

# **INVESTING IN TANZANIA**

Business & Legal Landscape

**Harnessing the AfCFTA to Drive Regional  
Trade and Investment in East Africa**

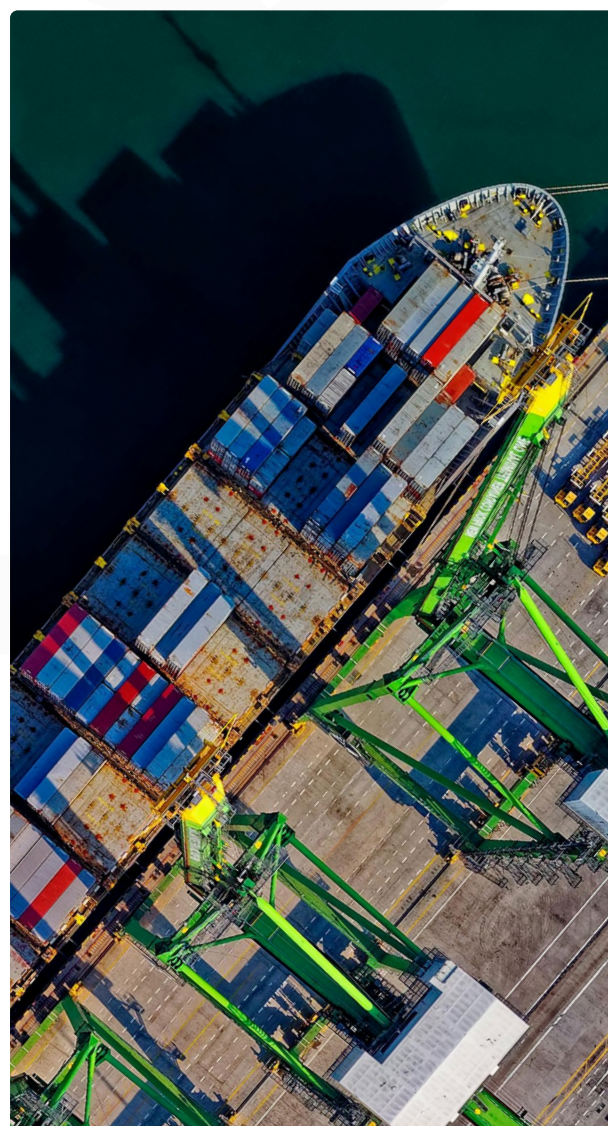
## Overview

The African Continental Free Trade Area (AfCFTA) represents a monumental shift in Africa's economic landscape, aiming to create a single market for goods and services across 54 countries, encompassing over 1.3 billion people. For East Africa, and Tanzania in particular, AfCFTA offers unprecedented opportunities to enhance regional trade and attract investment, but success will depend on bold legal strategies and targeted policies that transform these challenges into catalysts for East Africa's economic growth and make AfCFTA not just a framework, but a powerful engine for progress.

## Understanding AfCFTA's Potential

For East Africa, AfCFTA presents several key opportunities:

- **Enhancing Intra-African Trade:** By reducing trade barriers, East African countries can increase trade with neighbouring nations, leading to diversified economies and reduced dependence on external markets.
- **Attracting Foreign Direct Investment (FDI):** A unified market enhances the region's appeal to investors seeking scale and efficiency. The AfCFTA is expected to attract investment, boost trade, provide better jobs, reduce poverty, and increase shared prosperity.
- **Promoting Industrialisation:** The agreement incentivises value addition and diversified trade, accelerating industrialisation while reducing reliance on raw commodity exports.
- **Increasing Africa's visibility on the global economy:** By fostering active participation in AfCFTA trading, African countries can enhance their global competitiveness. This visibility could translate into greater access to trade finance, technological innovation, aid-for-trade programs for infrastructure, and expanded international market access.
- **Deepening regional integration:** AfCFTA has the potential to complement and deepen integration efforts within existing trade blocs such as the East African Community (EAC) and the Southern African Development Community (SADC). It offers a platform to harmonise regional initiatives, address overlapping memberships, and create a more cohesive trade environment.



## AfCFTA & Regional Trade Blocs: Complementary or Competitive?

One critical question is how AfCFTA will coexist with existing regional economic communities like the EAC and SADC, which have already made strides in reducing trade barriers and promoting economic integration. While some may see the potential for overlap or friction, AfCFTA offers a broader platform to unify fragmented trade rules, reduce duplication, and expand markets beyond regional boundaries.

For East Africa, leveraging AfCFTA alongside existing frameworks like the EAC's Customs Union or SADC's Free Trade Area will require strategic coordination to avoid contradictions in trade policies, streamline tariff structures, and manage regulatory convergence.

If done right, AfCFTA can act as a bridge to link regional trade blocs, fostering collaboration and aligning development goals for maximum impact.



## AfCFTA- Guided Trade Initiative Trading

The implementation and operationalisation of AfCFTA hinge on the commitment of participating countries to realise the agreement's goals and fully utilise its instruments. In this context, the GTI serves as a crucial pilot project, designed to test the operational, institutional, legal, and trade policy frameworks under AfCFTA. For the EAC, the GTI represents an essential step toward understanding and addressing the practical challenges of regional trade integration while showcasing its potential benefits.

