

Strategic Policy Note

Who Owns the Economy?

RETHINKING TANZANIA'S PATH FROM TRADE TO INVESTMENT TOWARDS VISION 2050

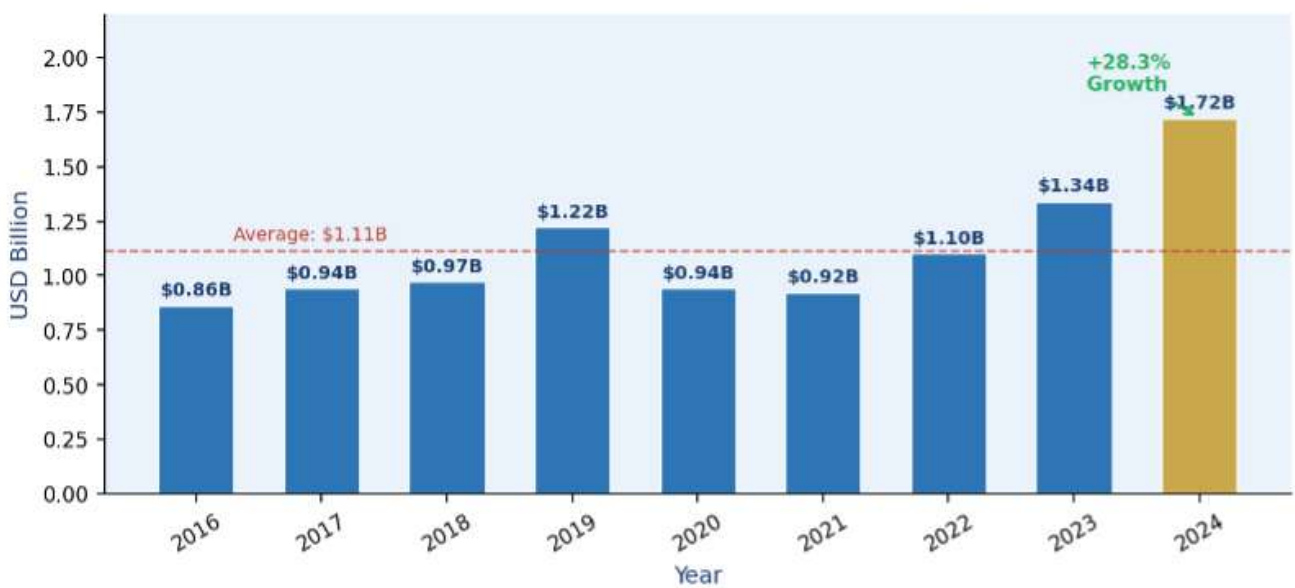


Introduction

Over the past two decades, globalization has accelerated the flow of Foreign Direct Investment (FDI) from Western and Asian economies into Africa, contributing significantly to macroeconomic growth, infrastructure development, and industrial expansion. Tanzania has been a key beneficiary of this trend, recording steady GDP growth and increased investor confidence across different sectors.

However, while these developments are commendable, a fundamental structural question persists, to what extent are Tanzanians participating in the ownership and control of productive sectors within their own economy? Although employment opportunities have expanded and local businesses have benefited from supply chain linkages, the deeper level of participation investment, production, and industrial ownership remains limited.

Figure 1: Tanzania FDI Inflows 2016–2024 (USD Billion)



Sources: UNCTAD World Investment Report 2025

This concern is particularly critical when viewed in the context of Tanzania's long-term development aspirations under Vision 2025 and the emerging strategic direction toward Vision 2050, both of which emphasize industrialization, competitiveness, and a strong domestic private sector as pillars of sustainable economic transformation.

