

## IS TANZANIA'S LOGISTICS INFLUENCE CHINA'S FOREIGN DIRECT INVESTMENTS?: A QUANTITATIVE APPRAISAL

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### ABSTRACT

In Tanzania Findings of the Investor's perspective described and rated Tanzania's Logistics as Poor, this leads to the debate question that is Tanzania's logistics influence foreign direct investments, particularly China nation as the recent big Investor of Tanzania. The present study is undertaken to evaluate the Influence of Tanzania's Logistics to China's Foreign direct investment for the period from 2007 to 2017 in Tanzania. The simple Regression model has been used to evaluate the Influence Of Tanzania's Logistics to China's Foreign direct investment during the period from 2007 to 2017 in Tanzania. From the world bank data and published data by the author Han of the year 2019, the Influence of Tanzania's Logistics to China's foreign direct investment was analyzed in the period from 2007 to 2017 in Tanzania. On evaluating the influence of Tanzania's logistics to China's foreign direct investments, the study assumes Tanzania's logistics to be an independent variable while China's foreign direct investment to be a dependent variable of the study. The findings of the present study are quite interesting. The study findings revealed that there is a significant positive relationship between Tanzania's Logistics and China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania. The results indicated that Tanzania's Logistics Significant Influenced overall China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania.

Keywords: Tanzania's Logistics, China's Foreign Direct Investment, and Influence



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### INTRODUCTION

Recent records show that Tanzania is among African countries regarded as the big recipient of China's foreign investment. Trade Mark East Africa (2019), Explore the amount of Investment China made to Tanzania, where Tanzania received \$890m between 2011 and 2017. Investment statistics show that up to the year ended 2012, there were more than 300 Chinese companies invested in Tanzania. Embassy of the People's Republic Of China in the United Republic Of Tanzania, (2012) reported that "According to the statistics from Tanzania Investment Center, by the end of August 2012, there have been more than 300 Chinese companies investing in Tanzania's infrastructure,

agriculture, manufacturing and SME development with a total registered capital of over \$1 billion. □

Tanzania has a potential environment for foreigners to invest because of the peace platform of the country. Xinhua (2018) insisted that "Potential investors looking to invest in Africa should look first at Tanzania because it has a lot of potential for development, combined with a track record of more than 50 years of political stability". He adds: "Tanzania is also the only country in Africa that integrates the East African Community and the Southern African Development Community," adding that Tanzania also faces the Indian Ocean, which is the gateway to markets for Asia markets and landlocked African countries (Xinhua, 2018).□

In Tanzania, the Finding of the Investor's perspective described and rated Tanzania's Logistics as Poor. Tanzania Investment Report (2001) argued that "Infrastructure and public services were poorly rated, but with some notable improvements. Respondents were concerned with the high cost and poor reliability of utilities, electricity and water rates considered to be the highest in the region. This calls for Government action to address the matter. Conversely, investors commended the positive effects arising from improvements in the quality of telecommunications". They are considering the fact that Tanzania Investment Report (2001) Investors' perspective view shows that Tanzania's Logistics rated Poor. However, In Tanzania, studies have never been undertaken to evaluate the Influence of Tanzania's Logistics to China's Foreign Direct Investment. The present study is undertaken to answer the question of the Influence of Tanzania's Logistics to China's Foreign Direct Investment in the period of 2007 to 2017 in Tanzania.□□

The objective of the present study is to investigate the Influence of Tanzania's Logistics to China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania. In Tanzania, Findings of the Investor's perspective described and rated Tanzania's Logistics as Poor. Tanzania Investment Report (2001) argued that "Infrastructure and public services were poorly rated, but with some notable improvement. Respondents were concerned with the high cost and poor reliability of utilities, electricity and water rates considered to be the highest in the region. Chinese investments helped a large number of local Tanzanian people to increase the mobility and business capacity in the less expensive infrastructure in terms of transport and communication. Fujita (2017) highlighted the matter, "I argue that Chinese investment in Tanzania has helped many local people by increasing mobility and business opportunities with inexpensive infrastructure from means of transportation and communications technologies."□□

It has been discussed that the Chinese investment goods and products do not last long in Tanzania, and Chinese people prefer the short term investment opportunities. Fujita (2017) argued that "However, in exchange for affordability and fast delivery of Chinese products that represent one level of investment, local communities in Tanzania very often purchase low-quality products that consistently do not last and may have other less beneficial social, health, or economic consequences. Chinese investors, as well as local communities in Tanzania, are interested in the short-term benefits and opportunities of the infrastructure and consumer goods imported from China to Tanzania". Recent records show that Tanzania is among African countries regarded as the big recipient of China's foreign investment. Trade Mark East Africa (2019), Explore the amount of Investment China made to Tanzania, where Tanzania received \$890m between 2011 and 2017.□□

