/66, p. 45, para. 86). Please explain the reason why.

It is reported that the Government of Tanzania does not reserve any exclusive trade privileges to state-owned enterprises (WT/TPR/S/66, p. 43, para. 74). Does the Fair Trade Practices Act of 1994 apply to parastatals which are state-owned?

Does Tanzania have legislation to regulate anti-competitive behaviour by enterprises?

Please explain how the Tanzanian Government copes with trans-border anti-competitive behaviour.

Investment

Does the Tanzanian Investment Centre (TIC) function as an enquiry point to improve transparency of the investment regime? Please explain if there are any other organizations from which information on Tanzania's investment regime can be obtained. (WT/TPR/S/66, p. 15, para. 27)

It is reported that an entity needs to be legally established and registered as a Tanzanian business with the Registrar of Companies and the Tanzanian Revenue Authority before the TIC can issue certificates of investment. (WT/TPR/S/66, p. 15, para. 29)

Is this registration or the issuance of certificates made automatically, or do the authorities have competence to examine whether such registration or issuance of certificates is appropriate?

If any examination is to be made upon the registration or issuance of certificates, please explain the criteria for such examination. Do the criteria comply with the MFN principle?

Which laws provide such criteria?

Are there any procedures which allow applicants, who have been refused registration or the issuance of certificates, to file an objection?

Has an independent organization for arbitration been established?

Customs tariffs

It is reported that the simple average of import duties calculated on Tanzania's tariff schedule of 5,337 lines (HS 8-digit level) is 16.1% (WT/TPR/S/66, p. 33, para. 16)

On the other hand, most of the tariff lines remained unbound and, even for tariff lines which are bound, the bound tariff rates remain as high as 120% for products such as silk fabrics, diesel electric locomotives and antiques of an age exceeding 100 years. There is a wide gap between bound tariff rates and applied rates. Does Tanzania have any intention to lower its bound tariff rates bringing them more in line with the applied tariff rates?

Tanzania binds "other duties and charges" for certain products at 120%. Does this mean that Tanzania binds "other duties and charges" of 120% in addition to "bound rate of duty" which is also 120%? Or, does it mean that Tanzania binds at 120% as the sum of the "bound rate of duty" and "other duties and charges".

Standards, testing and certification

WT/TPR/S/66, p. 38, para. 42. Please explain why the Tanzanian Government uses the term "compulsory standards". Does the term "compulsory standards" have the same meaning as "technical regulations" used in the TBT Agreement? If so, is it not more appropriate to use the term "technical regulations" in order to avoid possible confusion?

EUROPEAN UNION

Summary Observations

Given that Tanzania's agricultural production has fallen off in recent years, and that she has experienced deterioration in her terms of trade, could her authorities please clarify what has been, and will be the main source of economic growth?

I. The Economic Environment, (5) Outlook, para. 24

Could Tanzania clarify when significant increases in VAT revenue are expected to take place? Could Tanzania offer further comments on the potential scale of the resultant tariff reductions?

II. Trade Policy Regime: Framework and Objectives, (5) Trade- and Investment Agreements and Arrangements, (iii) Regional Agreements, para. 65

Could Tanzania explain the basis and rationale behind her decision to withdraw from COMESA and join the SADC? What is the justification for becoming involved in, and focussing upon, regional trade agreements which involve minimal tariff liberalization (and tariff revenue losses)? In what ways are these moves in Tanzania's economic interests and have they, and are they likely to produce tangible benefits?

III. Trade Policies by Measure

(2) Measures directly affecting imports, (ii) Inspection, customs valuation and customs clearance

(P. 30, para. 7)

Does Tanzania receive any technical assistance from COTECNA, as part of the PSI contract, to assist in developing capacity to enable Tanzanian authorities to carry out valuation and tax administration? If so, what is Tanzania's experience of the benefits of such assistance? If not, Tanzania should consider including such a clause in any future contract with PSI companies, many other WTO Members receive technical assistance in this way.

What is Tanzania's view of the perceived benefits of allowing COTECNA to retain control of the tax administration aspect of PSI, whilst Tanzania assumes responsibility for Customs Valuation? Why cannot the Tanzanian authorities administer the tax themselves?