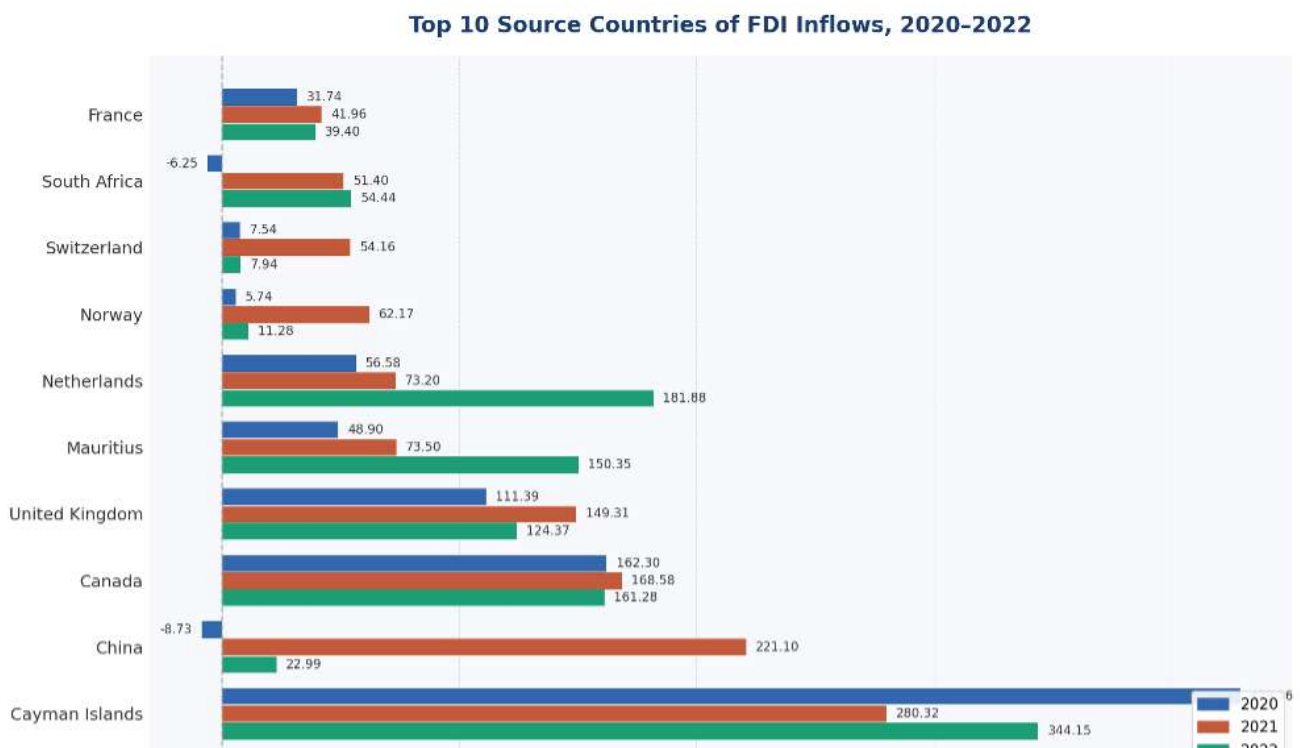
Problem Statement

Despite sustained FDI inflows, the Tanzanian private sector remains predominantly anchored in trading activities rather than productive investment. This has created a structural imbalance in the economy where foreign investors dominate capital-intensive production while local actors concentrate on distribution and commerce.

International experience offers a compelling contrast. Economies such as China, Vietnam, and India have demonstrated that sustainable economic transformation requires a deliberate transition of local entrepreneurs from trading into investment and industrial production. In these countries, domestic capital played a central role in building manufacturing capacity, driving exports, and fostering innovation.

In Tanzania, however, a large proportion of local enterprises remain engaged in importation and short-term commercial activities. While profitable in the short run, this model limits capital accumulation, weakens domestic industrial capacity, and reduces the country's ability to retain value within its economy. As a result, the economy risks becoming consumption-driven rather than production-led, a trajectory that is inconsistent with the ambitions of Vision 2050.

Figure 2. Tanzania FDI Inflows, 2020 – 2022. Source: Bank of Tanzania



Basing on BOT data, Figure 2 indicates that FDI inflows to Tanzania continued to originate from a limited number of countries. In 2022, the top ten sources accounted for an average of 76.4 percent of total FDI flows. The Cayman Islands retained its leading position for the third consecutive year. Other notable contributors included the Netherlands, Canada, and Mauritius. However, there was a marked decline in FDI inflows from China, largely attributed to reduced reinvestment of earnings in manufacturing and construction—sectors where Chinese investments have traditionally been concentrated.

A Strategic Reflection, What Do Tanzanian Traders Truly Seek?

This policy brief intentionally shifts the focus from government constraints to private sector introspection.

If Tanzanian traders were to engage directly with policymakers and were asked a simple but profound question “What is it that you want your government to do for you?”. The answer to this question would reveal the underlying mindset shaping the economy.

If the response centers on easing import procedures, reducing taxes on traded goods, or expanding commercial margins, then the country will remain within a trading paradigm. However, if the response evolves toward demands for industrial financing, investment partnerships, technology acquisition, and entry into manufacturing and value addition, then Tanzania will be on a clear path toward structural transformation. The difference between these two positions is not regulatory, it is fundamentally a matter of mindset.

