



Industrial Policy For Tanzania In The Midst Of The Fourth Industrial Revolution

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Day 1 Paper

S2B

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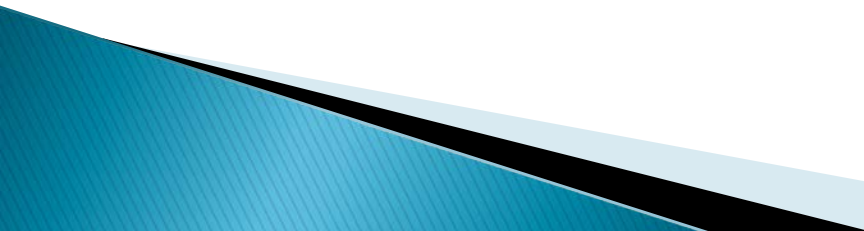
INDUSTRIAL POLICY FOR TANZANIA IN THE MIDST OF THE FOURTH INDUSTRIAL REVOLUTION

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REPOA 21ST ANNUAL RESEARCH WORKSHOP 6TH –
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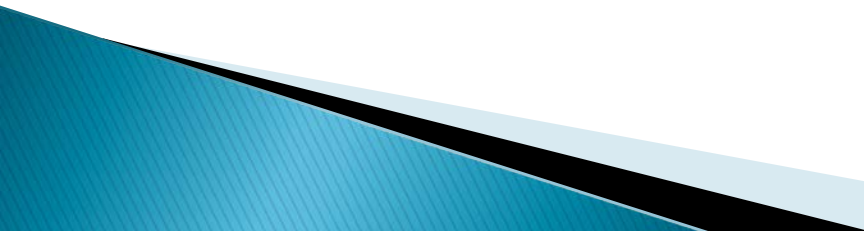
ORGANIZATION OF THE PRESENTATION

- ▶ Introduction – President Magufuli Parliament speech
 - ▶ Economic Development and Structural Transformation
 - ▶ Fourth Industrial Revolution
 - ▶ Growth and Structural Transformation in Tanzania
 - ▶ Economic Strategy for Growth and Structural Transformation
 - ▶ Concluding Remarks
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PRESIDENT MAGUFULI SPEECH IN PARLIAMENT

- ▶ Tanzania Development Vision 2025 – Middle Income Country
 - ▶ Not just in Statistics but in real lives
 - ▶ Industrialization is the keys
 - Existing industries perform well
 - Industries using local raw materials
 - Mass consumption industries
 - Labour intensive industries
 - Manufacturing industry to account for 40 percent of employment in 2020!
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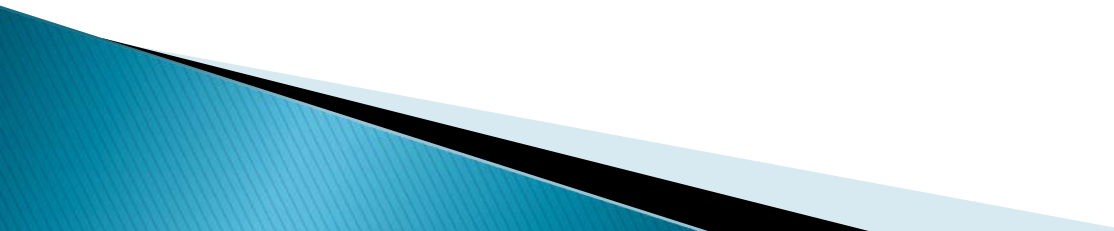
ECONOMIC DEVELOPMENT AND STRUCTURAL TRANSFORMATION

- ▶ Growth and structural transformation is the foundation of development economics
 - ▶ Moving from traditional to modern activities, agriculture to manufacturing
 - ▶ The market by itself cannot initiate structural transformation. Market and coordination failures are numerous. Important role of the state. Import substitution industrialization
 - ▶ Neo-Classical counter revolution. State failure is worse than Market failure (OECD and NBER studies)
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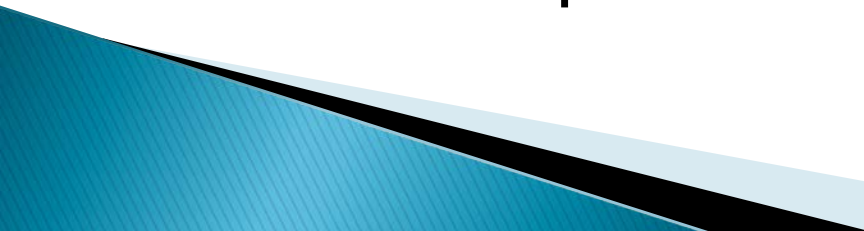
EAST ASIA SUCCESS

