STUDY REPORT
ON
THE SMALL SCALE INDUSTRIES
IN TANZANIA

JANUARY, 1968

OVERSEAS TECHNICAL COOPERATION AGENCY

GOVERNMENT OF JAPAN

Preface

The industrialization in developing countries seems to have thus far been concentrated in the field of basic and large-scale industries such as steel, fertilizer, cement, paper and pulp, etc. and consequently most government money and foreign aid have chiefly been invested in this field. However, it is also of importance that in line with the above small-scale industries in various fields could be harmoniously fostered.

The supply of parts for large-scale industries, manufacturing of goods for daily life and other sundries such as pan, pot, match, pencil, chinaware, bicycle, textile goods, etc. ---in these activities, small-scale industries will enjoy less capital-intensive investment, and produce a higher rate of employment and reduce consumers goods import.

From this point of view, a number of developing countries tend to call on Japan for cooperation or assistance towards the establishment of various small-scale enterprises.

The Government of Japan in response entrusted the Overseas Technical Cooperation Agency with the task of the implementation of survey and study in the said field. The Agency had organized three study teams to be dispatched to their countries separately, i. e., Southeast Asia, the Middle East and Africa, and the Central and South America. On August 19, 1967 the first team consisting of five experts headed by Mr. Kyoichi Miyagi, Executive Director of Japan Consulting Institute, was sent to the Middle East and Africa including Iran, Tanzania and Kenya.

During the twenty-four days field trip, the team called on these three Governments and authorities concerned, and exchanged views concerning thier common interest. Hereby submitted is a report based upon the outcome of the field trip. Nothing would be more gratifying to our Agency than if this report could be of any help for the acceleration of the development of small-scale industries in the above three countries, and thus contribute to the enhancement of closer economic cooperation and friendship between Japan and the countries involved.

In conclusion, Itake this opportunity to express my gratitude to the Government and People concerned in respective countries with which the team came into contact for their kind cooperation and support shown the team while it was in their countries.

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CONTENTS

GENERAL DESCRIPTION

The main object for this study team is to seek causes that Japan has failed in economic cooperation with developing countries in the field of small scale insustries.

In view of the fact, this team performed investigation works from various angles as setforth bellow :

1. Basic subject

(1) Government authorities concerned are hoping for the rapid development and fostering of small scale industries with a view to the following.

a. Economic development through industrialization and increasing of national income will be attainable.

b. Use of foreign currency will be reducible.

c. Rising of employment rate will be attainable.

It is noteworthy that the setting-up of even an assembly plant which imports every material and parts from abroad will bring about an effect of foreign reserve savings to a certain extent, and produce a higher rate of employment absorption as compared with every use of foreign money for finish products import.

A gradual transition tc domestic production of parts will also be attainable whenever possible.

(2) Obstructive factors in small scale industries development.

a. The number of business men who can confidently establish and manage a plant and the number of engineers are very few. There are those who have the funds in local currency but the majority of the funds have been accumulated by commercial activities and very few business men have a project worthy of converting investing to production capital. Since they have a strong desire to invest their funds in production capital, they would be willing to do so if a prospective plant were constructed and if a qualified person was to manage it. In regard to foreign currency, this country is not in so difficult a position at present when compared with other developing countries. However, the Government is cautiously against the rapid increase of import in a foreign goods and desires for loans or deferred accounts for purchasing heavy equipment such as a plant, etc.

b. In making a profit for a specific small scale industries, it becomes difficult to estimate the demand for products and to decide on the size of the plant because the majority of statistical data is not complete. However, since the export and import statistics (customs statistics) are fairly complete, it is possible to estimate the demand to some extent based on these statistics.

c. Demand is low because population is small and moreover national income per capita is low. Therefore, it seems difficult to find a small scale industry which comes in the range of profitable industries. It is considered, therefore that the unsatisfactory progress in small scale industries is due to the above three points.

(3) It is hoped that there will be capital participation by advanced countries. Because of few business men and due to the difficulty in finding a promising project as stated previously, there is no other way but to invite them from advanced countries and have them construct and operate the plants. With the idea of investing the previously mentioned available in the country in the plant.
Against the real intention of the Government for recommending the establishment of enterprises with 100 % national capital, the investors are strongly hoping for foreign capital, management of the plants by foreign business men may not be realized in years.

