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Industrial Development In Tanzania: Re-Engaging The Reverse Gear And Charting The Way Forward

By

John Jingu

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INDUSTRIAL DEVELOPMENT IN TANZANIA: THE STUMBLES AND THE WAY FORWARD

Introduction

Industries constitute a fundamental development pillar for any country due to the fact that industries constitute perfection on how natural capital, human capital and financial capital interact to provide for development of the country. Industries represent higher productivity and efficiency in utilization of existing resources to meet the required demands. Unfortunately, Tanzania has been going through de-industrialization process since the adoption of liberalization policies in 1990s. Most industries which were introduced as part of the resolute measures of the newly independent country collapsed due to strategic deficits in coping with the wave of globalization. Consequently, the country development processes still largely depends on the produce of peasant farms and continue to be shackled in the yoke of foreign dependency, unemployment and poverty. The coming into power of the new government under President John Magufuli has renewed the country's urge to re-embark on industrialization process as a *muarobaini* [neem tree medicine] of development challenges facing the country. The paper proposes adoption of comparative advantage strategy toward industrialization process. The CAD strategy requires the country to consciously exploit areas of its strategic advantages over other countries to generate economic gains in their choice of industries. The paper starts by highlighting factors behind the collapse of the independence industries. The paper proceeds to present the comparative advantages strategy (CAD) and go on to suggest the viable industrial structure. Lastly the paper outlines the imperative conditions for industrialization to take place.

The Collapse of the Independence Industries

The newly independent Tanzania adopted import-substitution strategy to promote the country's industrialization. The strategy was internally looking seeking to replace imports with locally manufactured goods. The industries were protected by barriers to market which had about 23 million people in 1980s[1]. The industrial sector could not sustain itself in obtaining foreign exchange for importing necessary inputs and hence it was compelled to rely on agriculture. Moreover, the industries were not adequately capitalized. There were also problems related with low technology, human resource productivity and inadequate management capacities. These problems suggested deficits in the industrial strategy. As a result, the onslaught on industries by the wave of globalization in the 1990s led to the collapse of many industries. Some industries were privatized in the bid to cope with the changing global conditions. However, with exception of a few industries like Kagera Sugar and Tanzania Breweries Limited, which speaks success of privatized industries due to injected capital, new technology and managerial skills by their new owners, most privatized industries were left for the dead. Most industries failed to pass the test of time after the removal of import barriers and as a result, Tanzania became a dumping place of cheap manufactured goods from developed countries. For example, removal of trade barriers in the textile industry led to influx of cheap imported fabrics including second hand clothes which made

[1] http://www.nbs.go.tz/nbs/takwimu/references/1967popcensus.pdf retrieved on 23rd March 2016.

locally manufactured fabrics expensive. Consequently, most industries, such as textile mills, leather factories, and steel mills etc which were operating in the country in 1980s closed due to inability to face stiff competition from abroad. Since then, the country has largely been engaged in de-industrialization process.

The Comparative Advantage Development Strategy

Industrial development of any country is an indicator of the level of development of a country. For this reason, countries are categorized into developed, underdeveloped, developing and newly developed countries depending on the extent and level in which productive sectors are linked with industrialization. The coming into power of the new government under President John Magufuli has rejuvenated the will of the country to industrialize as the only meaningful *muarobaini* of development challenges facing the country. However, realization of the national will and dream of industrial Tanzania requires a paradigm shift from import-substitution and adoption of a different industrial development strategy in consonant with current global realities. The comparative advantage development (CAD) strategy has the potential of enabling the country realize its dream.

The comparative advantage development (CAD) strategy suggests that the country economic development under the current competitive environment requires the country to give prominence to areas of its relative advantage over other countries. The theory of comparative advantage was promulgated by David Ricardo about two centuries ago. Although, it is increasingly fashionable by many commentators' to prefer Michael Porter's theory of competitive advantage over the CAD, the latter is rather an emphasis and not a replacement of the former. In this regard, the country is likely to realize its dream by focusing on areas which give it comparative advantages over competitors in terms of efficiently generating cost-effective and quality products in accordance to the needs and demands of the market. In this regard, the logic of CAD requires the country to prioritize industries with significant potential of generating wider economic gains given the local and global conditions. In this regard, adherence to CA strategy logics will make the country to invest in areas where they can survive competition and generate profit without relying on government subsidies.