- ▶ Is it Export Oriented market conforming development strategy or
 - ▶ Export oriented state led industrial policies
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SAP-WASHINGTON CONSENSUS

- ▶ Stabilization
 - ▶ Liberalization
 - ▶ Privatization
 - ▶ Structural transformation not in the agenda
 - ▶ SAP did not initiate sustained growth led to de-industrialization
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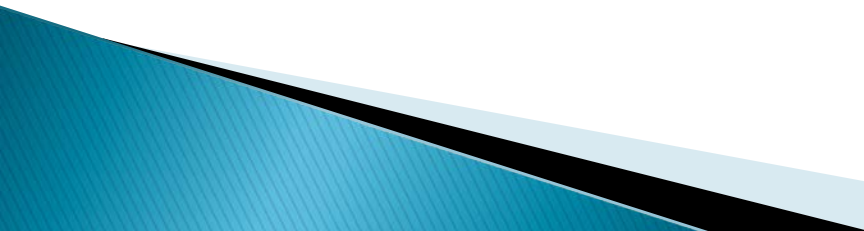
ROLE OF INDUSTRIALIZATION

- ▶ Economic Development requires diversification not specialization
 - ▶ Rapid growth is recorded by countries with large manufacturing sector
 - ▶ Structural change towards manufacturing – growth acceleration
 - ▶ Exports of more sophisticated goods lead to high growth
 - ▶ Unconditional convergence at the level of individual products in modern industry
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REBIRTH OF STRUCTURAL TRANSFORMATION

- ▶ Failure of SAP
- ▶ Better understanding of East Asia Experience
- ▶ Justin Lin New Structural Economics in the World Bank

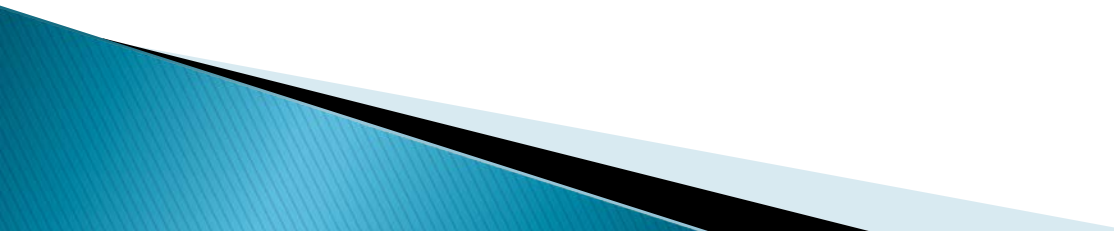
FOURTH INDUSTRIAL REVOLUTION AND INDUSTRIALIZATION

- ▶ Globalization facilitated industrialization in East Asia. Trade increased from 13.8 percent of World GDP in 1986 to 26.6 percent in 2008
 - ▶ Expansion of supply chains
 - ▶ Great Recession reduced global trade which has not recovered
 - ▶ Technological Change – digitization of manufacturing, robots, AI, 3D printing is reducing the importance of cost of labour
 - ▶ Production is moving closer to consumers
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IMPACT ON LABOUR MARKETS

- ▶ Jobs at risk of automation
 - ❖ USA – 47 percent
 - ❖ Ethiopia is 85 percent
 - ❖ China 77 percent
 - ❖ Thailand 72 percent
 - ❖ India 69 percent
 - ❖ South Africa 67 percent

DE-INDUSTRIALIZATION

- ▶ Decline in share of manufacturing value added and employment at lower level of per capita income
 - ▶ It is becoming increasingly difficult to industrialise
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GROWTH AND STRUCTURAL TRANSFORMATION IN TANZANIA

- ▶ Economic Policy and Development: 1960–1967
 - ▶ Economic Policy and Development after the Arusha Declaration: 1967–1985
 - ▶ Structural Adjustment Programmes and Economic Reforms
 - ▶ Economic Reforms 1995–2005
 - ▶ Growth and Structural Transformation 2005–2015
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Figure 1: GDP Growth Rate 1961 – 2015

