

'A TIME OF STRUGGLE": EXOGENOUS SHOCKS,  
STRUCTURAL TRANSFORMATION AND CRISIS IN TANZANIA.

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But although our present problems are partly problems of development, the facts remain the same. Our people do now expect to be able to have these very simple but important goods, and our economy is not at present making these available in sufficient quantities.

- J. K. Nyerere, 'Change is Innovation'.<sup>1</sup>

And while we are making an effort to build our country we have to accept things as they are and start our journey from there...We cannot make changes in our country...by shutting our eyes to our current poverty and the problems which come out of...are indeed the meaning of that poverty. Nor can we build our country as if it was on...a planet by itself. We have to build Tanzania here in the world as it is, with all the world's problems.

- J. K. Nyerere, 'A Time of Struggle'.<sup>2</sup>

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I

National Efforts and the International Setting

To study the political economic structure, strategy or trajectory of any polity (especially a small, poor one) out of the context of the global political economic setting is to abstract from reality in a way which is likely to limit or vitiate the analysis. However, it is equally distorting to apply a global model without attention to the actual historic, social and political economic context and direction of a particular political economy.

In practice any single work must choose to emphasise either the global or the national - here the focus is on Tanzania in the context of the New International Economic Disorder not on The World Economic Crisis and Tanzania.<sup>3</sup> That choice requires no justification for Tanzanians - to them Tanzania is at the centre and what happens there and what they can do about it is of the utmost importance. For others it requires acceptance of two assumptions:

- (a) Tanzania is of more than purely parochial interest;
- (b) peripheral political economies do have some options and degrees of freedom - they are not totally governed by global/external political economic relations and laws.

The volume of literature on Tanzania suggests that

the first assumption is widely accepted. A polity seeking to achieve structural change to meet basic human needs out of a context of extreme poverty and relatively low initial levels of social or political consciousness through participation, self-reliance and transition to socialism is of interest. That is independent of whether one agrees with or dissents from the goals and/or the means and whether one assesses the results as successful, problematic, flawed or disastrous.<sup>4</sup>

The question of degrees of freedom is more vexed. There is a case for arguing that the global political economy determines everything significant on the periphery<sup>5</sup> or that economic laws preclude any significant transformation of economies like Tanzania in this century.<sup>6</sup> Both views have had proponents in Tanzania but both are minority views there, if only because for Tanzanians to accept them, is in fact to embrace fatalism and accept defeat in advance.

A more standard Tanzanian perception is that of the President:<sup>7</sup>

I do not emphasise these (global context) things because they make our efforts useless. On the contrary...only if we...recognise our real situation in the world and what is happening in the world will we be able to understand the size of the task before us and use the strength we have to the best advantage.

## II

The Road from Arusha: 1967 - 1977

Tanzania's 'moderate' image during the transition to independence and the first years thereafter was always based at least partially on misinterpretation.<sup>8</sup> However, the clear formulation of a strategy toward self reliance and socialism came in the 1967 Arusha Declaration and the 1971 Mwongozo (Guidelines).

These and related decisions set out a strategy<sup>9</sup> centered on:

- (a) increasing the role of direct participation in decision taking and implementation;
- (b) forbidding leaders (defined as party leaders plus senior civil servants and public enterprise managers and their spouses) from engaging directly or indirectly in private business;
- (c) establishing public enterprise as the dominant mode of production - initially by nationalisation but primarily by investment;
- (d) blocking the emergence of radical rural inequality and creating a participatory, partly communal village government/economic enterprise/social system as a first step toward non-capitalist rural development;

- (e) reduction of inequality of income, access to public services and participation;
- (f) rapid progress toward universal provision of basic services - adult and primary education, basic preventive and corrective medicine, pure water, agricultural information;
- (g) building up citizen personpower at middle and higher levels to reduce dependence on expatriates and to allow more rapid increases in productive forces;
- (h) organising strategy, planning and performance primarily on the basis of national efforts and resources with international solidarity as a secondary complementary, rather than a dominant organising, element;
- (i) achieving rates of growth of specific goods and services production and of overall productive forces (seen as 6% a year) to achieve the basic aims by - say - the period 1990-2000.<sup>10</sup>
- (j) creating appropriate and efficient party, government and public enterprise institutions to determine policy, plan and implement the development toward socialism and self reliance.

Tanzania has never claimed to have achieved these goals - albeit some rather unwary external enthusiasts have claimed that on her behalf. However, significant progress can be perceived in respect to most and perhaps all.<sup>11</sup>

- (a) Village and Workers Councils as well as Party Branches are in many cases both democratic and influential;
- (b) the Leadership Code has in large measure been enforced - despite 50% real decreases in the incomes of most leaders as a result of nearly static salaries and rapid inflation;
- (c) about 75% of large and medium scale economic activity is by public enterprises and most of the private activity is dominated by larger up or downstream public units;
- (d) rural landholdings have become less unequal, food production (though not industrial/export crop production) has grown more rapidly, rural organisation and assertiveness have risen;
- (e) from 50:1 at independence post income tax income differentials in the public sector<sup>12</sup> were cut to about 7:1 by 1980; urban-rural inequality also was

reduced over 1967-1977;<sup>13</sup>

- (f) literacy has been raised to 70% (15% at independence) rural access to pure water to 45-50% (versus 10%), health facility visits to 10 per year (versus 2), universal primary education is achieved for the first three years and should be for six by 1983;
- (g) high level citizen personnel have grown from 500 odd in 1961 to 5,000 in 1971 and about 19,000 in 1980 (expatriates 4,500, 5,000, 3,500) while middle level technical, training enrolment (post primary through tertiary) by 1980 exceeded 30,000 (under 500 at independence);
- (h) psychologically and in bargaining Tanzania is more self reliant. A wider array of products are locally produced. But the ratio of imports to production and of aid to investment have remained relatively static and new activities tend initially to require expatriate staff;<sup>14</sup>
- (i) the average overall growth of productive forces has been between 4½ and 5% a year and of food between 3½ and 4% a year - above average for Africa or for very poor economies but below the rate required for the strategy;

(j) the institutions are more appropriate, adequate and numerous than in 1967. Most suffer from both staff shortages and newness and the range of variation in appropriateness and efficiency is very high.<sup>15</sup>

The pace of change was in many respects faster than anticipated, but the total change needed to achieve either self reliance or socialism had clearly been underestimated.<sup>16</sup> The basis for an exploitative system and the worst aspects of exploitation had been removed, but no serious claim that participatory socialist transformation had yet been achieved was - or could be - made. Similarly output and skills had risen but the economy remained fragile as well as poor and the pressures of growth and structural change clearly overstrained the public service and institutional structure.