Much literature insists that Tanzania is the good beneficiary of China's foreign investments since China has already made huge investments to Tanzania, and recently becoming the leading Investor overtake the united kingdom. The data, which was sourced from the United Nations Conference on Trade and Development (UNCTAD), indicates that Kenya, which received \$1.3b had the largest share of FDI from China, followed by Tanzania, which received \$890m between 2011 and 2017. Embassy of the People's Republic Of China in the United Republic Of Tanzania (2012). At the Inauguration Ceremony of the Natural Gas Pipeline Project 8th November 2012, Dar es Salaam, H.E

Ambassador Lu Youqing Praised China as the most responsible Investor in Tanzania. H.E. Ambassador Argued that "China is the most responsible Investor in Tanzania. I'm proud that China was, is, and will always be the most reliable friend and most responsible Investor for Tanzania. The Chinese government, companies, and businessmen are deeply involved in the development of Tanzania, our cooperation can be seen in every field of Tanzania's social and economic development, and our bilateral friendship is enhanced in every sector relating to the improvement of Tanzanian people's living standard". □ □

Investment statistics show that up to the year ended 2012, there were more than 300 Chinese companies invested in Tanzania. Embassy of the People's Republic Of China in the United Republic Of Tanzania, (2012) reported that "According to the statistics from Tanzania Investment Center, by the end of August 2012, there have been more than 300 Chinese companies investing in Tanzania's infrastructure, agriculture, manufacturing and SME development with a total registered capital of over \$1 billion. Foreign direct investments have been mentioned as among the significant economic variables for the economic growth of the country. Megbowon et al. (2019) pointed to the matter and stated that "Thus, with globalization and economic integration, the importance of FDI in economic growth and development remains unquestionable'. □

The role and importance of foreign direct investments to the developing countries have been more insisted since the foreign investments can bridge the gate of investments and promote the quick economic growth of the country. Epaphra (2016) explained that "Although it may seem natural to argue that Foreign Direct Investment (FDI) can bridge the investment gap in developing countries' economy, which in turn foster economic growth." Unido Report (2014), Clarifies the impact of Foreign Direct Investment to the Tanzania Economy, the Report argued that; "The contribution that FDI makes to a country's economic development and its integration into the world economy is widely acknowledged. Among the factors that attract foreign direct investments is the population of the country; from this fact, Tanzania is among the large populated African countries, thus attract foreign direct investments. The United Nations Report (2007) suggested that "The United Republic of Tanzania had a population of over 38 million and a per capita income of \$317 in 2005. It has a number of attributes that make it an attractive destination for FDI despite its low-income level'. □

The significance of foreign direct investments to the country's economy and its society have been given particular attention to the fact that foreign direct investments create jobs and income generation to the local people. Pigato and Tang (2015) Clarify that "In many countries (e.g., Tanzania), Chinese small private firms are becoming a significant source of jobs and income and have productivity-enhancing spillovers, but they are competing with domestic firms in the local market." China and Tanzania's relationship has been for a very long time as previous years during 1960, and China built some state-owned manufacturing firms to the Tanzania government as aid programs. Brautigam et al. (2018) clarified that "During the 1960s and 1970s, China built several state-owned manufacturing projects for the Tanzanian government as part of its aid program". □ □

Tseng and Rodlauer (2003) highlighted how China benefited from Foreign Direct Investment as a Recipient from other countries and became superior in the world Economy. The authors stated that "A driving force between China's Exceptional Growth performance has been the increasing openness of its economy, especially to trade and foreign Direct Investment. Indeed Attracting FDI has been a pillar for China's Policies to increase its openness to the world economy, and it has resulted in China becoming the largest recipient of FDI among developing Countries?. However, during many years western countries have invested in Africa, and many projects have been criticized for being mainly directed to the oil extraction thus offering little positive impact for the development of the local economies or for being insufficiently maintained and inappropriate for the local economic conditions, especially in the infrastructure sector. Will history repeat itself, or does the Chinese investment offer new opportunities for African Development? (BSI Economics, 2013). □

Tanzania has a potential environment for foreigners to invest because of the peace platform of the country. Xinhua (2018) insisted that "Potential investors looking to invest in Africa should look first at Tanzania because it has a lot of potential for development, combined with a track record of more than 50 years of political stability". He adds: "Tanzania is also the only country in Africa that integrates the East African Community and the Southern African Development Community," adding that Tanzania also faces the Indian Ocean, which is the gateway to markets for Asia markets and landlocked African countries (Xinhua, 2018).