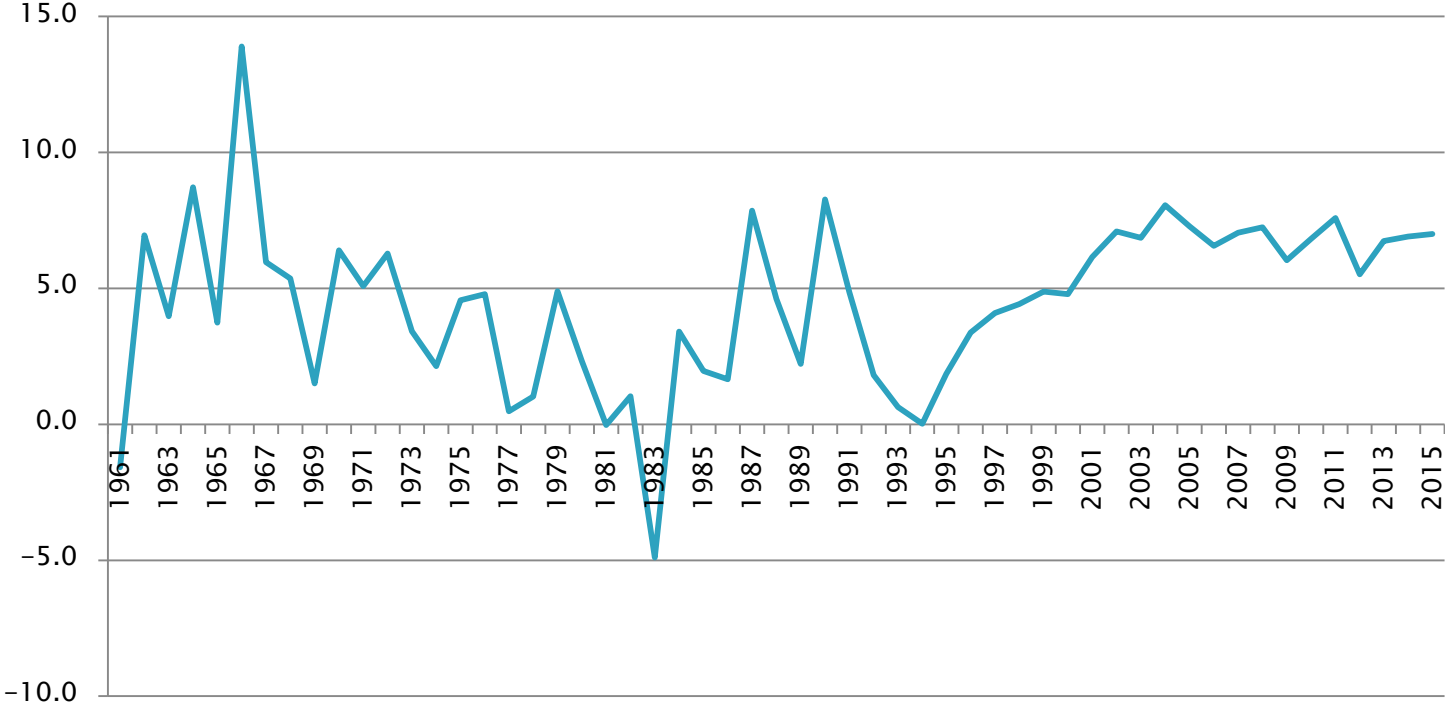
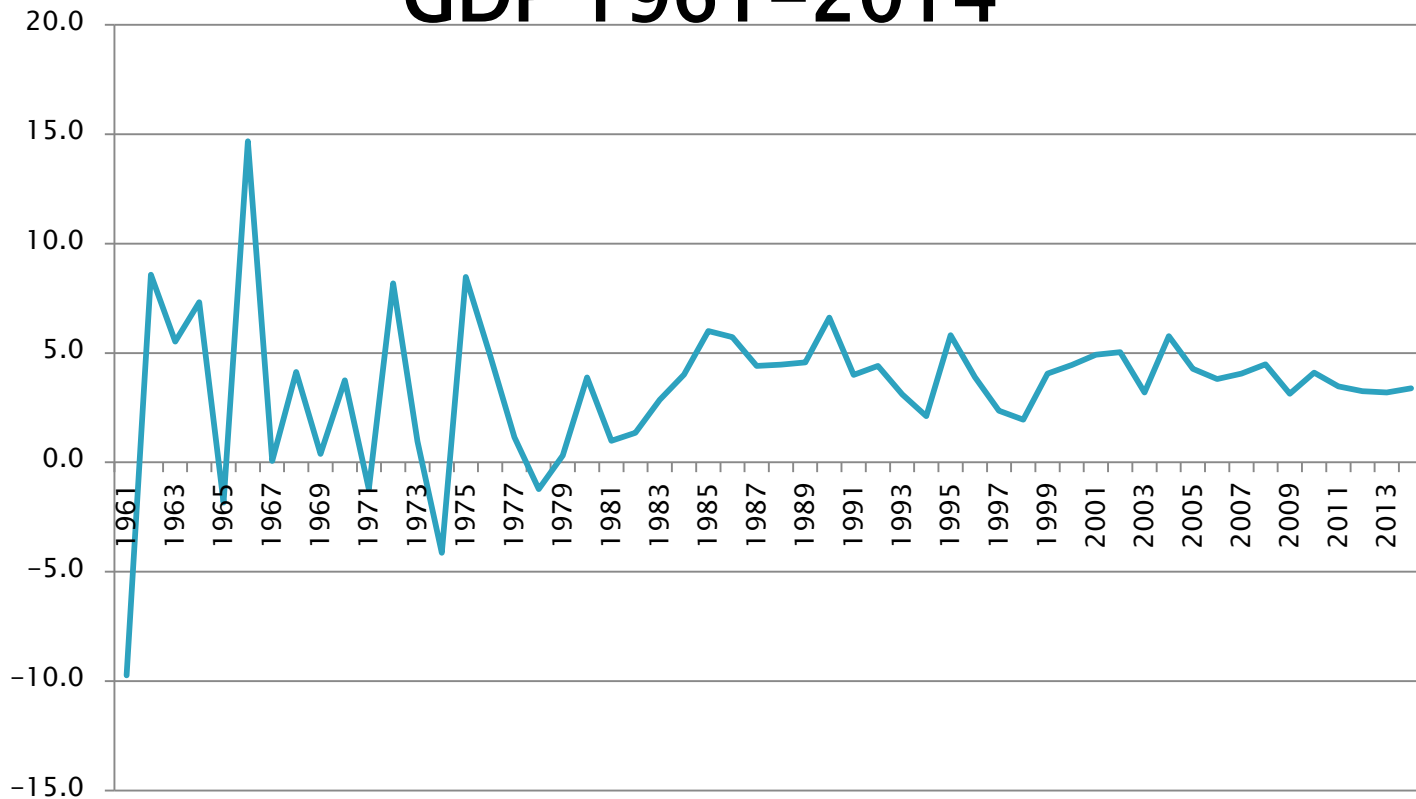