(Para. 9)

We are pleased to note that PSI is only a temporary means and may be phased out in about two years. But, more precisely, when will this be? What steps are being taken by Tanzania to ensure she will be able to carry out such inspections herself?

(Para. 12)

What is the justification for Tanzania deferring her application of Article VII of the Customs Valuation Agreement?

Could Tanzania provide WTO Members with a firm commitment that she would be making the changeover to the transaction value in 2001?

(vii) Standards and ecological and other technical requirements, para. 45

What plans are there to harmonize labelling and packaging requirements in Tanzania? Do the different institutions setting requirements in this area have the same criteria for their decisions, e.g. risk assessment?

(viii) Government procurement, para. 48

Could Tanzania indicate her level of donor and non-donor procurement?

(3) Measures directly affecting exports, para. 70 (also para. 8 of the summary)

What is the justification for the existence of incentives in EPZs which are conditional on exporting 80% or more of output, given that Tanzania also states that she does not subsidize any exports of goods and services?

IV. Trade Policies by Sector

(2) Agriculture and related activities, (f) Oilseeds, p. 52, para. 28

Could Tanzania clarify whether it is the oilseeds themselves or the oil produced from seeds which is undermining the Tanzanian market?

(3) Mining and energy, paras. 60 and 73

Could Tanzania provide an explanation as to why TANESCO has been unable to collect the electricity tariffs on 50% of the power it produces? And who, for example, is benefiting from free electricity?

REPUBLIC OF KOREA

Customs and Transportation Costs

Korean exporters have experienced some problems when exporting goods to Tanzania. For example, both transportation costs and port user fees are often twice those in neighbouring countries such as Kenya, and South Africa. Also, there have been cases where refunds of deposits to Tanzanian customs authority were much delayed. Moreover, although Tanzania has adopted the pre-shipment inspection system, imported goods were re-inspected upon arrival at Tanzanian ports, which could constitute a violation of Article 2 of the Agreement on Pre-shipment Inspection.

Are there any measures that the Tanzanian Government intends to take to address such problems? Korea believes that improvements in these areas would no doubt facilitate trade not only for foreign companies but also Tanzanian exporters.

Work Permits and Local Employees

It appears also that the procedure to obtain a work permit is rather complicated and also that laws regulating the employment of local employees by foreign firms are rigid to a point that such foreign firms' productivity is adversely affected. Will Tanzania reform such hiring and work permit regulations? Are there any ongoing efforts in that direction?

Government Procurement

The Secretariat's Report mentions that Tanzania's government procurement procedures form a complex web of regulations. As it appears that Tanzania could benefit from greater uniformity, is Tanzania considering joining the WTO Agreement on Government Procurement?

Tariff Structure

The Secretariat's Report highlights the tariff escalation used by Tanzania's duty scheme – lower tariffs on raw material exports but higher tariffs moving up the production chain as value is added. Not only is this affecting foreign firms but also local ones as many of them need to import finished (e.g., machine tools) or semi-finished goods to diversify their production. It is our understanding that Tanzania relies on the revenues provided by its current tariff schemes. However, as the Secretariat points out, it seems that such revenues could remain at their present level if the Government were to lower the current tariffs but reduce the number of tariff exemptions. Is the Tanzanian Government contemplating a revision of its present tariff structure?

UNITED STATES

II. Trade Policy Regime: Framework and Objectives

(3) Policy objectives, para. 20

Please describe the status of Tanzania's "Sustainable Industrial Development Policy (SIDP)," including steps that are being taken to ensure that standards and other technical regulations are consistent with the TBT Agreement?

(4)(ii) Investment code

Paragraph 26 of the report indicates "Ownership of land is still subject to restrictions, but a Land Act that will allow for foreign ownership in this area is currently being implemented." What restrictions will exist (if any) in regard to ownership of land after the Land Act is implemented?

(5)(i) Multilateral Agreements, Table II.4

Comment: The United States notes Tanzania's notification under the WTO Technical Barriers to Trade Agreement during 1999 and encourages Tanzania to increase the transparency of its technical regulations through continued notifications. We look forward to notification in March of the establishment of the National Enquiry Point and encourage Tanzania to continue to notify under the TBT Agreement in a timely manner, so that interested parties will have time to comment and adjust to proposed changes in technical regulations.

