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TANZANIA:
THE POLITICAL ECONOMY OF GOOD INTENTIONS

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TANZANIA: THE POLITICAL ECONOMY OF GOOD INTENTIONS

Tanzania is Africa's most outstanding triumph of good intentions over good management. Inefficiency, lack of effective planning, and the triumph of political slogans over economic realities characterize Tanzanian management, from the top levels of the government to the small, subsistence farm. The country has experienced political stability over the past 20 years, but this results from weakness, disorientation, and poverty rather than from dynamic, balanced planning and effort. Tanzania is heading toward a crisis of political and economic transition in the near future.

The Government

The Top Leadership

Julius Nyerere remains both leader of Tanzania and one of Africa's most outspoken statesmen. Nyerere has, over the 23 years of his rule, made Tanzania one of the front-line states in the southern Africa collectivization of economic and social life, toppled Idi Amin in Uganda, and become a hero to the world's socialists and "alternative path" development proponents. Nyerere's vision is basically Fabian socialism in black Africa, as delineated in the Arusha Declaration of 1967. Educated at the University of Edinburgh and a devout Roman Catholic, Nyerere has combined Christian egalitarianism and basic socialist ideals for his program to develop Tanzania into a new, Third World socialist state based on cooperation and decentralization. He has not, however, provided a clear economic strategy, a means to the ends. He is a "great thinker," not a great planner: his dreams frequently reach beyond the country's abilities, and the country has suffered the consequences. Nevertheless, Nyerere possesses the common touch and is a shrewd political tactician. These abilities have allowed him to carry off his socialization plans despite the massive disruption they have caused. In response to the many failures of the Tanzanian system, he produces new policies with some frequency, but remains firmly committed to his path. Nyerere leads through his political abilities and through the status and power of his vision, but his status and power are becoming increasingly tarnished at home and abroad.

Political cronies dominate the Tanzanian cabinet, along with a growing number of military officers. Nyerere retains a firm hold on the cabinet's decisions and direction. He is surrounded by a small group of hard-line socialist advisors who support his stand against major policy realignments, despite growing private pressure for change from many officials.

Changes in the leadership have been numerous, but, in the absence of in-country research, it is impossible to discern yet what the implications will be. In a late 1982 party election, the radicals in the party strengthened their position substantially. In 1983, the president of Zanzibar, who is simultaneously vice president of Tanzania, was replaced. In 1984, the prime minister, who was the principal political heir to Nyerere, was killed in an automobile accident and replaced by Salim Ahmed Salim, whose primary expertise is in foreign affairs. (He was ambassador to the United

Nations and then Foreign Minister.) There is no sign of a turn toward skilled economic managers.

The Institutional Base

Below Nyerere, the real power in Tanzania lies with the government bureaucracy. In such a state system of massive central direction, the government bureaucracy controls allocation of political power, distribution of goods and services, prices, and liquidity. Government policy has been to make the single political party, Chama Cha Mapinduzij (CCM), the supreme political organization, but it has been unsuccessful. There has been some recent effort to decentralize the bureaucracy, but even local officers depend on the central bureaucracy for most services and authority. The quality of the bureaucracy is generally poor; trained people are difficult to keep because of the disincentives of the system (poor support, low salaries, low professional pride). Corruption in the bureaucracy has increased as the economy has declined, discrediting further an organization already seen by the population as inefficient and ineffective. At lower levels, there are some trained people who could serve as the core of a more competent system. It remains to be seen whether they will ever have a chance.

The CCM came into being in 1975 as a consolidation of Nyerere's Tanganyika African National Union (TANU) and the Afro-Shirazi Party (the power on Zanzibar). This unification came as part of Nyerere's attempt to increase national coherence and central political control. This quest for unity has been aided by the wide use of Swahili and by the lack of ethnic power groups, but it has not achieved much success. The Party suffers from an inability to define its purpose and from lack of training and experience. Because of these weaknesses, it has not been effective in shaping national policy or providing political leadership. The 1982 elections to the Party Central Committee may provide a sign as to the Party's future course. Members elected are generally younger and more radical than their predecessors, confirming the Party's socialist bent and commitment to stay the course of Nyerere's vision. The Party has chosen to focus on the lack of internal "discipline" as the cause of current troubles, citing capitalist Kenya's difficulties as evidence that Tanzania's economic crisis has external causes.