Figure 2: Growth of Agriculture GDP 1961-2014



Growth of Manufacturing GDP 1961-2014

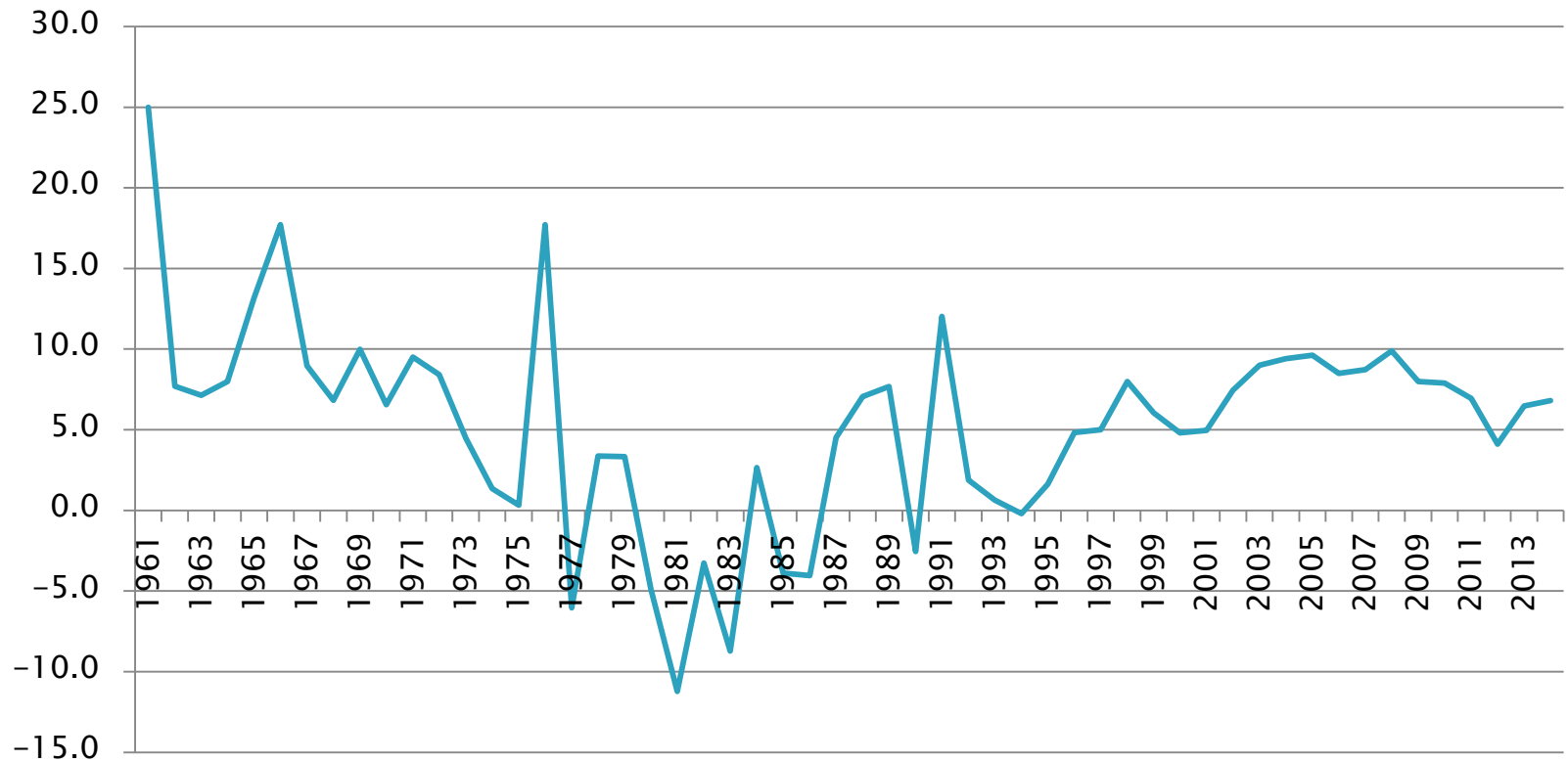


Figure 4: Real Manufacturing Value Added (2005 milion Shs) 1960 - 2011

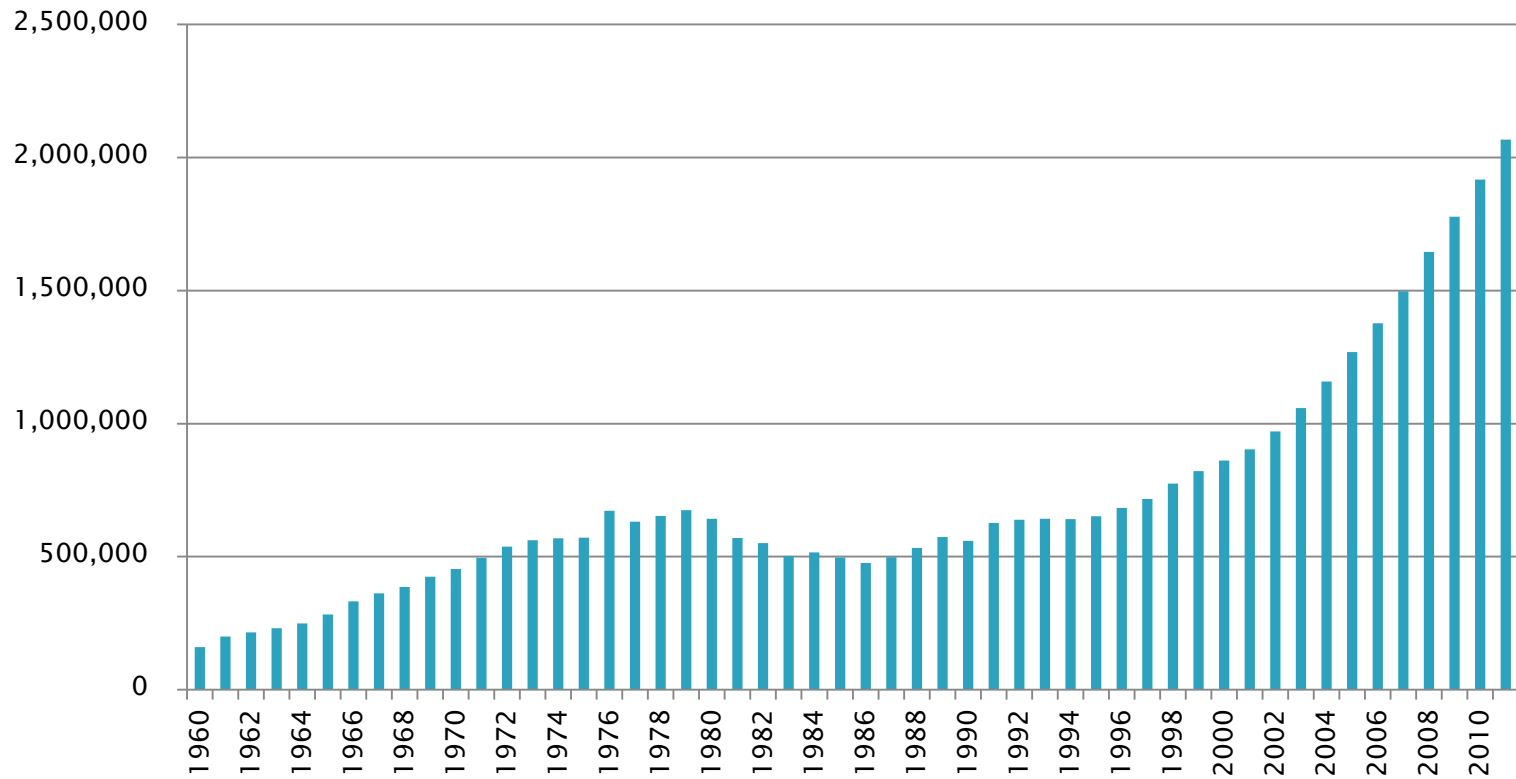