(5)(iii) Common Market for Eastern and Southern Africa (COMESA)

We note Tanzania's intention to withdraw from COMESA. Could you discuss why this decision was taken and how Tanzania views the future of COMESA, given so many of its members

are also members of SADC, and that some countries with dual membership have opted for SADC such as Tanzania?

In addition, Tanzania plans to maintain its strong membership with other AEC countries (Kenya and Uganda), countries which are also COMESA members. It would appear that Tanzania may become a bridge between SADC and AEC countries. Will Tanzania use its SADC commitments as a model for its AEC commitments?

How will Tanzania handle tariff preferences and other commitments made with former COMESA colleagues who are not members of SADC or the AEC. What effect will this have on regional trade for Tanzania?

What are COMESA's prospects to establish a Free Trade Area by October 2000? What are the prospects that the SADC FTA will be established before the COMESA FTA? How does withdrawing from one in favor of the other affect Tanzania over the medium to long run?

Please expand on the development of the common set of standards and technical regulations within COMESA? Will you continue to participate in this effort? When do you anticipate these standards and technical regulations will be notified to the WTO under the TBT Agreement?

Are there any standards currently under consideration, which will be notified soon under the TBT Agreement? We encourage Tanzania to notify these technical regulations with adequate time for interested parties to adjust to the changes.

III. Trade Policies By Measure

(2)(iii) Import duties

Tanzania's rescheduling of duties last year was a welcome reform. However, we note that the average rate is rather high, largely because there are no duties at the 15% level and few at the 5-10% level. High rates on many semi-processed goods may not be conducive to encouraging the manufacturing sector (see Chart III.3). Please describe when and how Tanzania intends to examine the effects of its tariff restructuring in relation to its overall strategy for economic and investment growth.

(2)(iii)(d) Tariff and tax exemptions

As the report notes, duty exemptions are abundant and the VAT is relatively high. We note that Tanzania plans to remove discretionary tax authority from the ministries and to centralize such authority within the Tanzania Revenue Authority (TRA). How does the Government of Tanzania intend to address this problem, so that exemptions are minimized and extended in a transparent manner, with the minimum disruption to ongoing business?

How has Tanzania reconciled the VAT and exemption issue in conjunction with its tariff structure and broader economic objectives?

(2)(iv) Rules of origin

The Secretariat's Report notes that in March 1996, Tanzania, Kenya and Uganda established the Tripartite Commission for East African Cooperation (EAC). How far along is EAC toward the establishment of a harmonized tariff and customs regime?

(2)(vii) Standards and ecological requirements, para. 46

What is Tanzania's position with respect to the importation of genetically modified organisms?

(3)(vi) Export promotion, financing, and assistance

Please explain the export financing facilities available through the National Bank of Commerce. Please provide full details including amount of funds, and eligible recipients. Please explain why the programme was not notified to the WTO.

Regarding the export promotion efforts carried out by the Confederation of Tanzania Industries (CTI), the Tanzania Chamber of Commerce, Industries and Agriculture (TTCIA), please explain if the Government provides financial support to these programmes, and if so, describe the purpose, duration, amount of funds and/or other financial incentives, and eligible recipients.

(4)(i) State Trading, State Enterprises and Privatization

It is clear that further progress on reform hinges upon the continued privatization of state-owned enterprises. Paragraph 76 notes that, to date, only about 30% of Tanzania's GDP has been privatized; although, half of Tanzania's parastatal enterprises have been sold. What percentage of the economy will have been privatized at the close of the new four year charge granted the Parastatal Sector Reform Commission (PSRC)? What is the future for the Loan and Advances Realization Trust (LART), slated to expire in 2002?

(4)(ii) Subsidies and other forms of production assistance

Please explain the provisions of the Tanzania Investment Act and the Zanzibar Investment Act relating to export assistance and financial incentives. Please provide details of recent efforts, including titles, purpose, duration, amount of funds and/or other financial incentives, and eligible recipients.

(4)(iii) Price regulation and competition policy

What is the status of competition regulations, in conjunction the Fair Trade Practices Act of 1994?

(4)(iv) Measures for the protection of intellectual property rights

When is the creation of a commercial court expected? What other jurisdiction will it have?