The military consumes 10 percent of the government budget and is a powerful force in the country. Tanzania's military, well-trained and respected abroad, has been flexed and seasoned by the 1979 invasion and subsequent occupation of Uganda. As a result of the "coup" attempt this year (see below), Nyerere has purged many officers, increased appointments of officers to political posts, increased the defense budget, and provided special economic advantages for military personnel. The military as a whole remains behind Nyerere, but he is having to pay a growing price for their support. There is mounting evidence that the military is becoming impatient with government muddling and might be prepared to step in. The military's hand is strengthened by the recent appointment to the Central Committee of Andrew Shija, a young officer who is probably the best-educated member of the Committee and a rising political star.

Only half of the National Assembly is directly elected by voters, and that half is regularly cleaned out during elections. In the 1980 voting, most

elected incumbents were defeated, including several cabinet members. The body has recently taken a more active part in government policy-making, redrafting or blocking legislation. It remains, however, a Party organ and has a reputation as a "cafe."

The Political Base

Tanzanian leaders tend to view their own peasants as stupid and lazy, hence in need of guidance and control. Village managers are appointed from the outside, reinforcing the concept of centralized power. This, in turn, weakens any impetus among the population for political participation. In fact, Tanzania's mass base is not very politicized. Conditions of poverty and (inefficient) central control inevitably have produced conflicts between the government bureaucracy and the people. The people want to make a living; the government interferes. Furthermore, almost everyone must utilize the extensive black market for necessities as well as luxuries, effectively condemning government economic programs in deed if not in word.

Government development programs have succeeded in providing education and some social infrastructure for large segments of the population. Such programs have been the key to Nyerere's overall scheme. Some portions of the wage-earning sector undoubtedly feel the government has benefitted them. A vast majority of the population, however, works in subsistence agriculture and has reaped few benefits from 20 years of socialism. As a consequence, the Tanzanian government enjoys little support among the peasants or urban sectors. Even respect for Nyerere is slipping: unheard two years ago, general criticism of the President is now a common topic in Dar es Salaam.

The Opposition

There is no organized opposition in Tanzania, partly because of the dearth of leaders willing to risk leading it and partly because of the low levels of politicization among the population. The continuing erosion of living standards is producing increasing discontent, however, as are government corruption and inefficiency. These may prove more volatile than government oppression: the compulsory villagization program of 1973-1976 relocated 6 million people, sometimes by force, but produced little organized resistance. Other than such feats, government control has been relatively tolerant and loose, though there are political prisoners and the government provides itself with broad powers of detention and arrest. Criticism of government excesses (e.g. corruption) is allowed, but the press is strictly controlled and student demonstrations are curtailed by threats of expulsion.

Increasing incidents of opposition over the past three years indicate rising levels of dissatisfaction. Nyerere survived two coup attempts and uprisings before 1980. The 1980 elections were widely seen as a protest against shortages and government bungling. In 1982, an Air Tanzania domestic flight was hijacked to Britain in an effort to draw attention to mounting discontent with "forced socialist policies." This past summer, the government reported an attempted coup, principally by military officers. Thirty defendants were arrested and brought to trial. Some observers have questioned

whether this attempt was serious or merely a house-cleaning method of an increasingly nervous Nyerere.

A campaign against "economic saboteurs" was launched in March 1983. This "witch hunt" provides further evidence of growing government insecurity and its insensibility to economic realities. Special tribunals were formed, and defendants' rights were revoked. The campaign marks a sharp degeneration in the country's legal system and a marked increase in government terrorism. By May, 1,500 had been arrested. Though some senior officials were caught, the campaign mainly produced a large popular backlash. The temporary closing of the black market increased the hardship for people everywhere and was probably the only real result of the campaign.