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## METHODS

The Present Study is undertaken to evaluate the Influence of Tanzania's Logistics to China's Foreign direct investment for the period from 2007 to 2017 in Tanzania. The simple Regression model has been used to evaluate the Influence Of Tanzania's Logistics to China's Foreign direct investment during the period from 2007 to 2017 in Tanzania. From the world bank data and published data by the author Han of the year 2019, the Influence of Tanzania's Logistics to China's foreign direct investment was analyzed in the period from 2007 to 2017 in Tanzania. On evaluating the influence of Tanzania's logistics to China's foreign direct investments, the study assumes Tanzania's logistics to be an independent variable while China's foreign direct investment to be a dependent variable of the study. For this, the Simple Regression in Double Log and Semi Log-Linear Models were used to evaluate the Influence of Tanzania's Logistic to China's Foreign Direct Investment. To evaluate the Influence of Tanzania's Logistics to China's Foreign Direct Investment in the period from 2007 to 2017 in Tanzania, the study considers the following equation:  $\ln Y_t = \alpha_0 + \beta_1 \text{LOGIST}_t + e_{1t}$  .....(1) Where,  $\ln Y$  is the natural log of Dependent Variable, LOGIST is Logistics. The  $\alpha_0$  is constant, and  $\beta_1$  is the coefficient parameter. The Influence Of Tanzania's Logistics to China's Foreign Direct Investment is estimated by:  $\text{FDICht} = \alpha_0 + \beta_1 \text{LOGIST}_t + e_{2t}$  ..... (2) Where FDICht is the natural log of China's Foreign Direct Investment. □ □

## RESULTS AND DISCUSSION

To assess the Influence of Tanzania's Logistics to China's Foreign Direct Investment, the study considers Descriptive and Analytical Quantitative Techniques to achieve the desired results. □

The results of the regression analysis show that there is a significant positive relationship between Tanzania's Logistics and China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania. The results are statistically significant, with R-Squared 0.13 having significant at the 1 percent critical value. The coefficient for Tanzania's Logistics is 77.50 ( $t=1.1375, p<.001$ ). This implies that for each additional increase in Tanzania's Logistics, China's Foreign Direct Investment increases by 77.50 points. The results indicate that Tanzania's Logistics Significant Influenced overall China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania (Table 1). □

**Table 1: Regression Results Between Tanzania's Logistics and China's Foreign Direct Investment During the Period from 2007 to 2017.**

Variables	Coefficient	Std Deviation	T-Statistic	Probability
Logist	77.50	68.13	1.1375	0
C	-101.53			0
R-Squared	0.13			
Adjusted R-Square	0.033			
S.E.Of Regression	73.06			
Number Of Observation =11				

Source: Appendix 2

Appendix 01: Tanzania' Logistics Performance Index (Source: - World Bank), and China's Foreign Direct Investment (Source: - Statistical Report, Published By Han, 2019), for the period of 2007 to 2017. □

Year	TZ-Log-X	CHN-FDR-Y
2007	2.08	-3.82
2008	2.08	18.22
2009	2.08	21.58
2010	2.6	25.72
2011	2.6	53.12
2012	2.65	119.7
2013	2.65	150.64
2014	2.331	166.61
2015	2.331	226.32
2016	2.99	94.57
2017	2.99	132.46
	27.382	1005.12

Appendix 02: Regression Calculations between Tanzania's Logistics( and China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania. □

Year	TZ-LOGIST-X	CHINA FDR-Y	X <sup>2</sup>	Y <sup>2</sup>	X.Y. □
2007	2.08	-3.82	4.3264	14.5924	-7.9456
2008	2.08	18.22	4.3264	331.9684	37.8976
2009	2.08	21.58	4.3264	465.6964	44.8864
2010	2.6	25.72	6.76	661.5184	66.872
2011	2.6	53.12	6.76	2821.7344	138.112
2012	2.65	119.7	7.0225	14328.09	317.205
2013	2.65	150.64	7.0225	22692.4096	399.196
2014	2.331	166.61	5.433561	27758.8921	388.36791
2015	2.331	226.32	5.433561	51220.7424	527.55192
2016	2.99	94.57	8.9401	8943.4849	282.7643
2017	2.99	132.46	8.9401	17545.6516	396.0554
TOTAL	27.382	1005.12	69.291522	146784.7806	2590.96293

(Source: Calculated by Author from Appendix 01).

## CONCLUSION

The results of the regression analysis show that there is a significant positive relationship between Tanzania's Logistics and China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania. The study findings revealed that there is a significant positive relationship between Tanzania's Logistics and China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania. The results indicated that Tanzania's Logistics Significant Influenced overall China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania. The Present Study is undertaken to evaluate the Influence of Tanzania's Logistics to China's Foreign direct investment for the period from 2007 to 2017 in Tanzania. The study findings revealed that there is a significant positive relationship between Tanzania's Logistics and China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania. The results indicated that Tanzania's Logistics

Significant Influenced overall China's Foreign Direct Investment during the period from 2007 to 2017 in Tanzania. □

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