EAC countries actively participating in the GTI include: Tanzania; Kenya; Rwanda; Burundi and Uganda. Initial assessments of AfCFTA-GTI trading in the region reveal promising progress:

- Kenya flagged off consignments of batteries and tea to Ghana and received South Africa's first consignment of refrigerators, home appliances and mining equipment;
- Tanzania exported coffee to Algeria and imported construction materials, agro-food products and chemicals from Tunisia;
- Rwanda enabled Igire Coffee Company to export coffee products to Ghana.

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## Necessary Legal & Policy Reforms

To capitalise on opportunities under AfCFTA, East African nations, including Tanzania, will need to undertake key legal and policy reforms, such as:

1. **Harmonising Trade Policies:** Aligning national trade policies with AfCFTA provisions is crucial. This involves standardising regulations, customs procedures, and quality standards to facilitate seamless cross-border trade. While the EAC has already started taking steps in this direction, deeper alignment with the AfCFTA framework is required to eliminate remaining policy gaps and overlaps.
2. **Infrastructure Development:** Investing in transport and logistics infrastructure is essential to reduce trade costs and improve connectivity. Strategic public-private partnerships can drive the development of ports, roads, and railways that link regional markets and support continental trade. The African Union has emphasised the need for an improved and robust infrastructure to facilitate AfCFTA implementation and ensure its long-term success.
3. **Enhancing Trade Facilitation Measures:** Simplifying customs procedures, eliminating non-tariff barriers, and embracing digital trade platforms can streamline trade process. AfCFTA's trade facilitation regime also offers an opportunity to formalise and support informal cross-border traders, promoting more inclusive trade for women, youth and underserved communities.
4. **Strengthening Legal Frameworks for Investment:** Clear, transparent, and investor-friendly legal regimes are critical to attracting and retaining investment. These frameworks should balance investor rights with sustainable development goals, aligning with AfCFTA's Investment Protocol to create a predictable environment for cross-border investments.
5. **Capacity Building and Public Awareness:** Raising awareness among businesses—particularly small and medium-sized enterprises (SMEs)—about AfCFTA's benefits, compliance requirements, and market opportunities is essential. Capacity-building programs can equip local businesses to meet international standards, diversify their offerings, and compete effectively in the expanded continental market.

## Challenges to Address

While AfCFTA presents significant opportunities, several challenges must be addressed to unlock its full potential:

- **Non-Tariff Barriers (NTBs):** Despite tariff reductions, NTBs such as bureaucratic delays, complex documentation requirements, and regulatory inconsistencies continue to impede trade. AfCFTA includes mechanisms to monitor and eliminate NTBs, but their success depends on robust implementation and enforcement.
- **Informal Cross-Border Trade:** A substantial portion of trade in East Africa is informal, often involving small-scale traders who may not benefit directly from AfCFTA provisions. Simplified trade regimes, the establishment of one-stop border posts, and the provision of simplified certificates of origin through regional agreements like the EAC and COMESA can help formalise this sector, promoting inclusivity and fostering growth.
- **Regulatory Capacity:** Ensuring that national institutions are equipped to implement and enforce AfCFTA provisions is crucial. Capacity-building efforts, including training for customs officials, legal professionals, and policymakers, can bridge gaps in institutional readiness and enhance compliance.

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**Business and Human Rights:** Investors need to navigate the intersection of trade and human rights under the AfCFTA Investment Protocol. Suspensions from the AfCFTA trading regime as seen with Niger, Guinea, Mali, Burkina Faso and South Sudan due to human rights violations, underscore the importance of aligning trade practices with human rights standards. Violations can deter investment, making it imperative for governments to address these concerns proactively.

**High freight costs for SMEs:** Transport and logistics costs in Africa remain prohibitively high, particularly for SMEs. Fragmented and inefficient logistics systems, coupled with the need for vessels to route through non-African ports like Singapore or Europe before reaching intra-African destinations, contribute to delays and inflated costs. This explains why Kenya's first shipment of batteries under the AfCFTA- GTI took 6 weeks to travel from Mombasa to the port of Tema, Accra. To resolve this challenge, there have been initiatives such as the TradeConnect Initiative, that support SMEs to move containers of assorted goods across African borders. Collaboration between EAC countries and key stakeholders is vital to developing sustainable, inclusive solutions for freight challenges.

## Conclusion

AfCFTA presents East Africa – and Tanzania in particular - with a transformative opportunity to enhance trade, attract investment, and position itself as a competitive player in the global economy. To fully realise this potential, the region must prioritise strategic legal and policy reforms, address persistent challenges such as non-tariff barriers and high freight costs, and create an enabling environment for businesses of all sizes. With a unified approach and commitment to implementation, East Africa can harness AfCFTA to drive sustainable economic growth, foster regional integration, and unlock new opportunities for prosperity.

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**For more insights on regional trade and investment opportunities, follow ALN Tanzania's thought leadership series.**



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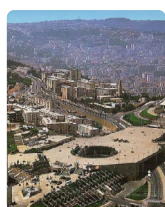
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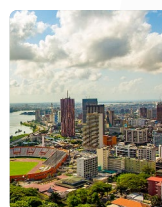
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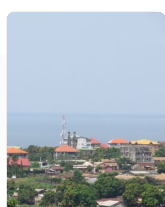
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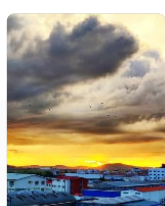
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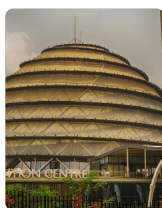
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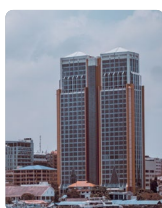
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