Opposition groups include students, the educated elite, some military officers, peasants, businessmen, and most other workers. This opposition, however, is at the moment, more a lack of support than active opposition. The only group currently capable of leading an opposition movement is the military, and it is more inclined to take power directly. Opposition is held in check by Nyerere's continuing power and by a low level of political energy--most people are working hard enough just to survive. The combined strength of Nyerere, the government bureaucracy, an ineffective but omnipresent Party, and the military allow the government to retain control despite its lack of any real political base.

Economic Management

Tanzanians have characterized their development strategy as "we must run while others walk." Unfortunately, they have run backwards. Tanzania remains a poor, underdeveloped country with negative rates of growth in almost every sector and a population increasing at over 3 percent per annum. Less than 10 percent of the population is urban, though Dar es Salaam is growing at over 10 percent per year. The population is concentrated on the periphery of the country, creating enormous logistical problems. GDP is produced principally by agriculture (of which 70 percent is subsistence) and government administration. Petroleum imports consume 60 percent of foreign exchange; exports are entirely agricultural, led by coffee and cotton.

The Tanzanian ruling class, primarily in the bureaucracy and cabinet, has been almost uniquely unsuited to bring about any economic transformation. The government has managed to take over and operate colonial institutions and to develop good relations with other governments willing to provide aid, but its internal allocation of resources has usually been poorly planned. The government has no experience in accumulation, little experience of industrial production and marketing, no experience of large-scale agriculture, and little faith in small-scale agriculture (most of them escaped from it). When allocating resources, government planners look toward the "fruits of independence" rather than productive investment: these "fruits" were available to the colonial rulers; now they should be available to the masses. Most importantly, the government -- and Nyerere -- have found it difficult to accept that improvement of living standards would only be possible after the creation of a strong agricultural base and economic diversification.

Mismanagement is most evident in the agricultural sector. Serious shortfalls in both cash and foodcrop production have resulted from a chronic lack of foreign exchange for necessary imports, inefficient marketing and distribution, inadequate storage facilities, low producer prices, delays in payments, and very poor administration of programs. The industrial sector operates far below capacity, plagued by interruptions of water and electricity and lack of foreign exchange. Internal cooperatives are noted for "gross inefficiency." Air Tanzania and the Tanzara railroad have been seriously mismanaged, closing down the latter until the Chinese (who built the railroad) provided new money and technical assistance. Finally, in a country with a high population growth rate and which cannot by any means feed itself, the government terminated its population control program in 1975.

The government's rural policies have gained a great deal of publicity since their inception. The Ujamaa program "encouraged" the farmers to live in cooperatives and to "cooperate" in production. The subsequent "villagization" program forced all the rural population to live in villages. Both were executed quickly, with little planning or even thought as to their complications. Expectations were raised, only to be dashed by dreadful management. The evidence indicates that these programs might have had a chance under careful management; in themselves, they are not inherently counterproductive. Their end result, however, has been severe disruption and a consolidation of central government control over rural life.

The positive side is small but worthy of note. The government has attempted to cut its bureaucracy and has initiated several anti-corruption campaigns. This year, the government announced the New Agricultural Policy, allowing private land "ownership" and commercial agriculture, but carefully stating that such concerns will not be allowed to "compete" with the villages. Agriculture will receive 24 percent of the 1983-84 budget. The shilling was devalued 20 percent in June (though the IMF wants a 75 percent devaluation, and the black market rate is six to seven times the official). Weather improved last year, but farmers have nothing to buy with their money, if they get it, due to the lack of consumer goods. Production of some crops has been increasing, notably seed beans, a major export product. This sector, however, is managed by private interests--hence, the government downplays its success.

The industrial economy is dominated by some 400 parastatal firms, marked by extraordinary inefficiency. Wages are standardized across all industries, and wage scales are so compressed, in the name of equity, that there is no incentive for a worker to accept training or seek promotion.

In sum, rural producers, urban workers, and upper-income workers are all worse off now than at any time since the Arusha Declaration.