The comparative advantage is a function of the "endowment structure" of factors of production namely labor, land and natural resources and capital.[2] Thus, industries with huge potential to spark development in the country are those which seek to improve productivity and value addition in processes of utilizing national resources. In that way, industries will have significant multiplier effect to other sectors.

[2] Lin, J. Y. (2012). *Demystifying the Chinese Economy.* Cambrdge : Cambridge University Press, 214

Viable Industrial Structure

The CAD strategy requires a country to optimize utilization of its resource potentials by aligning its industrial structure with its endowment structure.[3] In the same vein, the Arusha declaration provided that development depends on the existence of appropriate policies to enabke the country optimize utilization of its natural capital and social capital.[4] Tanzania is well endowed with natural and social capital capital. The country posses almost all strategic natural resources including strategic and precious minerals, fisheries, oil and gas, foresty and fertile land. Tanzania has the population of about 50 million people.[5]

Moroever, Tanzania possesses the maritime coastline of 1000 kilometers and right at the middle between the Cape of Good Hope and the Horn of Africa. Tanzania shares borders with eight countries namely Democratic Republic of Congo (DRC), Zambia, Malawi, Rwanda, Burundi, Uganda and Kenya. With exception of Kenya and DRC, all other countries are landlocked. Besides, the geographical location of Tanzania places it at the fulcrum of three regional integrations namely SADC, EAC and COMESA.

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[3] Lin, J. Y. (2012). *Demystifying the Chinese Economy.* Cambrdge : Cambridge University Press, 118.

[4] Nyerere, J.K (1967). Arusha Declaration, 22-23

[5] http://www.nbs.go.tz/

Notwithstanding all the above comparative advantages, the country has not managed to realize its development agenda due to its inability to engeder industrialization in the country. In reversing the situation, it is suggested that the viable industrial structure to give prominence to the following industries;

1. Transportation and logistics industries in making use of strategic location as a gateway for international and regional trade. Increasing efficiency of airports, harbors and upgrading the central railways into a standard gauge gives potential for Tanzania to become the hub of logistics industries in the region.

2. Establishment of agro-industries. Large part of Tanzania's area of 945,087 square kilometers is fertile and conducive for agriculture. The land supports various types of crops including maize, groundnuts, sunflower, cotton, coffee, sisal, sorghum, cloves, ginger, rubber, fruits and vegetables of various types etc. Processing and packaging industries could boost agriculture and make Tanzania a major supply of food, diary and products, both for local and global market. In fact, the establishment of food agro processing industries would give Tanzania the potential of becoming the bread basket of Africa. In addition, leather and meet industries have great potential of making Tanzania prosper given its multitude of livestock.

3. Aqua-industries of various types including fish processing and packaging industries. Fish constitutes up to 50 percent of protein of the meals intake in many countries.[6] Tanzania has thousands of tones of fish in its water bodies, yet it has not managed to be a significant exporter of fish. Attracting fish processing industries from countries with fisheries efficient technology such as China will be beneficial for Tanzania.

4. Minerals and hydrocarbons processing industries. The establishment of such industries would allow the country add value to its resources before exports. Moreover, the existence of abundant hydrocarbons allows the country establish fertilizer and other chemical industries.

Imperatives of Industrialization

The following are necessary conditions for any industrialization to take place.

1. There is a need of a visionary and committed leadership at all levels of the state to work out a workable strategy and craft appropriate policies for optimal utilization of national natural capital and social capital in realization of the national good. It is the role of leadership to chart the national development path and craft a workable strategy to realize it.

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[6] Dr Mary Ann Palma-Robles,
Trends And Regional Perspective On Fisheries Sector Governance Architecture In IORA, A Paper presented in India and Indian Ocean –Renewing the Maritime Trade and Civilization Linkages, 20-22 March 2015 · Bhubaneswar, Odisha

2. The existence production-industries-markets chain must be a fundamental criterion in establishing industries in the country. For example, if the country decides to start edible oil industries with capacity to produce 1,000,000 tons a year (e.g. sunflower oil, groundnuts oil, palm oil etc), it must make sure that there will be producers with capability to produce the required raw materials and that the outputs have reliable markets. Lack of this chain which we may refer to it as industrial production framework will create waste and harm to the economy.