Therefore, a law has been established to protect foreign capital and with the quarantee of right to remit the capital and profit under the specified conditions. Also, there are countries which offer a favorable treatment on taxation (recognized depreciation and reduction in corporation tax) to newly established enterprises. Also in these countries, other favorable treatment such as arrangement for procuring the land at low prices, are being offered, For details of favorable treatment, refer to Chapter 3 of the Detailed Explanation.

2. Insufficient cooperation of advanced countries in promoting small scale industries.

(1) In spite of relatively small monetary figures in supplying plants, the small scale industries require expenses for surveying the site and personnel expenses for traveling back and forth for negotiations, etc, before a contract is concluded, in the case of a large plant. In addition, it requires a considerable expenditure for the dispatchment of engineers for construction work, test operations of the plant and others. Therefore, the plant cost will be high.

(2) In regard to the export of large scale industrial plants, machinery manufacturers of Japan has experience and are well prepared. However, as to the small scale industries of types, Japan is not equipped with a sufficient number of engineers to

cover these enterprises and therefore are ill equipped to make a design and estimate of the plant.

(3) In Japan, designs of small and medium sized plants are done only by the enterprisers, operators of small scale industries. With the exception of some businesses these operators do not wish to expand overseas and instead in many cases these enterprisers are presently over burdened with domestic production.

(4) Most of the inquiries from developing countries on small and medium sized plants are accompanied by requst for foreign investment. However, the management of small and medium scale industries in Japan do not wish to make oversea investments, the reasons being, that they do not have funds sufficient enough to invest overseas and also that they lack engineers and management personnel to despatch overseas.

3. Concrete forms of cooperation which Japan should take for the advancement of industies.

It is difficult for Japan to provide economic cooperation on the same level as other advanced countries because of her small accumulation of capital and national resources. However, in order to meet requests by these developing countries for materialization of small scale industries, the following measures inevitably become necessary in view of the facts previously mentioned (the sequence of the following measures are in accordance with the procedures for exporting industrial plants or overseas investment for small scale industries).

(1) To make a complete feasibility survey on the proposed small scale industries. Business plans based on complete surveys on the demand for products, physical layout of the plant, working condition, profitability, etc. for the proposed small scale industries have an influence on success in the future by which the desire to advance overseas is greatly promoted.

(2) To promote the desire of Japanese enterprises, particularly, those of small scale industries, to expand overseas by means of advertisement in Japan.

(3) To provide yen credit, bank loans or deferred accounts in order to promote small scale industries in developing countries.
Though it is possible to utilize private capital (local currency) to some extent in developing countries, the Government authorities are requesting yen credit, bank loans and deferred accounts for purchasing equipment and machinery foreign currency.

(a) Yen credit

There was a complaint that if the yen credit was provided the Japanese side was inconvenienced by the considerable time required for processing the procedures for yen crèdit for a smaller sized plant. However, from the standpoint of promoting small scale industries in the future, it is necessary to provide yen credit to the projects one after another whenever thay are ready though the proj ects may be small in size.

(b) Bank loans

A desire as expressed that they expect bank loans from Japan for small scale industries. They wish that credit line be given to the banks of the country concerned and that the selection of individual projects for yen credit rest with these banks and that the yen credit be used for procurement of machinery from Japan. The other party is showing desire for this method and this matter is considered to be worthy of attention by the Japanese.

(4) To porvide measures for favorable treatment of the investment in relation to the export of small scale industrial plants which accompany capital investments. As stated previously, because of the small number of engineers available for the operation of the plant, capital participation by foreign countries is requested in order to stabilize the operation of the plant for a long period of time. Accordingly, the majority of the projects on small scale industries require capital participation of 50% or less of the total capital. Therefore the Japanese Government should work out measures for favourable treatment of these investments.

Chapter 1. General description of economy

The gross national product (GNP) of Tanzania in 1966 was made up of agriculture 55%, commerce 14%, the service industry, 12% the manufacturing industry 3% the mining industry 3%.

The ratio of agricultural products to the GNP decreased as compared with 63% in 1963, however agriculture remained the mainstay of Tanzania's economy. The staple products were sisal hemp, cotton, and coffee beans, which, combined, accounted for about half of the total agricultural products in 1966. Among others were sugar, cashew and ground nuts.

The production of the mining industry was low, but diamonds were a staple product which accounted for 83% of the total mining products, and 20% of the total export in 1966, with a value of 180 million shillings.