Tanzania finances itself through massive foreign aid inflows and through borrowing. Tanzania's donors have increased aid in recent years, allowing the government to raise development expenditures by 12 times from 1970 to 1981 while decreasing budget spending on development from 80 to 30 percent of the total. Payment arrears have mounted to over \$400 million, while import arrears stretch back five years. In 1982, Tanzania found itself in the unheard of position of being in arrears to the World Bank, which suspended loan payments until the arrears were settled.

The government, which strongly resents the IMF's perceived interference with domestic policy prerogatives, has been at odds with the institution for several years. Negotiations started in 1979 and were broken off, and a program was agreed to in 1980, only to be cancelled in 1981 for lack of compliance. Nyerere, meanwhile, has been backed into a corner: other sources of financing are drying up until an IMF program has been implemented. (A \$650 million nitrogen fertilizer project, essential to the economy, cannot be financed until an IMF agreement is reached.)

Nationalization of all banking and insurance institutions took place in 1967. Private banks have since not been allowed to operate in Tanzania.

In sum, Tanzania is increasingly squeezed between the consolidation of the left wing in the ruling party and the inexorable requirement for "right wing" reforms. It desperately needs strong leadership, just at the time when the credibility of its leadership is in serious doubt for the first time in a generation. This is a recipe for political as well as economic trouble.

Zanzibar

Zanzibar became independent from Britain in December 1963 and in January 1964 had a communist-led revolution which created the Peoples Republic of Zanzibar, a militant revolutionary dictatorship. The core of revolutionary violence was based on black attacks against the economically dominant Arabs and Asians. Three months later, in April 1964, Tanganyika and Zanzibar amalgamated to become the United Republic of Tanzania. The leadership in Zanzibar however, insisted on maintaining a high degree of autonomy. Social conflict in Zanzibar remained severe, and the dominant political parties in the two parts of Tanzania remained separate until November 1976. The assassination of Zanzibar's first president, in April 1972, led to further deterioration of conditions until the major Zanzibari party and the major Tanganyikan party united in November 1976 to form the CCM. A new constitution in 1977 made the CCM the country's only legal political party.

Until recently, Zanzibar has been ruled by President Jumbe, who was also vice president of the Tanzanian union. Jumbe's virtue was that he was totally loyal to President Nyerere. He was criticized for this as well as for spending much of his time on luxurious trips abroad and for a serious alcoholism problem. In the early 1980s, a Zanzibar independence movement gained more notoriety, abetted by deteriorating economic conditions and by a debate over a new constitution for Tanzania. Nyerere sent troops to Zanzibar in January 1984, made an effort to integrate Zanzibar further into the national bureaucracy, and deposed Jumbe. Jumbe has subsequently been replaced by Ali Hassan Mwinyi, formerly a minister of state in Jumbe's office. No competition for the office was allowed, because competition and debate would have exacerbated divisions between those who advocate loyalty to the union and those who advocate greater autonomy or even independence. Mwinyi seems loyal to the union. It is not known how much effort he will make to maintain Zanzibar's autonomy. It appears that his first priority is to improve political conditions and the general mood inside Zanzibar (which he has already done to some extent) and only later to seek the departure of the 4,000

mainland troops and their bureaucratic colleagues. If he achieves these goals, then he will attempt to regain some of the autonomous control of clove revenues which was recently lost. Certainly, the Tanzanian military presence is sufficient to avoid a successful independence movement in the next few years.

Much of Tanzania's foreign exchange comes from Zanzibar's sister island, Pemba, the centre of the clove harvest. The Zanzibar government maintains control of Pemba, which however has always been uncomfortable with the Tanzanian union. Clove production has varied from 18,000 tons in 1968 to a recent low of 2,100 tons, with the average level falling steadily. Most of the clove exports go to Indonesia, which is trying to become self-sufficient and has expanded production from 15,000 tons in 1974 to 40,000 tons in 1981. The Indonesian government hopes to become a net exporter by 1984.