Figure 5: Share of Manufacturing Value Added in GDP 1960–2011

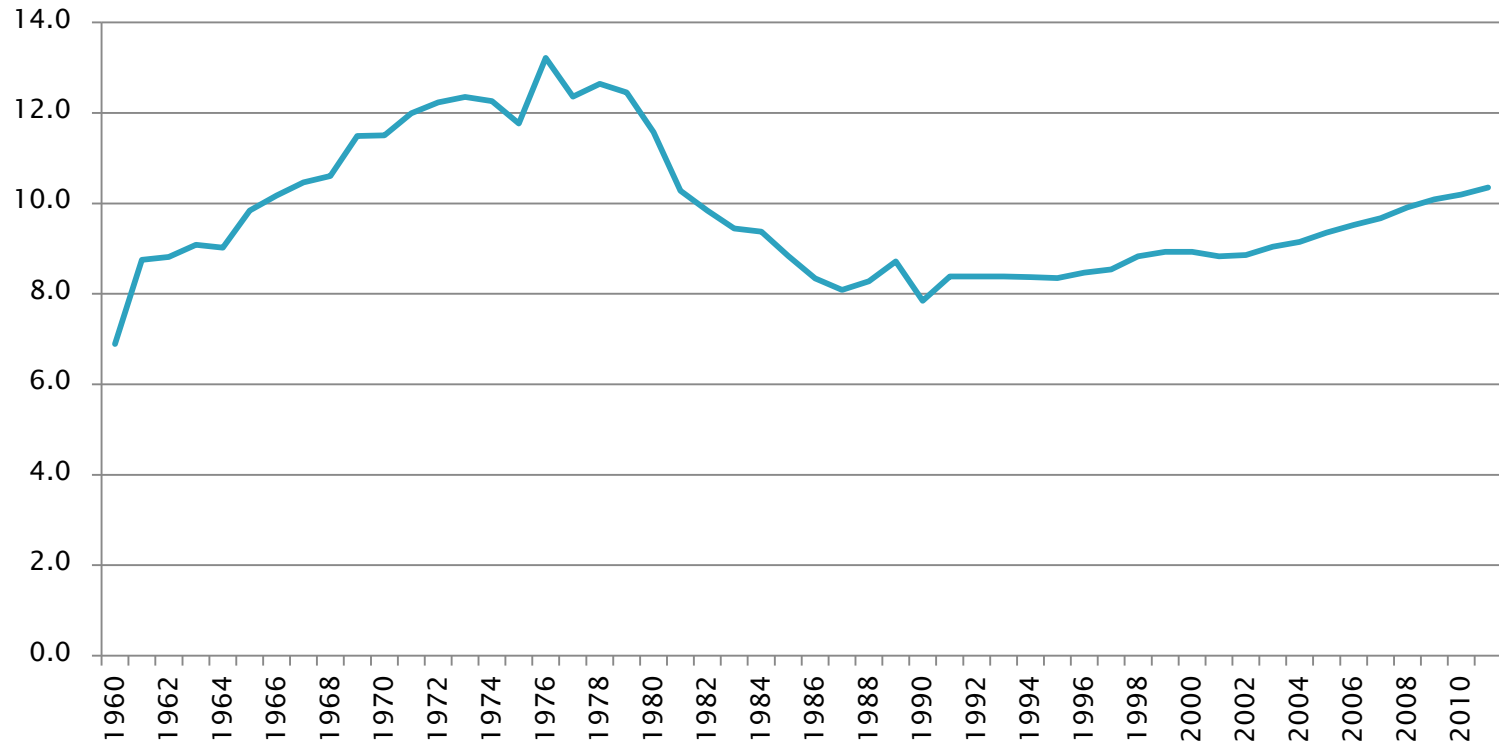
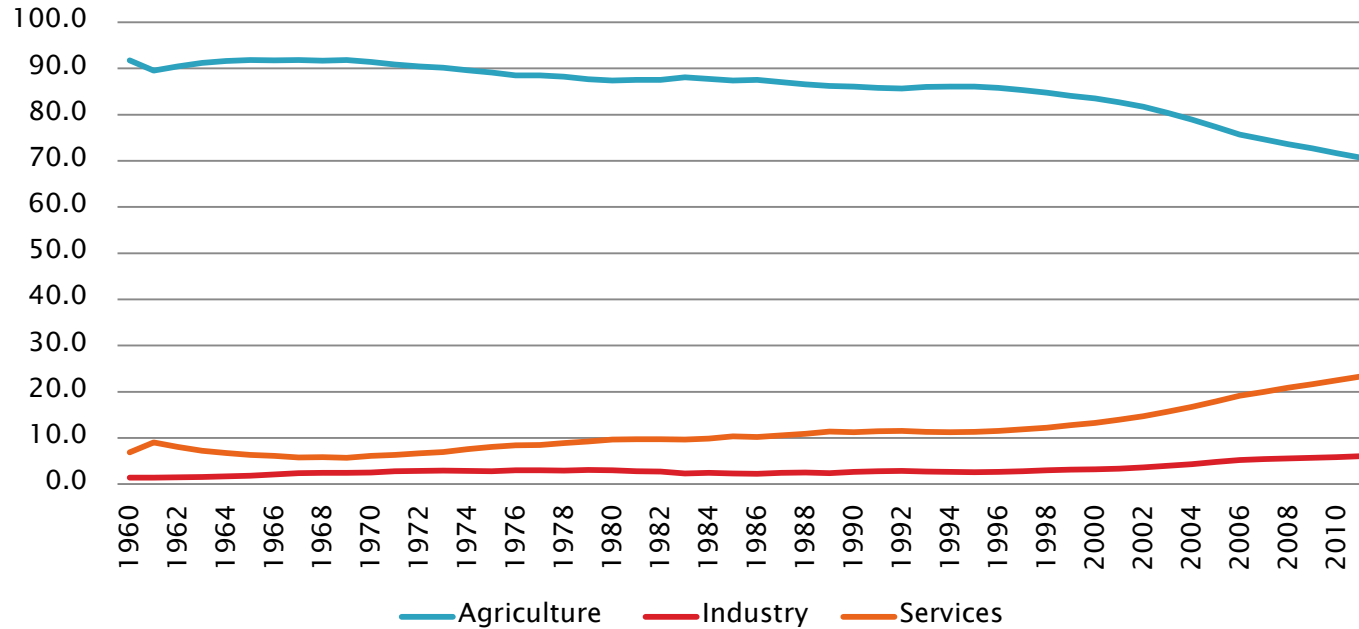


Figure 6: Employment Share by Sector 1960-2011



ESTIMATED NUMBER OF FORMAL EMPLOYEES

INDUSTRIES	2000	2014
Food processing	35,130	54316
