

# Tanzania's Investment Imperative in the Context of China-Africa Relations (FOCAC)

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## About Author

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## Abstract

This paper examines the emerging bilateral relations between Tanzania and China with a focus on investment opportunities as articulated in the recent diplomatic engagements under the Forum on China-Africa Cooperation (FOCAC). From historical cooperation, economic reforms, and the Belt and Road Initiative (BRI), it examines the strategic positioning of Tanzania as an investment destination for Chinese firms. Through a review of literature on academic publications and government documents, the study identifies priority industries like manufacturing and infrastructure, as well as addressing problems like regulatory hindrances and the environment. Outcomes point to the possibility of mutual cooperation win-win, with levels of trade rising and employment creation envisioned. Policy convergence and green practices are among the recommendations for tapping mutual benefits.

## Keywords

Tanzania-China relations, Foreign Direct Investment (FDI), Belt and Road Initiative, FOCAC, Economic Reforms

## Introduction

### Background Information

The United Republic of Tanzania and the People Republic of China have developed a strong relationship based on mutual trust, full cooperation and win-win results over the last six decades (Enuka, 2011). This relationship has also often been used to understand other ChinaAfrica frameworks like the Belt and Road Initiative (BRI) and the Forum on ChinaAfrica Cooperation (FOCAC) and has shifted its focus in the twenty-first century, after the Cold War, to be more pragmatic and economic in nature (Kim and Tukic, 2014). According to the recent scholarship, the eight qualities that make Tanzania one of the most attractive investment destinations of Chinese enterprises include historical friendship, macroeconomic stability, political peace, favourable business environment, strategic geography, extensive market access, skilled labour, and a wide range of sectoral opportunities (Tanzania Investment Centre, 2024a). These features signify the proactive reforms in Tanzania and are in line with the outward investment plans in China. This paper brings this bilateral dynamic conceptualisation of the investment environment in Tanzania by combining the empirical evidence of the recent Chinese inflows of foreign direct investment totalling US 11.5 billion between 1997 and 2024 and creating more than 155,000 jobs in over 1,360 projects (IPP Media, 2024). It analyses the way such partnerships can trigger sustainable development through synthesis of such themes with scholarly analyses in the face of global uncertainties. The discussion is structured based on the historical background, drivers of investments, sectoral effects, reforms efforts and prospects.

### Historical Context of Tanzania-China Relations

The relationship between China and Tanzania began in 1964 as there was a bilateral agreement between the two nations that led to the creation of diplomatic relations based on the grounds of South-South solidarity and anti-colonial struggles. The first years of co-operation were concerned with infrastructure, such as the TAZARA railway project in the 1970s, which was an expression of the interest of China in African liberation and development (Monson, 2013). This base has now grown into multi-faceted interactions and FOCAC has been a decisive site since its debut in 2000 (Enuka, 2011). Through FOCAC, 98% of taxable products of Tanzania have enjoyed a zero tariff entry to Chinese market which has brought about a trade balance that has reached USD 8.78 billion by 2023 (Ministry of Foreign Affairs

of the People's Republic of China, 2024). This was enhanced further in 2013 with the introduction of BRI that introduced Tanzania into the global value chains by upgrading the ports of Dar es Salaam and Bagamoyo (Kim & Tukic, 2014). The scholarly evaluations reflect these initiatives as the means to mutual benefit, but sometimes, they might cause debt sustainability and resource extract concerns (Calabrese, 2019). However, this relationship is based on exchange and mutual trust and it enriches the two civilizations in terms of learning together, as well as in terms of all round cooperation in order to achieve balanced development (Enuka, 2011).

### **Tanzania's Investment Climate: Key Attributes and Opportunities**

Tanzania is a multi-dimensional investment opportunity that is supported by long ties in bilateral relations that provide assurance to investors, good macro-economic governance that promotes stability, political peace, pro-business climate that grants strong protection against expropriation and profit-repatriation, and strategic geographical location as a regional hub. The local market, which consists of about 65 million people, is supplemented by regional catchment of more than 1.4 billion people via the EAC, SADC, and AfCFTA. Another factor that makes Tanzania a favourable place to invest is a young and well-trained workforce and plenty of opportunities in oil and gas, mining, agricultural, infrastructure, manufacturing, health, tourism, housing, and information and communication (ICT) (World Bank, 2024a; Tanzania Investment Centre, 2024a). Its macro-economic strength is emphasized by the economy, which has been expanding through an average rate of about 6.7 percent per annum in the last ten years keeping inflation within single-digit levels (around 3.4 percent in the recent years) (World Bank, 2024b).