Recently the Tanzanian government eliminated Zanzibar's autonomy in managing the clove exports and began to take the clove earnings directly. Zanzibar placed an official in the Tanzanian treasury to make sure that the islands get back their fair share of the revenues. This reduction of autonomy has potentially important implications for Bankers Trust business, but the details cannot be ascertained in the absence of an on-site review.

The International Environment

Despite its poverty and relative weakness, Nyerere has thrust Tanzania into the international limelight on several occasions. Tanzania's most critical international relationships are those with its neighbors in east and central Africa. With Uganda and Kenya, Tanzania was a member of the East African Community before its dissolution in 1977. A rivalry of sorts has always existed between Tanzania and Kenya as the former has fought to extricate itself from under the latter's shadow. Kenya provides the capitalist, American-supported foil for Nyerere. However, after many years when the border with Kenya was closed, Nyerere recently reopened it. In Uganda, Nyerere fought Amin from the outset and finally ousted him with a full-fledged invasion in 1979. Tanzanian troops remained in Uganda to keep order and to support Obote's new regime, a move which cost Tanzania dearly in foreign exchange reserves. Currently, troops are stationed in (and supported by) the Seychelles.

Nyerere has worked carefully to foster good relations with the Machel regime in Mozambique, particularly for ideological reasons. Zambia shares the Tanzara railway with Tanzania and maintains close ties to keep its copper flowing to the sea. Zambia is also an increasingly important source of intra-regional trade. Finally, Tanzania was a strong supporter of majority rule in Rhodesia and forms an important link in the anti-South African frontline states.

As one of the top aid recipients in Africa, Tanzania receives support from at least 21 different countries on all sides of the political spectrum. This has come about for four main reasons: (1) the propaganda value for the donor, since Tanzania is a "socialist" country and "balances" Western support for right-wing governments; (2) Nyerere has been successful at playing one donor against another (he got, for example, the Chinese to build the railway to

Zambia and the Americans to build the road); (3) the strategic importance of Tanzania in relation to southern Africa and the Indian Ocean; and, (4) the fact that Tanzania is a "testing ground" for new development ideas that many think should at least be given a chance. This latter way of thinking is more prevalent in the Scandinavian countries than elsewhere, and these countries are Tanzania's most generous donors. The country's other large donors are the FRG and the UK. Tanzania maintains warm relations with China, but these appear to have cooled somewhat now that China has effectively had to write off the \$680 million loan for the Tanzara railway. Premier Zhao did visit Tanzania in January, and both governments recently announced a joint timber products processing venture. Also, Tanzania did receive petroleum at concessional prices from Iraq until the outbreak of the Iran-Iraq War in 1980; now, it receives its oil from Iran--at an undisclosed price. Meanwhile, Cuba is becoming increasingly involved, signing a barter trade agreement in 1983 and having signed a communications agreement with Zanzibar in 1981.

Pressures for Change

Four principal variables will affect Tanzania's course over the next three to five years: (1) the effect of policies designed to increase agricultural output and create an economic surplus; (2) the flow of international aid; (3) the succession to Nyerere and the 1985 elections; and, (4) the international environment.

The Tanzanian economy needs drastic medicine, and quickly. Given the crumbling of Nyerere's political base, however, the political consequences of austerity, particularly under the IMF, could be cataclysmic. The experiences of Brazil and Peru are fresh in Nyerere's mind. Further financing will not come, though, without economic adjustment. Nyerere is becoming increasingly frustrated and perhaps frightened--as evidenced by the rising government authoritarianism and hysteria. The crucial economic relationship is that of production to population growth over time. If production, of both agricultural and manufactured goods, cannot outstrip a population growing at 3.2 percent per annum, even the real social gains achieved by the Nyerere programs are worthless in the long run. The key signals to watch are the agricultural and manufacturing output figures, restructurings of administration and incentive systems, and the black market exchange rate.

