The role of bilateral investment treaties in Africa

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Many developing countries consider Bilateral Investment Treaties (BITs) to be important instruments for Foreign Direct Investments (FDI) attraction. It is assumed that BITs can stimulate foreign investments inflow via the elements of security assurance enshrined within them. The main objective of this study was to establish the relationship between the BITs and the FDI inflow to Tanzania. The study restricted its focus around unveiling the role(s) of BITs in regard to the core question of FDI promotion in Tanzania particularly and Africa in general. However, in the course of the study, there was no concrete evidence to suggest that there is a direct correlation between an increase in FDI inflow to Tanzania and an increase in BITs. Although majority of foreign investors in Tanzania indicated having some knowledge of BITs, the study found that most of them were attracted by incentives other than BITs. These incentives included easy access to raw materials such as minerals, forestry products and others. Between 1995 and 2005, the extraction sector accounted for more than 50% of total FDI inflow to Tanzania annually. In that regard, the simplified access to raw materials in Tanzania was found to be central in attracting FDI than the BITs. On the basis of the findings, it is recommended that considerations be towards extensive marketing of existing natural resources, which have proven to impact positively on the FDI inflow to Tanzania, if the FDI inflow is to be further improved.