### III

#### Crisis and Response 1974-1977 <sup>17</sup>

In 1973 and 1974 Tanzania suffered drought related losses of basic grain output of perhaps 15% and 30% (comparable to Sahel and Ethiopia). Between 1972 and 1976 UNCTAD estimates showed a loss on terms of trade deterioration of about an eighth of GDP. The UN ranked Tanzania as the third most severely affected state.

Tanzania formulated a national strategic response in



the first half of 1974. This involved: seeking to raise production to close the supply/demand gap, improving rural/urban terms of trade (especially for food), protecting the weakest groups (e.g., minimum wages, agricultural prices, drought relief), maintaining balance of the recurrent budget, limiting inflation via credit control and price management after adjusting to higher global oil and grain prices, seeking emergency external assistance to bridge an estimated three year gap before stabilisation reduced the shortfall of output (and import capacity) to that covered by normal aid programmes. This strategy was held to through 1977.

In retrospect it is almost too easy to cite it as a text book case of successful stabilisation and recovery. After one bad growth year (1974), output expanded at over 5% a year as did food production. After the 50% adjustment to new external prices, the cost of living increase rate fell to 8 to 10% a year. While not fully protected, minimum wage earners had limited falls in real purchasing power and peasants - after 1974 - had higher real incomes. No one starved. Implementation of the basic development strategy was continued. International interim funding (initially largely from the IMF as 'emergency' aid turned out to have a 15-18 month lag from request to dispersal!) was secured and by 1977 external reserves were at record levels.

That view is too simple:

1. the success was a very near-run thing. At the end of 1974 reserves were exhausted, prices soaring, external finance not forthcoming - strategic failure and literal starvation appeared to be months away;
2. the costs of dealing with the crisis were high - in strains on institutions and personnel, in 30 to 40% cuts in salary earners' real purchasing power (their pre tax income range is £1,000 - £3,000), in deferred maintenance, in a worsening of the structural balance of payments gap;
3. the main manufacturing expansion programme ran behind schedule and the export development one never got off the ground;
4. the 1977 balance of payments breakthrough was the result of the coffee boom - satisfactory for the immediate purpose, but dangerous in concealing how seriously terms of trade shifts had eroded underlying import capacity and how badly overall export sector production was performing.

## IV

'No Worst There is None'

From 1977 through 1980 exogenous events have hit Tanzania a series of hammer blows in sum greater than the 1973-74 drought/oil crisis.<sup>18</sup> Six have been relative to the size of the economy:

1. 1977 - Collapse of the East African Community entailing at least \$100 million in replacement;
2. 1977/78 - Collapse of the coffee boom reducing earnings by up to \$400 million a year;
3. 1978/81 - Amin invasion, support of Ugandan struggle, assistance to new Uganda government, about \$500 million for the war and over \$100 million in support to Uganda;
4. 1979/80 - petroleum price escalation running \$150 million per year by the end of 1980;
5. 1979 - flood damage to crops and - even more to transport facilities of the order of \$100 million;
6. 1979/80 - drought entailing probable crop losses in excess of \$100 million and an added 1980/81 import bill of \$50 million.

The total cost of these blows over 1977-81 con

\$ 1,500 million. That is one third of 1979 Gross Domestic Product, four fifths annual government Recurrent Expenditure, one and a half times yearly fixed capital formation, twice annual export earnings. About \$450 million fell in 1979, \$520 million in 1980 and \$350 million is projected for 1981. (In comparison the maximum year's loss in the previous crisis - 1974 - was \$200 million - say \$350 million in current prices.)

Further damage has been done by the economic crises - again substantially exogenous - affecting Tanzania's neighbours. While in mid-1980 Tanzania had \$250 million of trade payments arrears, it also had \$325-350 million trade and service payments owed to it which could not be collected because of its debtors' fiscal and/or foreign exchange problems.

V.

Structural Gaps: The Weaknesses of Partial Success

In 'Change is Innovation', President Nyerere noted:<sup>19</sup>

As a result of the actions of TANU, ASP and CCM and the actions of our government, our people no longer accept poverty and deprivation as the will of God. Such dissatisfaction with poverty and deprivation is the first step overcoming poverty and backwardness if the way forward is open and the people understand how to proceed. The next step is a matter of leadership and organisation.

Broadly Tanzania's economy has advanced. The increased sense of deprivation flows as much from increased levels

of consciousness as from worsened objective conditions - especially in respect of public services and participation. Organisation has, in a majority of cases, been relevant and relatively effective, but the balance of effort has not always been optimal and glaring cases of irrelevance, ineffectiveness or a line of action pursued after its own success had made it counterproductive can be identified.

'In particular our foreign exchange earnings are insufficient,..' <sup>20</sup> stressed the President in 1980. Indeed so. In 1966 exports covered 105% of imports, in 1973 80%, in 1978 44%, in 1979 and 1980 53%. While loans and bridging finance rose, they did not close the gap - especially in 1974-75 and after 1978 - and carried risks of external policy intervention by creditors, dramatically illustrated by the breakdown of the 1978-79 IMF negotiations. <sup>21</sup>

Export strategy has been notable either for its absence (to 1972) or the lack of priority and resources allocated to it (until 1980). From 1971 warnings were made that without enhanced exports national policy would be delivered into the hands of external creditors. In 1972 the President stressed the need to process primary commodities before export to increase value added. In 1974 the stabilisation and recovery strategy included export development and in

1975 the basic industrial strategy emphasised pre-export processing. But articulation and action did not follow except in the case of processing units and many of these were rendered ineffective by primary production falls (e.g., cashew, pyrethrum) or marketing problems (e.g., sisal twine.)