The production of the manufacturing industry was also low with 5%, but its growth rate was high, showing an annual average growth rate of 16.4% over the period from 1960 to 1966, and 22.1% over 1965. (The manufacturing industry accounted for only 3.5% of GNP in 1963.)

Gross national product increased 22% for the 3 years from 1963 to 1966, from 4,437 million shillings ($630 million) in 1963 to 5,455 million shillings ($780 million) in 1966. Especially from 1965 to 1966, the increase amounted to 11%.

National income per head increased from $64.2 in 1963 to $69.3 in 1966.

Chapter 2. International trade, balance of international payments and foreign exchange control system.

1. General Trend of Trade and International Balance of Payments.

The role played by foreign trade in the economy of Tanzania is very important, as is clearly seen from the ratio of foreign trade to GNP, which stands at more than 30% ---- especially the year 1966 had an all time high with 34.2%. In order to examine minutely how its trade stands, it is advisable to distinguish internal trade (by which is here meant trade with Kenya and Uganda conducted on the basis of the East African Common Service Organization (EACSO) established in December, 1962) from external trade, that is, general foreign trade. Internal trade has always been unfavourable for Tanzania as is clear from a series of such representative moves as the "Campara Agreement" signed in April, 1964, and restrictive steps recently taken on imports. Excess in imports for the past two or three years reached about 30 million dollars and has increased every year. They are balanced by an excesse in exports from external trade.

2. Trend of External Trade by Commodities.

The breakdown of Tanzania's exports by commodities shows that more than 80% are accounted for by primary products. These are mostly agricultural products, of which cotton, coffee beans and sisal hemp are three staple export articles, and, when combined earn 50 to 60 per cent of Tanzania's foreign exchange income.

Of these, cotton is mostly exported to Hongkong, Japan, Communist China and West Germany. In 1965, its exports showed a 24% increase over the previous year, raising its recorded value in total exports from 14% to 19%.

Coffee beans are mostly exported to the United States, West Germany and Canada. Recent moves have been fairly unstable, however. In 1965, production remained at almost the same level as in the previous year, while exports showed a decrease of 15%, falling from 29,000 tons in 1964 to 25,000 tons in 1965. In addition, due to a 9% fall in export prices, exports in value showed a 27% decrease as compared with the previous year, reducing the ratio of coffee bean exports to a total export of 13% from the previous year's 15%.

Another staple export article, sisal hemp, which is mainly exported to Britain, Belgium, the Netherlands and West Germany, claimed the largest foreign exchange up to 1964. Since 1965, however, a complete change has taken place. While remaining almost stationary in terms of quantity with 21,000 tons against 20,900 tons in the previous year, its exports fell 36% in price, reducing the total value of exports by a large margin and hardly accounting for 70% of the previous year.

Among other principal export articles are diamonds, which go to Britain, and cashew nuts, which go to India. It is to be noted that both have been steadily growing in recent years.

3. Moves of Imports from External Trade by commoditis.

When the composition of imports of Tanzania are viewed based on a special classification, a large growth has taken place in the importation of machinery, transport equipment, metal manufactures, etc., which become necessary as economic development progresses. In 1965, importation of machinery saw a 19% growth, transport equipment 13% and metal manufactures 20%, over the previous year. The rate at which increases in these imports of so-called capital goods brought in an increase of the total imports reached as high as 73%, and their weight in total imports increased from 49% in the previous year to 52%. Although transport equipment continued to grow sharply in imports as road development progressed in 1966, imports of iron and steel manufactures, in particular began to decline, and growth in imports of machinery in general slowed down. As a result, the rate at which :import of capital goods contributed to increase total import came down to 43%, and their wieght in total imports correspondingly decreased to 48%, lower than the 50% level.

Imports of textiles and other so called consumer goods remained almost stationary in 1965, showing an increase of 7% over the previous year. In 1966, however, they registered a remarkable increase of 36%. Their weight in total imports increased from 33% to 35%. Of consumer goods, those belonging to luxuries are subject to restrictive factors in the form of high tariff rates. Textiles, sugar, beer, biscuits and other processed foodstuff, such daily necessaries constitute the pivot of Tanzania's industrialization programme and have been made objects of domestic production. Prospects are that the underlying tone for large increases in their imports is unlikely to persist for years ahead, and this will gradually slow down.