Geographically, Tanzania serves as a strategic maritime access point to its landlocked neighbors, and a substantial share of their shipment by sea passes via the Port of Dar-Es-Salaam, which enhances possibilities in logistics, infrastructure, and trade (Kim and Tukic, 2014). This is an opportunity that has been taken up by Chinese FDI, and now there are new entrants in manufacturing, including ceramics by Keda Tanzania Ceramics, steel production, and the building of industrial parks (Vice President's Office, 2024; Yicai Global, 2023). The top industries, which are manufacturing, commercial buildings, transportation, agriculture, and services, align with the industrialisation plan in Tanzania, which promotes import substitution and employment opportunities (Tanzania Investment Centre, 2024b; Latorre, 2016).

Sector	Key Chinese Projects	Investment Value (USD Million, Recent)	Jobs Created (Estimated)
Manufacturing	Keda Tanzania Ceramics (float glass)	87+	5,000+
	Kinglion Investment (steel roofing)	300+	3,000+
	Goodwill Ceramics (tiles)	250+	2,500+
Infrastructure	Sino Tan Kibaha Industrial Park	800+	10,000+
Commercial	EACLC (shopping mall)	400+	4,000+
<b>Total (Recent)</b>	<b>Multiple Projects</b>	<b>2,000+ (2022-2024 Cumulative)</b>	<b>30,000+</b>

Table 1: Snapshot of Recent Chinese Investments in Tanzania (Adapted from Tanzania Investment Centre and official reports, 2024; Vice President's Office, 2024).

These inflows position China as Tanzania's top investor, surpassing others in project volume and value (IPP Media, 2024; Calabrese, 2019).

### The Role of BRI and FOCAC in Bilateral Investment

The BRI and FOCAC frameworks have played an important role in encouraging investments from China in Tanzania. BRI investment, for example, in the construction of the Bagamoyo Port, valued at USD 10 billion, reflects infrastructural growth (Kim & Tukic, 2014). The co-conditioned investment by China and multilateral agencies deters corruption in the local environment, increasing productivity (Brazys et al., 2019). This is supported by FOCAC, ensuring that growth is people-centered, covering green investments, human resources, and building capacity (Enuka, 2011).

However, problems still arise in that land acquisition politics for the agriculture and mining industries raise issues related to equity (Calabrese, 2019). For the manufacturing industries, though China's firms cause technology spillover, it has had mixed impacts on small-scale local firms (Xia, 2020).

## Tanzania's Economic Reforms and Investment Facilitation

In a conceptualization that anticipates systemic reforms that would facilitate business environment improvements, Tanzania has effectively removed over 230 pernicious taxes and has streamlined the business of licensing processes with the 2022 Investment Act. The result of this overhaul has reduced times to approval and introduced international arbitration avenues like the International Centre of Settlement of Investive Disputes (ICSID) as stated by United Nations Conference on Trade and Development (2022) and further supported by Clyde and Co (2023). In Tanzania, services of a one-stop-shop are offered by the Tanzania Investment Centre (TIC) and the Export Processing Zones Authority (EPZA) to ensure the repatriation of capital, and to provide the incentives such as tax holidays in Special Economic Zones (SEZs) that are reported by the World Bank (2024a) and the U.S. Department of State (2025).

It has been observed that these regulatory enhancements have been complemented by steep rises in foreign direct investment (FDI). The Econometric studies indicate a statistically significant cause and effect linkage between trade volumes, inflows, and macroeconomic growth (Latorre, 2016). Nevertheless, structural bottlenecks continue to plague the political economy, such as the fact that bureaucracy has always been a constant and uneven bureaucracy, the enforcement of which was not even (Kitonka 2022). Bilateral tax agreements with China have eased the cases of the double tax and hence investor confidence, which Calabrese (2019) attributes.

### Challenges and Prospects

However, as much as we celebrate the successes that had been registered so far, environmental and social risks are still pointed in the initiatives led by China, particularly those in the extractive and agricultural sectors (Calabrese, 2019). The need to use sustainable approaches is in line with the international standards, which encourage the inclusive development and the investment in the high-yield areas, including the manufacturing sector with Export Processing Zones as the tool of increasing the value of the raw exports ( Tanzania Investment Centre, 2024a; Xia, 2020). Prospective propositions indicate that these programs might be significantly increased with the result that trade volumes may be increased many times over, which would compute the win-win doctrine of openness and reciprocity (Enuka, 2011).

## Conclusion

The positioning offered by Tanzania, 'a shining example for investments by China,' draws upon traditional ties and reform for mutual benefit (Euka, 2011; Kim & Tukic, 2014). The literature evidences the revolutionary possibilities inherent in the integration opportunities offered by BRI-FOCAC, albeit for its balance to remain beneficial (Euka, 2011). This is a quintessential example of 'win-win' collaboration, its resilience guaranteed for both states in the new world order.

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