Export quantities peaked in 1966 and thereafter tended downward at 1 - 2% a year. Only manufactured exports (notably textiles) rose significantly with an interruption in 1977 when the East African Community collapsed and a threatened choking-off in 1979-80 from imported inputs and spares limitations. This compounded the 30% 1972-1979 worsening of Tanzania's terms of trade (briefly reversed during the coffee boom) to cut 1980 import capacity out of exports to less than two thirds that of 1973.

For somewhat different structural reasons, the fall in the overall import intensity of production was sluggish - 26% in 1966, 29% in 1973, 31% in 1975 (peak food imports after drought), 25% in 1980. In part this represents the much more rapid increase in import prices than in the GDP deflator, but part of it reflects structural realities.

Food and manufactured consumer goods imports have been reduced over 1966-79 relative both to GDP and

to total imports. The rise in fuel import ratios is totally exogenous. That in spares and intermediate goods reflects the growing importance of manufacturing and the growing complexity of the economy. Importing the final products would have required substantially more foreign exchange - and by the same token any cutback has a multiple effect on GDP and supply (Sh 1 off manufacturing sector imports costs Sh4 in local value added, Sh 5 in pre tax sectoral output, Sh 1.50 in tax revenue.) The sharpest increase is in capital goods because the direct and indirect import content of fixed investment remains about two thirds (partly because of an intersectoral shift from construction toward machinery and equipment) while the share of investment in GDP has risen. The slow implementation of 1974-76 industrial plants (most coming on stream in 1979-82 versus 1976-78 plans) has worsened the relative failure of quite real import substitution to hold down the absolute level of imports required.

Agricultural development has been at one and the same time the most successful and problem-ridden sector over 1967-80. Food output has risen 3½% a year (above 5% over 1974-79) but inadequately detailed strategy has meant growing gaps (imports or shortages) in respect to five key foods: rice, wheat, milk, sugar and oilseeds. Higher prices have

improved rural/urban terms of trade but inadequately worked out relative prices (and an utterly incoherent set of advice from the technocratic Marketing Development Bureau which succeeded the relatively less random administrative/political Agricultural Price Co-ordination Committee) have led to unsound shifts between crops producing unmanageable surplus of 'famine crops' and declines in key exports.

Unfortunately 'experiments' with central silos and tarpaulins as storage cure-alls - versus plugging ahead with village and regional warehouses - has led to 300,000 tonnes of maize rotting or being put into poultry feed and exports to avert loss over 1977-79. As 1980-81 imports will be about 200,000 tonnes the moral is clear - maize production is in hand, storage is not. Similarly the National Milling Corporation procured and distributed (albeit at high cost) food much more effectively than its predecessors. But its expansion (especially in the peak 1978 harvest year and with the lack of storage) led to near total loss of physical and financial control and a 1976-1980 loss of \$250 million (equivalent to 20% of a year's government recurrent expenditure or to the normal annual surplus of the public enterprise sector.) Basically the 1975 'Grow Food or Starve' crisis strategy centered on maize and 'famine crop' production, procurement and distribution far too long after it had succeeded and



therefore failed to stress coherent relative prices, articulated production targets and efficiency in physical and financial control.

The 1974-75 Villageisation preserved the possibility of continued rural advance. It was consistent with rapid increases in production and with substantially increased local initiative and communal investment. However, it merely made possible better production methods - a possibility not yet achieved - and in some cases created substantial ecological problems requiring land use changes - not yet fully worked out or implemented. Villagers are better off in a majority of cases than the scattered peasant homesteads of 1973 - vide the tendency to shift from plantation jobs to own plot self employment. But the production and land management aspects have yet to be tackled coherently.

The greater stress on structural weaknesses - and later on tactical mistakes - than on external shocks is not to imply that the former played a larger part in creating the crisis nor that under 1973 or 1977 conditions they could not have been resolved over a moderately extended period. The President struck the balance when he said:<sup>22</sup>

It is true that our inefficiency has made things worse...but all (non oil exporting peripheral economies) are suffering from such serious deficits in their foreign exchange balance that they can

not any longer import goods essential to their economic well being.

The point is that while Tanzania remains committed to a 'new round of negotiations' for a 'new international economic order' it can do little to hasten such change nor expect much payoff in the next few years. Its own structural weaknesses are, potentially, more subject to correction by Tanzanian initiatives and efforts.

## VI.

### Facile Descensus Avernum: 1977-79

The external shocks and structural weaknesses both contributed to and were exacerbated in their impact by a series of tactical failures over 1977-79:

- (a) the 1977-79 Budgets were at best imprudent - a break with the 1961-76 record of fiscal austerity;
- (b) credit and import control weakened and significant excess credit creation (NMC and government deficit) and external arrears (primarily from export licensing in excess of the foreign exchange budget) were allowed;

- (c) the NMC was allowed to continue its rake's progress unchecked until late 1979 despite very plain evidence from mid 1978 that something was seriously wrong;
- (d) economic management (and especially export development) did not regain top priority status which it had held over 1974-76.

The laxity in 1977 related partly to tiredness from the 1974-76 struggle and partly to euphoria from the coffee boom. In 1978 the slowness of response is harder to justify. From late 1978 through mid 1979 the Amin invasion had placed Tanzania on a war footing - and given Amin's military forces and external supporters - in real peril of survival. Under those circumstances lack of adequate attention to economic management is not surprising - a struggle for survival on the military front must take priority.

Nonetheless the results of the external blows, structural weaknesses and tactical failures were no less severe because they were beyond Tanzania's control or fairly readily explicable:

- (a) a total collapse of the external balance with uncontrolled ballooning of arrears and import cutbacks threatening economic chaos;

- (b) endemic shortages of many basic goods (especially upcountry) and an upsurge in black marketing and of a manager - private subwholesaler - retailer corruption channel that threatened both price management and public morality;
- (c) massive imbalance on the Recurrent Budget (always previously in small to moderate surplus but over \$275 million in the red in 1978-79 and about \$150 million in the red for the first half of 1979-80);
- (d) an NMC loss almost equal to the surplus of the rest of the public enterprise sector;
- (e) explosive increases in cost of living increases from the 8 to 10% typical of mid-1974 to early 1979 to perhaps 25% annual rate at the end of 1979.