The Imperative of a Mindset Shift

The transformation envisioned under Vision 2050 cannot be achieved through trade alone. It requires a decisive shift from short-term commercial orientation to long-term investment thinking.

A trading mindset prioritizes liquidity, speed, and immediate returns. An investment mindset, by contrast, prioritizes asset creation, scale, resilience, and intergenerational value. Nations that have successfully industrialized did so because their domestic private sectors embraced risk, reinvested profits, and moved deliberately into production

For Tanzania, this implies that traders must begin to redefine their role within the economy. The critical question is no longer how to trade more efficiently, but how to transition into producing, processing, and owning productive assets. This shift is essential not only for individual business growth but for national economic sovereignty and resilience.

Figure 3: Trading vs. Investment Mindset — A Comparative Framework

Trading vs. Investment Mindset: A Comparison

	TRADING MINDSET	INVESTMENT MINDSET
<i>Horizon</i>	Short-term returns	Long-term asset creation
<i>Capital Use</i>	Liquidity & turnover	Productive reinvestment
<i>Risk Appetite</i>	Risk-averse / low	Calculated risk-taking
<i>Value Driver</i>	Arbitrage & margins	Innovation & scale

Aligning Private Sector Behavior with Vision 2050

The aspirations of 2050 are clear, to build a competitive, industrialized economy driven by innovation, productivity, and high-value sectors. Achieving this vision requires a private sector that is not merely active, but transformative.

A private sector dominated by traders cannot deliver industrialization. Only a private sector composed of investors, individuals and firms willing to commit capital to long-term productive ventures can achieve this objective. This alignment between national vision and private sector behavior is therefore not optional; it is a strategic necessity. Three concrete requirements flow from this:

- Domestic entrepreneurs must move beyond importation into local manufacturing and value addition, targeting sectors where Tanzania holds a competitive advantage: agro-processing, textiles, construction materials, and pharmaceuticals.
- Local capital must be directed toward equity participation in productive enterprises, including joint ventures with foreign investors, to ensure Tanzanians own a growing share of what the economy produces.
- Financial institutions and development banks must evolve their products to support long-tenor investment financing, moving away from the short-cycle trade-finance instruments that currently dominate the market.

The Role of Government: Enabling, Not Substituting

While the emphasis of this brief is on mindset, the role of government remains critical in enabling this transition. Public policy must increasingly focus on supporting investment-oriented behavior by facilitating access to long-term finance, promoting joint ventures between local and foreign investors, and creating platforms for technology transfer.

However, even the most progressive policies will have limited impact if the private sector does not respond with a willingness to invest. The responsibility for transformation is therefore shared, but it must be initiated by a shift in private sector ambition.

A Defining Moment for Tanzania's Private Sector

Tanzania stands at a defining moment in its economic trajectory. With FDI inflows at a record \$ 1.72 billion in 2024, expanding markets, and a clear long-term vision anchored in industrialization, the foundations for transformation are already in place.

The critical variable that remains is the posture of the domestic private sector.

Will Tanzanians continue to operate primarily as traders within an economy shaped by external capital, or will they rise to become investors who shape, own, and drive that economy?

This is not merely an economic question; it is a strategic choice that will determine whether the ambitions of Vision 2050 are realized.

The time has come for a decisive shift, from commerce to capital, from trading to investing. From participation to ownership.

Becoming a Member

About TPSF

Tanzania Private Sector Federation (TPSF) is the apex body representing the private sector in Tanzania, dedicated to promoting a conducive business environment, strengthening public-private dialogue, and fostering sustainable economic growth through strategic partnerships.

Why Become a TPSF member

- Policy & Advocacy
- Networking
- Access to Business Information
- Marketing & Exhibition
- Capacity Building

Membership Categories

1. Corporate Membership For private corporate companies legally incorporated and doing business in Tanzania,
2. Ordinary Membership (Associations) For sectoral associations such as tourism, ICT, and manufacturing bodies.
3. Associate Membership For government bodies working closely with Private sector such as TISEZA, Brela And TRA

Application Procedure

Applications are submitted online through the TPSF membership portal. To apply, click the „Become a member“ button at www.tpsf.or.tz/apply

The Application Must Be Accompanied With

1. Corporate Members:

- Certificate of Incorporation
- Memorandum and Articles of Association
- List of Board Members
- Most recent Annual Report
- Certified Board Resolution to join TPSF, specifying preferred category

2. Ordinary Members (Associations):

- Constitution
- List of Members
- Registration Certificate

Joining TPSF is not just membership BUT being part of national policy advocacy, having a voice in business environment reforms, and accessing high-level government and private sector engagements.