Individual commodities being taken into account, imports of machinery, cotton textiles, motor-buses, and trucks, showed a remarkable increase. Import of electrical goods, rayon textiles, motor cars, cereals, tyres, tubes and crude oil registered increases generally speaking, but non-ferrous metal manufactures, iron and steel, tobacco, beer, radio sets, etc. saw decreases in import.

Processed foodstuff and tinned foodstuff and the like showed an increase.

Import of fertilizer quadrupled in the past five years. Now that the importance of agriculture is being emphasized, it is quite likely that its import will see a further increase. It is difficult for the time being for medicines and other chemicals not to be dependent on imports. Prospects are that their imports will inevitably go on increasing.

Of manufactures, while leather products, timber, paper products and textiles showed sharp increases in import, cement was beginning to decrease in import. With respect to these goods, and especially cement, further development is expected in such industries and will then replace their imports.

In case of the means of transportation, trucks are important and are playing an important role in Tanzania. Development of a road and highway system is one of the important items in the development programme. Paved roads increased by 7% in 1966, and in the event of completion of those now under construction, another 41% increase is expected. In these ever-improving circumstances, demand for trucks tends to increase all the more, possibly to be followed by so much larger increase in import. Importation of motor cars, in the past five years has seen steady increases in import at the same rate. But in this connection, there is no assurance of unlimited allocation of foreign exchange, with little possibility of any rapid increase in import in the future.

4. Moves of External Trade by Countries.

In respect to the scale of trade by areas, the sterling area including Britain is uppermost, with $190 million in 1966, which was an 18% increase over the previous year's $161 million. The EEC area marked an increase, though small, of 5% in 1965 and 4% in 1966, but its weight in total external trade showed a decline from 21% to 17%. The North American area gained a remarkable increase of 47% as compared with the previous year, but still remained low in weight in total external trade with 9%. Trade with the Communist block, although low in weight, with 7%, was making a favourable growth. As for the rest of the areas including Japan, an astounding growth was seen here in 1966, with a 78% increase over the previous year, raising its weight in total external trade from the previous year's 16% to 22%. This area has now become an important market for Tanzania.

5. Main Trade Items by Countries.

To give main export items on the basis of 1966 trade performance, cotton for Hongkong was the largest with 39% of total cotton exports, followed by Japan, Communist China and West Germany with 18%, 15% and 9%, respectively. Coffee beans were exported mainly to Europe and America. The United States, West Germany and Canada were the three largest markets, which accounted for 27%, 13% and 10%, respectively, in 1966.

Sisal hemp, Britain is the largest buyer, and accounted for 25% of total sisal hemp export in 1966, followed by Belgium, the Netherlands and West Germany, with 11%, 9% and 8%, respectively. Diamond exports to Britain were 100% and cashew nuts were almost all exported to India. Tea, for a larger part, also went to Britain, which accounted for 85%. The output of pyrethrum, was virtually shared between Britain and the United States, with 38% and 58%, respectively. Cotton seeds were sold to Britain and Denmark, the two major markets, with 45% each.

Main import items, viewed also on the basis of the 1966 trade performance, clearly showed Britain's indisputable dominance in all of the items.

In the machinery sector, Britain held a monopolistic position in the supply of constructional, mining and foodstuff processing machines, gaining a share of nearly 50%, followed by West Germany and the United States with about 20% each. In textile machinery, West Germany took the lead with a 48% share, followed by Britain with 28% and Japan with only 8%. Importation of cotton textiles was marked with Communist China's advance and Japan's setback, the former gaining 24% and the latter standing abreast with India with 22%. In this field competition for a larger share has grown stronger. It is the same with synthetic -fiber textile, with Communist China and Japan vying with each other with 29% and 27%, respectively, and India securing 13%.

One of the characteristics of Tanzania's trade is a remarkable increase seen in the imports of transport equipment. In the import of trucks, Britain showed itself strong, with 36%, followed by Italy with 24%. France, Japan and West Germany had to yield a step to them, each with 11 to 12%. In motor cars, France was highest with 34%. West Germany and Britain showed a decrease with 27% and 26%, respectively. Japan, with a mere 6%, was still far behind. In the field of parts and tyres of motor cars and parts of bicycles, Britain held a monopolistic place with 50 to 60%, leaving little room for other countries to make gains. To give countries of any importance in this field, West Germany gained 14% (motor car parts), France 23% (motor car tires) and Communist China 21% (bicycle parts), the rest less than 10%.