Collapse appeared to be in full sight. The breaking off of the IMF negotiations in rejection of proposals for devaluation, abandoning foreign exchange - credit - price planning, social service cuts and real wage decreases and the related resignation of the Minister of Finance looked from abroad more like a last gesture of defiance than the basis for a new effort.

## VII

The Uphill Road Back

President Nyerere made two major addresses, one outlining the grim economic situation and immediate prospects, the other - a New Year's talk to the diplomatic corps - castigating the IMF for arrogant, politically motivated intervention beyond its proper brief. Economic management was restored to top priority and the new (third term) Finance Minister was soon flanked by a new Minister of Planning and a new Minister of Commerce. While all would normally be categorised as in the left or left centre of CCM, their dominant common characteristics are economic expertise, intelligence, diligence and an abiding belief that Tanzania's strategy can be made to work but only if adequate attention is paid both to forward planning and to overseeing effective implementation.

The first few months were a hectic attempt to keep the external finances afloat - without IMF funding - to restore fiscal control, to begin rationalisation of NMC and to assess what could be done in the medium term. Until March the economy continued to sag even though import allocations became more rational as of January, the hemorrhage in the recurrent budget began to come under control at about the same time and price alterations reduced the NMC deficit flow. Shortages worsened, manufacturing output (and with it revenue)

fell 25% and initial public optimism became rather threadbare. However a basis for at least stabilisation and perhaps a turnaround had been laid:

- (a) the Recurrent Budget deficit for 1979/80 had been held to \$225 million and the 1980/81 Budget estimates backed by tighter revenue and expenditure proposals provided for a reduction to below \$50 million;
- (b) credit and foreign exchange budgeting had been refurbished and were working more effectively - albeit at the cost of a severe late 1980 credit squeeze;
- (c) the decision to decentralise NMC (roughly along the lines of the successful 1971-74 restructuring of the state trading sector<sup>23</sup>) had been taken and a working party to articulate it created;
- (d) food imports and distribution to ensure that the record of no deaths from starvation was maintained had been organised and initial steps to correct irrationalities in relative grower prices for different crops taken;
- (e) a three year interim programme - including export development - had been drawn up;
- (f) external balance of payments support finance of

\$90 million was received in 1979/80 (vs \$20 million in 1978/79) and \$150 million odd pledged for 1980/81 in addition to substantial IDA and World Bank programme loans;

- (g) the renewed IMF negotiations had produced a two year Standby Agreement of about \$280 million (about \$155 million in 1980/81) without devaluation, abandonment of price - credit - foreign exchange planning, social service cuts and with a 26% (36% rural) minimum wage increase.<sup>24</sup>
- (h) structural adjustment credit negotiations with the World Bank had yet to produce finance but had been useful in articulating three year priorities and sequences for use in national planning and offered hope of up to \$250 million Bank finance beginning in 1981.

## VIII

### An Interim Balance Sheet

What can be said not of intentions or efforts but of results by the end of 1980?

Tanzania's economy and society - and also its political economic strategy - have survived, a by no means trivial achievement and one that seemed unattainable a year

earlier. But the underlying crisis persists.

The foreign exchange gap has been contained, barring new shocks arrears have peaked, allocations are more rationally planned. But the economy is still starved of necessary imported inputs which cannot be financed.

Manufacturing output has been pushed up a third from March 1980 levels and should rise in 1981. But shortages continue and 1981 will at best marginally exceed 1978 levels.

Shortages of basic goods are contained at irritating, time-wasting levels; price management continues to function for the bulk of most products. (That the Tanzania shilling is at a premium on the black markets of six of its eight neighbours is evidence that Tanzania's problems are neither unique nor uniquely bad.) But - except for food - shortages are still as severe as in the 1975 trough.

Inflation, while at lower rates than at least six of eight neighbours, is still of the order of 20%.

Basic public services - especially water, health, education - are steadily being extended. But maintenance and operating (e.g., drugs, books, fuel, chalk) budgets



are squeezed reducing quality and useability.

Violence and - probably - corruption have been reduced. But both remain at levels above 1978 and a fortiori 1973.

Minimum wage and grower price increases have limited real income decreases for the weakest social groups - indeed with good weather most peasant real incomes should rise in 1981. But they have yet to reverse them and the vertigenous fall in salary earners' purchase power gives cause for alarm in terms of future morale and morality.

Economic planning and both goverment and public enterprise management has received renewed attention and is, in general, substantially better than in 1978-79. In some cases it is at new highs. But much - especially at middle level - remains unacceptably poor and the NMC/ Food Sector reorganisation has yet be to achieved.

The explosive rise of specialised middle level technical institutions to over 200 with over 25,000 students (more than the mainline secondary system) gives valid hopes of breaking the middle level personpower bottleneck by 1985. But the present structure is chaotic and - more critical - major gaps (e.g. book-keeping and accounting) remain.

Morale is ultimately at least as critical to results as analysis. Tanzanian urban morale was very low in late 1979. Rural, somewhat surprisingly was better, perhaps because of better 1973-78 real income trends.

While morale appeared to improve markedly from mid-1980 onward - at levels from the President's addresses and the budget speeches to office, shopfloor, bus, bar and store conversation-weariness of crises and a sense of loss of part of what had been won remains. While cynicism and indifference are below 1979 levels and by no means dominant, they are not uncommon.