3. There is a need to develop the right mindset and creation of a pool of requisite skills and competences in various areas but notably managerials skills, negotiation skills, commercial skills and technical skills. Creation of such skills and competences requires the following;

    - Reivention of the university to become relevant to developemtal needs of the country including industriliazation. The universities and other tertiary level education institutions need to be empowered and tasked to engage in reseach and development(R&D) for bettter products and ideas of dealing with countries development chalenges. The fit between universities and industries is a must to ensure that the developed products protypes are commercialized and become useful for the country's development. Moreover, the university must became a fountain of knowlegde and skills for the industry to attain advancement. In addition, there is a need of a clear cooperation between universities and policy makers in dealing with development challenges facing the country.

- Reverse the trend of turning polytechnic and technical institutions into universities and streghthern their ability to produce requisite technical skills for country's industrial development. Such a reversal should go hand in hand with strgtherming of vocational education institutions.

4. Development of industries requires the existence of reliable and quality infrastructure. The Swahili saying has it that *"chonga mzinga ule asali"* [litr.trans. you build a beehive to enjoy honey] is the guiding principle. The Chinese saying that if you want a phoenix builds a nest applies. In that regard, development of reliable infrastructures such as railways, harbors and airports, telecommunications and electricity are fundamentally critical in attracting investment in the industrial sector.

5. Favorable investment and fiscal policies which provides regulatory certainty and stability are prerequisites of any meaningful industrial development.

6. There is a need to create avenues for capital mobilization by a way of establishing and or strengthen and utilize specialized banks to promote industrialization. These include the Agricultural Banks, Investment Bank and Industrial and Commercial Banks. The role of such banks is to

mobilize capital to finance strategic activities related with industrial development. A joint venture between private investors and communities owning land and other forms of arrangements between investors and communities such as contract farming as well as joint venture between private investors and government agencies may also serve as another strategy of capital mobilization. Moreover, large investors in the country should be required to deposit significant amount of their money in the country and hence provide commercial banks with lending capital to investors. The government needs to use its tax vehicles to direct investment in priority sectors.

7. Tanzania needs to nurture and promote strategic partnership with countries with excess industrial capacity and technology in order to attract foreign investments in strategic sectors. Foreign investment may bring in technology, skills and experience. For example, Tanzania needs to forge partnership with countries with proven knowledge in development of agro-industries such as China, l and Vietnam.

8. Enhancing bureaucratic efficiency is a must if the country has to make any significant milestone in industrial development. The current competitive world imposes a heavy opportunity cost for laxity, mistakes and errors of negligence. Hence there is no room for laxity and negligence. It is an era of do the right thing or die. Unfortunately most investment decisions in Tanzania are still handled as normal bureaucratic decisions

which often plagued by inertia and incompetence. The current drive of attacking and destroying the bureaucratic inertia and impunity dubbed as *kutumbua majipu* in the country [fracturing boils in the body politic] is essential. Whoever is representing the country in decision making on fundamental issues must always feel that 'is being watched' and failure to safeguard the national good should have clear and severe consequences.

9. There is a need to develop the culture of self reliance in charting a development path for the country. For any country to rely on foreign ideas and advice on choosing its development path, development will at the best remain a pipe dream. However, this does not mean that taking such ideas and views for references in exploring own path of development is a bad thing. The newly developed countries of China, Malaysia and Singapore shows clearly well the need to take charge of own development. However, to be self-reliant does not mean that the country should not learn from other countries. As the Chinese champion of industrial development Deng Xiaoping, noted, it does not matter whether the cat is black or white, so long as it catches mice is useful. Hence, the country may learn useful ideas from any part of the world so long as such ideas are useful in addressing the challenges the country is facing and fits into the country's development framework.

10. Learning from own history and thinking outside the box is a necessary rule. This principle requires the country to make its policies on the basis

of facts rather than simply conviction of ideas. The de-industrialization process of the country partly emerged as a result of embracing foreign 'toxic' ideas. The 'miracle' of Chinese economic development was in principal a function of carrying the reforms on the basis of facts. In the words China's industrial reform leader, Deng Xiaoping, for development to occur, there is a need to 'emancipate the minds and seek truth from facts".[7] Seeking truth from facts will allow the country to be truthful to it and correct its past and present mistakes. Moreover, abiding by the principle promotes the culture of learning the best way of perfecting our policies and practices.

[7] Baoji, Z. (2011). Revolution, Construction and Reform: The Path of the Communist Party of China, Foreign Languages Press.