

# Counterfeit goods continue to haunt Tanzanian industries



CTI chairman Felix Moshia

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The BusinessWeek Reporter

**Dar es Salaam.** The flooding of counterfeit products in the country continues to be a major threat to industries, Confederation of Tanzanian Industries (CTI) chair Felix Moshia has re-asserted.

In a telephone interview Moshia said despite several initiatives taken over the years to tame the rogue trade, it continues to be of great magnitude adversely affecting producers and dealers in genuine products.

"Local products find it difficult to compete in the market because of fake, cheap imports. In some cases this has resulted in some local industries shutting down," he said.

Re-affirming findings of a CTI report titled 'Effects of Counterfeit and Substandard Goods on the Tanzanian Economy', Mr Moshia said the market for local genuine products in some cases has been declining following counterfeit goods influx.

The report asserted that the impact of counterfeit products was highly on the rise resulting in loss of revenue collection and worsening business environment.

The report estimates that Tanzania could be losing between 15 to 25 per cent of the total domestic

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revenue due to counterfeit products. This means if estimated total government domestic revenue was Sh6.7 trillion in 2011/2012 subsequent loss in government revenue due to counterfeit products stood well over Sh1 trillion.

"The government can lose revenue through different ways. For example, the tendency of consumers losing confidence on products they once bought and found fake has led to the decline in aggregate demand of the genuine products thus affecting government earnings," says part of the CTI report.

Financed by BEST-AC, the study

reveals that business people dealing with counterfeit products are able to sell more products at less cost thus reaping huge profits compared to those dealing in genuine products.

Businesses dealing with genuine products face stiff competition from counterfeit dealers, notes the CTI report adding that unemployment caused by large imports of fake goods is big.

This is partly a result of counterfeits denying domestic industries the opportunity to expand production and scaring off investors who want to establish industries in Tanzania.

"Counterfeit products must be fought because they badly impact on genuine businesses and investments. Genuine businesses are not able to compete effectively with counterfeit products," said Tanzania Private Sector Foundation Executive (TPSF) Director Godfrey Simbeye in a phone interview.

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## Enact comprehensive law to curb fake products: CTI

CTI is urging the government to consider enactment of a comprehensive law and formation of an agency to spearhead the fight against the manufacture and importation of counterfeit goods.

This would go a long way to solve the problem. At the moment, the main law that could be used to successfully fight and control counterfeiting and piracy is the Merchandise Marks Act, which was amended last year. Other relevant laws include - The Penal Code, the Fair Competition Act, The Tanzania Food Drugs and Cosmetics Act, the Standards (TBS) Act, and Intellectual Property laws (The Trade and Service Marks Act, Copyright and Neighbouring Rights Act and the Patents Act).

According to CTI there is lack of harmonisation and proper coordination among various laws and regulatory authorities that enforce these laws. "There is the urgent need of reviewing these laws and prepare an effective legal framework that will clearly address the problem on counterfeit and substandard goods.

Counterfeit products often find their way into the normal channels of commerce due to lack of strong anti-counterfeit enforcement agencies," notes a recent report by CTI.

The report, financed by Best-AC also recommends for enforcement agencies to be equipped with resources to educate the personnel in fighting counterfeiting and introduction of exchange of information between the different governmental stakeholders on counterfeits.

## Counterfeit industry tops \$525 million annually

"Counterfeit and sub-standard goods not only cripple legitimate local industry by unfair competition but, local services firms and channel players also lose revenue while businesses waste time and money working with faulty and unsupported products," so says a draft report by Confederation of Tanzania Industries (CTI), which seeks a review of the laws and regulations relating to counterfeits and substandard goods.

Citing Taknet Policy Brief Series No. 014 - 2010, the paper says pirated goods in Tanzania run to around \$525 million per annum, putting lives and nascent local industries at risk.

CTI estimates that 15 to 20 per cent of all goods imported into Tanzania are fake and that counterfeits cost the government losses of between 15-25 per cent of total domestic revenue annually.

## Right tax regime good to promote local production

"On behalf of private sectors in the country, I urge the government to formulate policies that will strictly enforce the anti-counterfeit laws so as to ensure that those who are dealing with counterfeit products are strictly charged according to the laws," says Tanzania Private Sector Foundation (TPSF) executive director Godfrey Simbeye.

Counterfeits have a debilitating, draining effect on the economy, he asserted.

## How research can improve business environment

Last Thursday, Mr Ali Mjella, who is the deputy Project manager, Business Environment Strengthening for Tanzania - Advocacy Component (BEST-AC), explained the meaning of ease of doing business. Today, he talks about the role of the private and public sector in improving business environment through advocacy, among other issues. Read on:

### Are advocacy initiatives helping to improve business environment?

In the case of BEST-AC, most of the time we have successfully highlighted several business environment obstacles through the advocacy support given to Tanzania's Private Sector Organisations (PSOs).

Our mandate is to offer PSOs grants and technical assistance so as to enhance their ability and competence in advocacy.

We have supported studies on prominent issues that affect business environment. The advocacy is conducted through evidence based research, which helps to develop compelling arguments to influence positive change to improve business environment. The developed arguments are used to persuade the government and the private sector to introduce necessary changes that improve business environment for national good.

### What kind of studies are you talking about?

Some of the studies include how multiple regulatory authorities contribute to enterprises' costs, time consuming and provide environment for corruption; how the 6 per cent Skills Development Levy adds to the cost of employers; and the impracticalities of the Business Activities Registration Act (BARA).

Others include obstacles to tourism growth (local levies, marine parks); the lack of a properly functioning credit guarantee scheme; how food crop export bans and permits are a disincentive to investments in agriculture; how the mismanagement of agricultural inputs hurts agricultural growth; and how the imperfect (regulation) of the cashew and cloves stunt growth of the 2 sectors. Also, Best-AC issues a Business Leaders' Perceptions report every year that to a great extent augment the findings of the World Bank. All these studies are used to advocate for improved business environment.

### What should stakeholders in public and private sector do to continually improve business environment?

There must be genuine will and trust to work on solutions that will promote growth of the private sector. This will require that the private sector continues to provide the right information on issues that affect businesses to help shape the reform agenda.

The government side has to acknowledge by words and deeds about the central role of the private sector in contributing to the growth of the economy; and therefore push the reform agenda with will, sense of purpose and vigour. This for instance will require a more visible, intensive role by government to implement proposed and agreed upon reforms by stakeholders.