But that is not the whole picture. There are many officials and managers who work late, seek to improve performance, become passionately angry at incompetence or corruption. There are spontaneous forward initiatives. For example the National Board of Accountants and Auditors hold a seminar on financial disclosure. Participation, performance and accountability (including to workers and the public) were its themes. Three hundred pages of rather good papers (for no fees) were secured and 200 senior auditors and accountants participated - most actively.<sup>25</sup>

The 1980 elections were seen as a vote of confidence (or no confidence). 80% of the estimated electorate

registered, 70% voted, an average of 30 candidates sought each seat. The President was re-elected by 93% (down from 94%). The five major economic ministers standing were returned with comfortable margins. This scarcely suggests apathy, despair or basic rejection of the 1979-80 clawback efforts.<sup>26</sup>

That view is reinforced because over half of backbench MPs (as well as one minister) were defeated. Voters had choices and voted (as many Tanzanians speak) against what they perceived as substantial middle level muddle and ineffectiveness.

## IX

### Strategy and Management: U Turn or Consolidation?

Tanzania's abandonment of its strategy of transformation has been predicted - and/or seen to be happening - with great regularity from 1967 onward. 1980 has been no exception with (gleeful) right critics, (despondent) liberal sympathizers and (bitter) left critics all seeing a drift to pragmatic, dependent capitalism.

The case is not convincing. Progress has been limited but the lines followed have not changed, nor do the major budget and Presidential addresses nor the Election Manifesto suggest they are about to be altered.

The battle with the IMF shows the continued priority on foreign exchange - credit - price management as central planning instruments. The minimum wage and grower price increases indicate the continued priority of egalitarianism. So do the continued concentration on basic health, education and water in the budget. Whatever practical criticisms may be made of new commerce regulations, virtually extinguishing private wholesaling and importing is hardly pragmatic capitalism.

Supposed evidence of 'privateisation' is, in general, flimsy. Few Ujamaa villages had substantial communal crop production - Development Village communal commerce, production (transport, manufacturing) and construction (roads, irrigation, wells, housing, public buildings) has risen markedly. The apparent rise in private investment is largely a statistical deterioration as 'errors and omissions' are lumped with it.<sup>27</sup>

Negotiations for joint ventures with (counting taxes) 80% - 20% surplus division in Tanzania's favour in natural gas manufacture and mineral development is evidence of a continued state of dependence but hardly of passive acceptance of it.<sup>28</sup>

Regionally Tanzania has not resiled from the often onerous burdens of support for liberation and regionalism. The end of Amin, the negotiations leading to the

independence of Zimbabwe, the continued Front Line States Chairmanship of President Nyerere, involvement in Kagera Basin and Southern African Development Co-ordination efforts and acceptance of huge unpaid arrears by neighbours suggest quite the reverse.

Two changes are evident. Export development has been given priority.<sup>29</sup> Better economic management has returned to the centre of attention.<sup>30</sup> But the context has been 'exports for self-reliance', and efficiency to preserve the transition to socialism, egalitarianism and participation. The evidence is not of a U turn nor even of a shift to cautious pragmatism. Economic management and exports have been stressed as the means to overcome what are perceived as obstacles to, and contradictions within, the present strategy and to permit continued advance within it.

X

Immediate Prospects: External and Domestic

Neither a collapse of the Tanzanian economy, nor of the social cohesion and determination represented in the election results and in the President's speeches, in 1981 appears likely. Neither does a return to the relatively favourable internal and external conjunctures of 1972 and 1977.

To project 1981 is in large part to guess the impact of the Gulf war on petroleum prices and supply, to forecast the response to the Brandt Report and the course of OECD states infatuation with joint maximisation of unemployment and inflation, to prognosticate on the weather. Any one of these could have major positive or negative impact, on none is it reasonable to pretend to great accuracy nor great optimism.

Fiscally and managerially Tanzania is on a much stronger base than a year ago. A coherent medium term strategy exists for most sectors, parts of one are being articulated for agriculture. Barring a third consecutive year of sub-average weather, output should rise in 1981 allowing some increase in real consumption, continued protection of low income purchasing power and perhaps some alleviation of the sustained slashes in upper wage and salary purchasing power.

However, there is no evident solution to the basic foreign exchange constraint. In 1981 it will be loosened if - and only if - the World Bank Structural Adjustment Credit and the 1981-82 tranche of the IMF Standby are secured. Even then, it will not be removed even for 1981-82 nor will the respite be lasting unless and until a 5 to 7% annual growth trend in real exports replaces the 1965-67 onward 1 to 2% decline.

What has been achieved - at great cost and strain - over 1979-80 is four fold:

- (a) prevention of economic collapse or social disintegration;
- (b) re-establishment of belief that the crisis can be surmounted;
- (c) better management and interim tactics to sustain the economy and strategy at least for 1981;
- (d) time to reassess the basic structural and strategic problems confronting Tanzania domestically, regionally and in the context of the probable intensification of the New International Economic Disorder.

## XI

### What Is To Be Done?

In terms of domestic results, Tanzania's strategy - while hardly free from secondary contradictions - has proven viable. Adaptation rather than radical reformulation would seem appropriate. The pattern of sequential emphasis on a limited number of problems at a time to achieve structural change - e.g., 1967-68 nationalisations, 1970-72 workers councils, 1977-80 universal primary

education - followed by incremental efficiency improvement after the breakthrough and a shift of priorities to a new area has worked well in terms of avoiding dissipation of energy and of achieving clearly defined priorities.

However, in the context of the post 1973 - and especially of the 1979 - ?? - phase of the New International Economic Disorder, the strategy as practised may no longer be viable. Tanzania's freedom to continue it depends on an ability to reconcile the strategy with external necessity, otherwise the structural foreign exchange gap will behave like an astronomer's black hole.

The outlook for international co-operation makes this reality even more stark. The head of a sympathetic aid agency, who knows Tanzania well suggested that the existing approach would not be viable much longer.<sup>31</sup> He pointed to stagnation of global aid flows and worsening terms of trade as evidence that Tanzania could neither place the same emphasis on expansion of public services nor use as high a level of foreign inputs. Both greater emphasis on physical production and on lowering the cost of basic health, water and education seemed to him critical.