The infusion of international aid into Tanzania underlines a major contradiction in Tanzanian policy: Nyerere has preached and strived for self-sufficient socialism while actively soliciting foreign aid from capitalist countries. Furthermore, the country is now very dependent on this aid. Donor impatience will increase with further economic decline and mismanagement, though aid is likely to continue due to the reasons enumerated above. Key signals will be allocations in the U.S. Congress for Tanzania (which will not increase next year) and signs of impatience from northern European donors. Also, growing involvement of Cuba and China is possible and could indicate a major shift in Nyerere's non-aligned course.

Nyerere has promised that he will not run in the 1985 elections, though this remains to be seen. If he keeps to his word, a major political transition will take place, pushing younger, radical politicians up and

allowing the military greater strength in policy making. The government would become increasingly authoritarian and probably continue to mismanage the economy. If Nyerere remains after the elections, his rule is likely to become more erratic, authoritarian, and even hysterical in the face of growing domestic problems. Signals to watch include Nyerere's public behavior and pronouncements, further coup attempts or cabinet shuffles, sudden prominence of other government leaders, and government political programs.

Tanzania's international interests cause difficulties, since events in the Middle East, central and southern Africa, China, Cuba, or Western Europe significantly affect its economy. Such complications are likely to continue and extend the country's vulnerability well beyond the more usual dependence on world commodity prices and economic demand. Political conflicts in several arenas can affect substantially Tanzania's flow of oil, aid, and availability of export markets. African conflicts could pose direct, physical threats as well as draining reserves for the military. Important signals include changes in the Middle East, expansion of South African reprisals, and trouble with Kenya.

Scenarios for the Future

The most likely scenario for the next three to five years sees Nyerere deciding to run again and retaining the presidency "in the face of the grave economic crisis." Hard-line socialists strengthen their hold on the Party at the upper and middle levels, while the military and radicals contest each other in the cabinet. The economic situation deteriorates due to further declines in exports, increases in inflation, corruption, and further mismanagement. Famine threatens the poorest areas. Tanzania appeals for emergency aid, but donors remain reluctant to increase aid substantially without IMF support. An IMF program is worked out, but the government is unable to comply. The country consequently loses all access to international credit. Meanwhile, the Iran-Iraq War has intensified, and Tanzania loses its concessional oil arrangement (if it currently has one) once again, pushing up its import bill. The economic situation causes increasing domestic unrest, including riots in Dar es Salaam and peasant revolts. Zanzibar attempts to extricate itself from the decline through asserting economic independence, though its options are limited in the short term. The military increases its political functions, including, perhaps, a coup to restore order and oust the radicals.

An even worse scenario would follow the resignation of Nyerere from political life. Nyerere is "the stability of the government." If Nyerere steps down, it is likely that a somewhat orderly transfer of power would succeed. Assuming no new Nyerere emerges, however, the troubles detailed above would quickly cause a crisis at the top, and political turmoil would erupt even sooner. Or, radicals would consolidate their power in a quick grab, with some supporting military officers, and institute more repressive control of the left, further damaging the economy.

Surprises, such as an invasion or externally-inspired coup, would, of course, wreak havoc with the economy. It seems apparent, however, that with any foreseeable scenario the economy will continue to decline. (This

discounts the optimistic scenario, in which the government makes constructive policy changes and invites limited Western investment and economic participation. Given the government's record of mismanagement, and the current solidification of the socialist policy line, the optimistic scenario seems very unlikely.) The country will have even more difficulty maintaining liquidity, and the investment environment will remain poor or non-existent.

Finally, there is a chance that, after Nyerere, technocratic elements dissatisfied with the steady deterioration of the economy would make a successful bid for power. If they did, their ability to maintain power and to implement economic reforms successfully would remain in doubt for at least a year or two. This scenario is made more probable by widespread dissatisfaction and by knowledge that other economies have done much better. It is weakened by the extraordinary scarcity of trained, experienced talent in today's Tanzania. The situation for some months after a coup or other pro-technocratic transition would be like today's Guinea, hopeful but very uncertain. In the event of a successful transition, an international bank which had stayed with Tanzania would have major advantages -- at the price of having stuck it out through a transition of unknown duration.