Does Tanzania subscribe to any international arbitration conventions (e.g., ICSID)?

IV. Trade Policies By Sector

(2)(i) Agriculture and Related Activities, para. 10

Does the Agricultural Input Trust Fund (AITF) cover its costs? If not, what replenishment rate is necessary, or predicted to be necessary, to keep this institution afloat? What is the spread between AITF's concessionary lending rates and commercial lending rates?

It would appear that Tanzania is well along the way to having a diversified agricultural sector. Greater investment in commercial agriculture could strengthen this diversity and stimulate the whole

sector, including small holder agriculture. What are Tanzania's plans to promote commercial agriculture investment?

(2)(i)(d) Cotton

The Cotton Board, one of the industry crop boards, charges a 2% levy on exports. This fee seems quite high. Is it compulsory? If so, is the sector exceeding 2% average annual export growth as a result?

(2)(i)(k) Dairy

The report suggests that a significant disincentive for further reform in the dairy sector is that the industry is being undermined by imports of subsidized production from other countries. What is the estimated damage to local industry of subsidized imports? From where do these subsidized dairy imports originate?

(2)(i)(l) Chart IV.2 Fishery Exports

There has been a dramatic rise in fish exports since 1994. Are current production and export levels sustainable? Is this rate of growth sustainable, and if so, to what export levels?

(2)(i)(l) para. 42

The EU has banned the import of Nile Perch because it has alleged that the pesticide level in Lake Victoria is unsafe. Have countries bordering Lake Victoria conferred on the pesticide issue? What are the prospects for the continued export of Nile Perch and the consumption of fish from Lake Victoria?

(2)(i)(l) para. 43

Is Tanzania working or planning to incorporate in its regulations the use of turtle excluder devices for wild harvested shrimp by industrial trawlers?

(2)(i)(m) Forestry

Is the current level of production and export of forest products sustainable over the long run, especially for hardwoods? Are there plans to increase the total acreage under plantation forestry?

(3)(i) Mining

Comment: We would like to congratulate Tanzania on the success of its new mining policy and Mining Act of 1998, which seems to already be bringing about the desired results (see Table IV.4 and Chart IV.3).

Please clarify whether a 2% export tax is still in effect for minerals (see also Section III(3)(ii) Export Duties and Taxes). If so, could not this revenue more fairly be collected through royalty assessment?

(3)(ii) Energy

What steps are being taken to improve the collection of electricity tariffs (currently at 50% of production)? Has consideration been given to the possibility that private sector participation might be able to raise the level of tariff collections and justify the lowering of current unit charges?

(5) Services

Comment: Tanzania should be commended for its ongoing effort to restructure the country's financial sector. Today, the financial sector is stronger and more vibrant than ever. Positive results speak for themselves.

What is the timetable for the privatization of the remaining state-owned banks (the National Bank of Commerce, the National MicroFinance Bank, and the Cooperative and Rural Development Bank)?

(5)(i) Telecommunication

Comment: The Government of Tanzania also seems to be moving in the right direction with regard to the restructuring of the telecommunications sector. Telecommunications is, of course, important to the development of the whole economy, but particularly for the services sector and to connect rural areas, both of which are important to the Tanzanian economy.

Please elaborate as to the timetable for the privatization of the Tanzanian Telecommunications Corporation and the period of exclusivity post privatization.

(5)(iv) Transportation

Comment: The United States was pleased to have signed the first open skies agreement for any African country with Tanzania last year. We would expect that, over time, this agreement will positively impact Tanzania's tourism, transportation, and trading sectors. Studies have also shown that convenient air travel also leads to greater investment.

What is the timetable for the privatization of other transportation services: rail, air, airport, and portions of the Tanzania Harbours Authority?

INDIA

Registration of companies for pharmaceutical exports

It has been reported that the Tanzanian Pharmacy Board has introduced stringent procedures for registration of companies wishing to export to Tanzania. The registration formalities are reportedly slow and cumbersome. Several Indian companies have complained about the delay in registration of their products in turn affecting their exports to Tanzania.

We would urge the Government of Tanzania to look into the matter and see how these registration procedures could be streamlined and simplified so that the process becomes faster.