President Nyerere's perception in his parliamentary



and party addresses was similar.<sup>32</sup> Increased production, enhanced exports, more innovative use of local instead of imported materials and of 'intermediate' (e.g. manure, straw, ox ploughs) technological advances were stressed. While citing the need and struggle for NIEO, he held out little hope that it could be achieved in the time frame relevant to overcoming the present crisis. Adapting to the NIED - by linking more production to external markets and delinking more inputs from them - was the theme not adopting the NIED to suit Tanzania.

Six strategic elements require reconsideration in the new context: the transformation (foreign exchange) problem, rural development, industry, participation, distribution and collective self reliance.<sup>33</sup>

The most antagonistic contradiction today is the transformation problem. Tanzania cannot feel secure until exports cover at least 75% of imports with imports at levels consistent with full operation of the economy. That is a long way from 53% at austerity import levels and requires a trend reversal. Autarchy is impractical in a small economy, capital goods production on a substantial scale is implausible before the 1990s and unless oil is discovered transport is necessarily powered by imports. In July President Nyerere stated that Tanzania:<sup>34</sup>

will have to take steps to increase the sale of our goods abroad...If it is necessary to sell Khanga or Vitenge or soap or other things we would like to use ourselves, we will have to sell them. It is strange but true that one way to end the shortage of goods which now upsets our people is to sell some of these goods abroad...to plant the seed you have rather than eating it. To tighten your belt today is to eat tomorrow. Those who eat the seed-corn are foolish and shortsighted, in the end they become beggars. When we decide to export some of our goods now it is because we are seeking a means of becoming more self-reliant. We are planting our seed instead of eating it.

The elements of a strategic reformulation exist:

- (a) restoration and/or enhancement of most agricultural exports (coffee, sisal, cashew, pyrethrum seed beans, cocoa, tea, tobacco) and selective development of new ones (e.g. soya beans, maize, sugar);
- (b) systematic exploitation of pre-export processing (sisal twine, cashew kernels, leather and shoes, textiles and garments) improving use of plant capacity and building up adequate marketing competence;
- (c) systematic promotion of manufactured exports initially based on existing excess capacity which renders export sales of some (e.g., textiles, tyres, corrugated sheet, batteries) regionally or internationally competitive and profitable to the

producers. Capacity, market, cost and promotion identification as well as imported input allocations require intensive study and action;

- (d) pushing ahead with mineral development beginning with the (very small) 1981 and 1983 gold mines, exploiting the natural gas for large scale fertilizer exports and seeking to develop the iron ore/vanadium, Uranium, nickel/cobalt and coal deposits. However, while this may be the 1990-2000 'solution' to the transformation problem it can yield relatively little before the late 1980s;
- (e) pursuing an import substitution policy in energy. Marginally this is feasible by substitution of hydro for diesel electricity generation, coal for oil in manufacturing furnaces and using ethanol from molasses as a gasoline mix. Whether a breakthrough is possible turns on the results of further oil exploration - unprojectable as to result or timing.<sup>35</sup>

Rural development requires rethinking because the past strategy's successes have rendered it obsolete and its weakness on export generation and on clearing the remaining five food import items (rice, wheat, sugar - if demand were fully met, milk and oilseeds) are a large part of the transformation problem.

Together with storage and relative price issues these provide

an agenda for an articulated 1981-1985 programme of action which is a further step rather than a reversal. Rather more complex problems arise in respect of agricultural practices and inputs, soil conservation and developing renewable energy sources (presumptively village woodlots but possibly also windmills and methane from manure). The barriers seem more technical than ideological and managerial/educational than structural/financial but are nonetheless urgent and difficult to tackle.

Industry is in a somewhat different position.<sup>36</sup> The basic industry strategy still appears sound. The 40% rate of capacity utilisation seems to be dominantly the result of import and middle level technical personnel constraints. A related problem is the delayed bunched construction of plants which when complete could reduce total imports by a net 6 to 8% (at current GDP levels). Productivity is unsatisfactory but better import supply, more exports (to finance the former), completion of 'in the pipeline' plants as a matter of urgency, sorting out water and power bottlenecks, speeding and rationalising the burgeoning stream of middle level technical training seem the key correctives not worrying about worker laziness or indiscipline nor overall managerial weakness (even though all exist in specific cases). Again this is a technical and managerial more than a structural and ideological programme. However,

there is an ideological issue - working conditions and management attitudes in some (not all) enterprises remain abysmal - strengthening Workers Councils and workplace party branches in these is imperative even on narrow production grounds.<sup>37</sup>

Participation is critical for ideological reasons. However, the current imperative for new advances is production oriented:

the development of Tanzania will come from the decisions of Village and Urban governments and from thousands of local groups which decide to help themselves in development and take the actions necessary to do so. 38

These groups are responsible for small scale public sector production - at the moment the weakest area - and for small scale communal investment - growing relatively rapidly. Scattered results in small scale transport, industry and infrastructure suggest more encouragement to act (the freedom to act exists), more backing vis a vis officials (who often tend to inertia) and more demand oriented provision of supporting services is required.

Tanzania's stability has rested on two broadly held beliefs: that Tanzanias could achieve something by acting together and that the Party and State belonged to the people. Participation needs therefore to be

enhanced rather than reduced in a period of crisis to demonstrate the objective validity of these beliefs.

Distribution poses very acute problems. Until real resources available for consumption rise steadily at least 5% a year, advances in public consumption, sustaining peasant and minimum wage earner real incomes and avoiding real falls in salary earner purchasing power are not mutually compatible. The rate of increase over 1972-1979 (adjusted for terms of trade deterioration) was under 3%.

In the medium term, the only solution is to raise production growth to 5-6% a year (again after adjustment for terms of trade deterioration). Until that is achieved other constraints apply:

- (a) the basic service trio - primary health, pure water, basic education - must continue to have priority, at the expense of desirable but less critical services, e.g., rural electrification;
- (b) housing development must be reconstructed to provide inputs for village, neighbourhood or 'informal sector' building using largely local materials, skills and labour. Any other route quadruples costs. (Previous attempts in this

direction have tended to relapse back to technically sound but financially prohibitive neo-traditional approaches.);

- (c) minimum wage (which de facto sets the informal sector range of incomes in a cluster around it) and peasant income protection must retain pride of place on the personal consumption planning side;
- (d) but the fall of real incomes of salary earners must be halted or at the least slowed by scale or tax changes which at the least (as in 1974) demonstrate that the Party and government appreciate these sub-classes' very real problems.<sup>39</sup>

Collective self reliance in terms of what Tanzania can do by itself is basically a regional issue. Tanzania remains committed to the non-aligned movement and the Group of 77 - 'The strength of a small country like ours lies in being part of a group with other small countries...'<sup>40</sup> It is also committed to the OAU's new phased initiatives toward continental African economic co-ordination. But where Tanzania's actions can be crucial is in the context of Eastern and Southern Africa.