Beverages	4,987	7252
Tobacco and Cigarettes	3,618	8366
Textile Manufacturing	8,427	14874
Skins and Skins products	89	793
Shoes	725	1002
Timber and timber products	2,515	968
Manufac. of paper product, printing	2,823	6897
Manufacturing of chemical	3,401	3616
Rubber products	454	1508
Maufac. of plastic products	1,238	5116
Manufacturing of non-metallic products	1,766	3089
Others	4,491	25434
Total	69664	133231

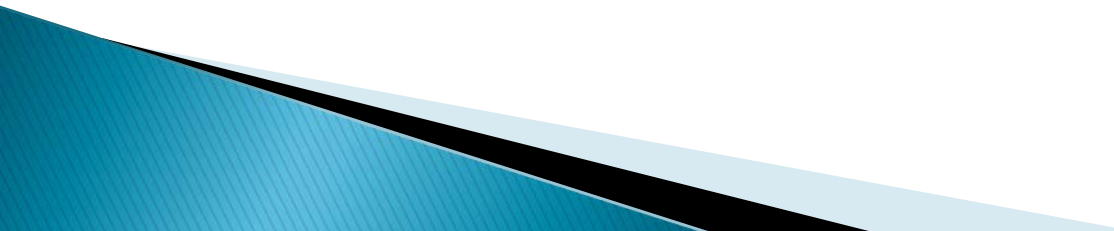
Table 3: Formal Employment by Selected Sectors, 000