These topics did comprise about a quarter of the President's Parliamentary Address.<sup>41</sup> They are part of a continuous

Tanzanian concern with concrete regionalism building on common interests and grounded in ongoing programmes - a theme emphasised by the President at the Lagos OAU Summit where he pointed to the necessity of prior regional groupings as the building blocks for continental coordination. Rethinking now arises from one disaster - the 1977 collapse of the East African Community<sup>42</sup> - and two opportunities - the liberation of Uganda and Zimbabwe.

Two focuses now exist:<sup>43</sup>

- (a) the Kagera Basin Authority (Rwanda, Burundi, Uganda, Tanzania) covering transport, power, communications and - perhaps - irrigation. Its development would be greatly enhanced by a stable Uganda government as the historic context of Kenya-Uganda relations and especially of Kenya's last ditch support for Amin has made Ugandans very committed to building alternative trade and transport links to complement the 'Kenyan connection';
- (b) the Southern African Development Co-ordination (Lusaka Declaration) group of Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Zambia, Zimbabwe, Tanzania focused on 'Economic liberation' via regional co-ordination for development. While the immediate priority common interest is complementing political liberation with breaking



concentrated dependence on South Africa, this is seen as requiring broad joint action from transport through food security and control of foot and mouth disease to harmonisation of industrial production and trade (the last the area delegated to Tanzania to co-ordinate articulation of an action programme).<sup>44</sup>

Between them these two groups could evolve into coherent economic regionalism. Both are avoiding the standard errors of importing models and rushing into action before analysis. But both are still at the stage when patient programme articulation and development are necessary for several years to establish a viable dynamic based on substantial net benefits to each participant.

Can adequate strategic reformulation in these areas be developed in time and to a degree adequate to assure the survival of Tanzania's 1967-1980 trajectory? The answer must be problematic. The difficulties are immense - the transformation problem is clearly being tackled later than it should have been and the international context is highly unfavourable (except regionally).

On the other hand in 1967 (The Arusha Declaration beginning), 1974 (the drought/oil crisis), 1979 (the

apparent emergency of domestic economic collapse and international default) survival of Tanzania looked even more problematic (indeed hopeless even to some sympathetic observers, particularly in 1979). Tanzania has proven more resilient and innovative than any normal objective analysis would suggest was possible. It would be highly premature to write off questions as to present Tanzanian options and necessities on the basis that collapse was inevitable.

For Tanzanians and sympathetic observers the best prescription still appears to be pessimism of the intellect - tempered by the historic record of challenges met - and optimism of the will - chastened by recognition of how hard the road ahead is.

NOTES.

1. Address to the CCM (Revolutionary Party) Congress 25-ix-80, Daily News, 26-ix-80.
2. Address to National Assembly 22-vii-80, Daily News, 23-vii-80.
3. For a fuller discussion see, e.g., R. H. Green, 'Gale Warnings'- Development Dialogue, 1980-81, 'A Chance to Make Sense out of Economic Chaos', Times Higher Education Supplement, May 23, 1980 and S. Joeke and C. Stevens (editors), Lessons for the 1980s, IDS Bulletin, 11-1, January 1980.
4. Tanzania has been rather ill served by enthusiasts flocking to it as 'the promised land'. On discovering it had not arrived at the New Jerusalem yesterday, many have become embittered critics. Writing from both phases tends to becloud realities, directions of change and choices actually open (or taken).
5. cf eg D. Nabudere, Political Economy of Imperialism, Zed, London, 1977 or some of the articles in Review of African Political Economy.
6. cf the late ultra orthodox marxian B. Warren, 'The Postwar Economic Experience of the Third World' in K. Hill (editor) Toward a New Strategy for Development, Pergamon, New York, 1980. (From a slightly different angle M. Friedman would argue the same.) However, both views are inconsistent with the main marxian tradition exemplified by Lenin's contention that in any context there were useful struggles with potential for intermediate victories.
7. 'A time of struggle', op cit.
8. In the first place TANU was always at least vaguely committed to socialism. In the second there never was any substantial effort to create or assist a local bourgeoisie. Perhaps equally critical, until the mid-1960s neither the personnel, institutional nor consciousness base for a radical break with the past existed.

9. For a much fuller account see J. K. Nyerere, The Arusha Declaration: Ten Years After, Government Printer, Dar es Salaam 1977 and B. U. Mwansasu and C. Pratt (editors), Towards Socialism in Tanzania, University of Toronto/Tanzania Publishing House, Toronto/Dar es Salaam, 1979.
  
10. The first perspective plan toward 2,000 is being prepared now. However, a number of earlier sectoral plans had 1990 target dates. Shorter period targets - eg villageisation, literacy, universal primary education - were seen, even at the time, as interim, partial steps not long term points of arrival.
  
11. For a more detailed review see sources cited in Note 9.
  
12. Ratio of post-tax income of highest posts (excluding the President) to minimum wage.
  
13. Detailed data from a PhD thesis by J. Wagao suggest a very substantial reduction. Average urban income is perhaps 2.5 times average rural. See also D. Ghai and R. H. Green, 'Ujamaa and Villagisation in Tanzania', in D. Ghai et al (editors), Agrarian Systems and Rural Development, ILO/Macmillan, London, 1979.
  
14. The problem is paradoxical. Both growth and structural change increase the need for external resources, knowledge and personnel in the short term while reducing them in the long. The Tanzania of 1961 (or 1966) could by now be fully staffed and financed domestically - but to have continued that neo-colonial pattern would also have meant no commitment to, nor attainment of, self reliance.
  
15. eg in 1977 the main public sector manufacturing group's consolidated pre tax surplus on net assets was virtually 30% but the main food procurement - storage - sale company lost perhaps £20 million.
  
16. cf J. K. Nyerere, The Arusha Declaration..., op cit.

17. For a more detailed account see R. H. Green, D. G. Rwegasira, B. Van Arkadie, External Shocks and National Policy Making - Tanzania in the 1970s, Institute of Social Studies, The Hague, 1980 and J. H. Weaver, A. Anderson, 'Stabilization and Development of the Tanzanian Economy in the 1970s', Brookings Conference on Economic Stabilisation Policies in Less Developed Countries, Washington, 1979.
18. This and subsequent sections draw heavily on Tanzanian sources which, while not secret, are largely unpublished. Some of the data has been published in the annual Budget Speeches and the Quarterly Reviews and Annual Reports of the Bank of Tanzania but no systematic, published analysis is currently in existence.
19. op cit.
20. ibid
21. For more detailed coverage of the IMF question see R. H. Green, 'Tanzania and the IMF: Round Five' in Bulletin of Tanzanian Affairs, John Arnold (editor), Britain-Tanzania Society (Dept. of Adult Education, University of Southampton), December 1980.
22. 'Change is innovation', op cit
23. For a detailed description see R. H. Green, Developing State Trading in a Peripheral Economy, Discussion Paper 151, Institute of Development Studies (Sussex), Falmer, 1980.
24. See source at Note 21 for more details. The result is perhaps a truce rather than an actual meeting of minds as suggested by Tanzania's participation in the 'Arusha Initiative' (Development Dialogue, 1980-2) and Minister Jamal's stinging Chairman's Address to the Governors of the Fund and Bank at the 1980 Annual Meeting (World Bank, Washington, 1980 - mimeod). Nonetheless it provides leeway for arrears reduction, repayment of maturing IMF drawings and a modest contingency fund for additional imports.

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25. NBAA, Disclosure Requirements for Accounts Published in Tanzania (Volume I - papers, Volume II - report), Dar es Salaam, 1980. A working party on a professional (NBAA) requirement and draft legislation has been established.
  26. In the special case of Zanzibar virtually all MPs were rejected while Vice President Jumbe was overwhelmingly elected Zanzibar President with a mandate to reform its unrepresentative, conservative Revolutionary Council. This was the first contested election in Zanzibar since Independence and suggested both great disenchantment with many old guard office bearers and relative enthusiasm for increasing Ndugu Jumbe's power to make changes.
  27. A preliminary crosscheck of public sector investment from alternative sources suggests a rapidly growing under-recording in the National Accounts from 1975 onward.
  28. Tanzania has a record of renegotiating and buying out joint ventures. In manufacturing this has tended to coincide with confidence in managerial and technical capacity.
  29. The two 1980 speeches by the President cited revert to that priority again and again - a theme rarely present in previous years.
  30. Returned - not emerged - President Nyerere has, over the years, regularly stressed the need for efficiency and organisation if scarce resources were to be used to achieve national goals. Indeed 1977-79 was the exception, not the rule; after late 1978 clearly because of the Amin war.
  31. In fall 1980 discussion at IDS.
  32. Op cit
  33. International solidarity is not cited simply because Tanzania's diligence in acquiring assistance on its own terms cannot be pressed much further, nor would any practicable change both increase resource availability and be consistent with transition to self reliance and socialism.

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34. 'A Time of Struggle', op cit.
  35. There is a better than one in three chance of an oil reservoir able to meet domestic needs to 2,000. There is much less chance of a find totally reversing the structural export/import balance. Therefore, petroleum would make the other elements of the new approach to the transformation problem easier by reducing the needed scale and time pressure rather than rendering them irrelevant.
  36. See M. A. Bienefeld, 'Evaluating Tanzanian Industrial Development Between 1961 and 1978' and R. H. Green, 'Industrialisation in Tanzania: Some Notes on Strategies, Tactics, Problems and Results' in M. Fransman (editor), Industrialisation in Africa, Heineman, London. 1981 for a more detailed presentation.
  37. There is no correlation in Tanzania between effective worker participation and bad results nor between authoritarian management and good results. On the whole the evidence points fairly firmly in the reverse direction. Certainly this is so in the case of textiles where more detailed evidence is available on a comparable basis.
  38. 'A Time of Struggle', op cit.
  39. The real incomes after tax at \$2,500 to \$5,250 are low absolutely and the typical salary earner's purchasing power has declined 40 to 60% since 1973. With the post tax inequality down to 7:1 further reduction of the wage/salary ratio seems desirable only if it can be done without further cutting salary earner's real incomes. Morale to date has survived surprisingly well but increases in apathy, moonlighting and corruption are evident and cannot be checked until the material position deterioration is checked.
  40. 'A Time of Struggle', op cit.
  41. ibid.

42. See R. H. Green, 'The East African Community: The End of the Road,' Africa Contemporary Record, 1976-77, Collings, London; 'The East African Community: Death, Funeral, Inheritance,' ACR 1977-78, Africana, London for a detailed analysis.
43. Sentiment for some relationship with Kenya exists (not least on the part of President Nyere) but no present objective basis to construct it - cf 'A Time of Struggle', op cit. This is exacerbated by Tanzania's Kagera Basin and SADC involvement and her reservations on ECA's traditional, laissez faire preferential area proposals. Kenya - rightly or wrongly - sees herself as being cut off from her 'natural' hinterland (Uganda through Zimbabwe) by what she - wrongly - perceives as calculated Tanzanian economic imperialism.
44. See SADC, Southern Africa Toward Economic Liberation, SACD, 1 Cambridge Terrace, London 1980 and Southern African Development Co-ordination: Toward Economic Liberation, Collings, London, 1981 and R. H. Green, 'Constellation, Association or Liberation: The Struggle for Southern African Development Co-ordination', ACR 1979-80, Africana, London for a much fuller exposition.