	2005	2010	2014
Agriculture, forestry and fishing	82.8	138.1	117.7
Mining and quarrying	8.8	12.1	24.5
Manufacturing	196.8	220.3	423.1
Construction	26.3	34.2	51.4
Transportation and storage	39.6	55.6	65.8
Education	68.0	155.8	366.1
Other sectors	602.1	660.9	1142.3
Total employment	1024.3	1277.0	2141.4

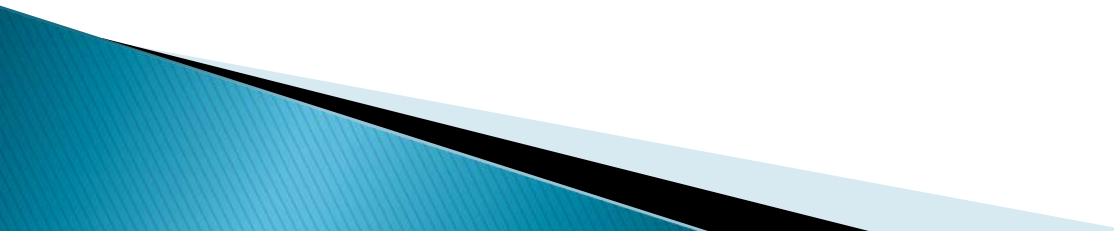
MANY PLANS NO IMPLEMENTATION

- ▶ Basic Industry Strategy 1975 – 1995
 - ▶ Sustainable Industrial Development Policy (SIDP) 1996–2020
 - ▶ Tanzania Mini–Tiger Plan 2020
 - ▶ Integrated Industrial Development Strategy 2025
 - ▶ Five Year Development Plan
 - ▶ Tanzania Long Term Perspective Plan
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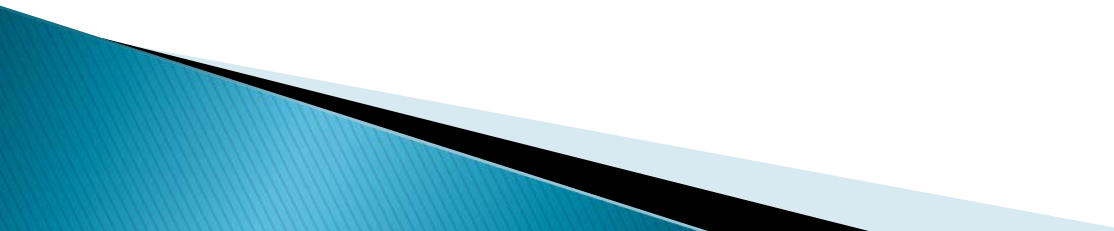
FOUR POTENTIAL DEVELOPMENT STRATEGIES

- ▶ Modernization and Commercialization of Small Holder Agriculture
 - ▶ Light Manufacturing
 - ▶ Modern Services including tourism
 - ▶ Efficient utilization of natural resource rents
 - ▶ With a labour force of 25 million the four strategies are not mutually exclusive
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POTENTIAL OF LIGHT MANUFACTURING INDUSTRY

- ▶ Goods with large domestic market
 - ▶ Local raw materials
 - ▶ Labour intensive
 - ▶ Comparative advantage
 - ❖ Textile and Apparel
 - ❖ Footwear and Leather goods
 - ❖ Furniture and Wood Products
 - ❖ Agricultural Processing
 - ❖ Fertilizer and other gas based industries
- 

IDENTIFYING AND REMOVING CONSTRAINTS

- ▶ Real Exchange Rate
 - ▶ Infrastructure particularly electricity, water and transport
 - ▶ Finance – Long term and working capital
 - ▶ Labour Skills
 - ▶ Industrial Clusters and SEZ
- 

CONCLUDING REMARKS

- ▶ Export oriented industrialization will increasingly more difficult with stagnating global trade and growth of digital manufacturing. It is still possible to increase exports of manufactured goods
 - ▶ Tanzania has a large potential for light manufacturing industry that has a large local and regional market
 - ▶ The new Government should move away from non-implementation syndrome
 - ▶ Experimentation before scaling up
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