Of electric machines and appliances, 60% of the generators and transformers were supplied by Britain, radio receivers imported from the Netherlands (27%), Japan (26%) and West Germany (24%), and refrigerators from Italy (36%) and Britain (30%). Iron and steel came mainly from Britain (38%) and Japan (26%), Belgium and France with only 8% each. Metal manufactures were also monopolyed by Britain, its share being as high as 69%. Crude oil was imported from Iran up to 69% and jute sacks from Pakistan up to 95%, both countries monopolizing respective market in Tanzania. In the field of chemicals, Britain was outstanding, accounting for 70% of the medicines and 48% of the insecticides, West Germany falling far behind with 10 to 20%.

6. Trend of Internal Trade.

When she gained independence in December, 1961, Tanzania, with Kenya and Uganda, formed an East African Common Service Organization (EACSO). With this organization, free movement of goods, services, capital and labour within the Organization was mutually approved and a common tariff established as against the countries out side the Organization. Among the new developing nations of too small a scale of economy in Africa, this valuable example of a great-sphere economy was watched with interest as an advent of a common market. After its start, cooperative relations among the three nations were maintained through, for instance, the cooperative management of communications, railways, ports and harbours and air service. "The Campara Agreement" signed in April, 1964, was aimed at remedying deflection as seen in the economic developments among the three member nations and at rebuilding the struction of production and distribution based on the interests of each nation. To that end, a reasonable distribution of new industries and import quota system were taken up as two concrete steps, but the agreement was left without being ratified. In the meantime, efforts for reasonable distribution of industries failed to bear fruit. Discontented with this outcome and harassed with accumulating deficits in its balance of payments, Tanzania, in 1965 and after, imposed import restrictions on specified items of goods from Kenya and Uganda with the idea of improving its balance of payments and protecting and bringing up new industries.

In order to get out of such complete frustration in the mangaement of the common market, the three nations requested what was known as the Philip Mission headed by Dr. Philip, a Danish economist, to make an investigation of the future of the common market toward the end of 1965. As a result, agreement was reached among the three recently and a Treaty for East African Cooperation (TEAC) was signed on June 6, 1967, slated to be put into force on December, 1967. According to this Treaty, the common tariff system was to be reconfirmed, import restrictions within the Organization to be lifted, and a Transfer Tax System to be adopted. This new departure was quite noteworthy.

7. Trade and Foreign Exchange Control.

(1) Foreign Trade

a. Basic Policy.

Except for specified countries with which Tanzania has severed diplomatic relations due to the race problem, Tanzania's basic trade policy is free trade with all countries. Although a license system has been adopted for imports,most imports are subject to an open general license (OGL) and therfore, freedom of imports is almost established. In case where a selective license is required, it is no more than quantitative restrictions of a moderate nature imposed from the necessity of protecting and bringing up domestic industries, except in the case of Japan where it is needed for remedying one-sided trade. Export trade, is free except for some kinds of goods of which Tanzania is short.

b. Import Control.

i. Import Prohibition.

Import of some specified goods is prohibited. All imports from the Union of South Africa, Portugal and Rhodesia are prohibited.

ii. License System

All countries except the above three are divided into the following three groups from the standpoint of control.

1st group : Kenya and Uganda

2nd group: The member countries of GATT except Japan, and any country which is a member of the British Commonwealth or which has a bilateral agreement with Tanzania.

3rd. group: Countries other than those belonging to the 1st or the 2nd group.

To imports from the first and the second group countries, OGL is applied, but SL is applied, to the specified items of goods from those countries, SL items of goods in case of the first group of countries numbers 107, and those for the second group of countries numbers 90. For imports from the third group countries, SL should be obtained. In this case, the countries concerned are treated equally with the countries of the first and the second countries as SL, there being no discrimination in principle. To this, however, imports from Japan are an exception. Imports from Japan are not permitted unless the imports in question are helpful to the industrial development of Tanzania or bring some merit to Tanzania.

c. Export Control.

i. Export prohibition.

Exports to the Union of South Africa, Portugal and Rhodesia are all prohibited.

ii. Restrictive Measures.

Export of the specified goods is placed under control. When the goods in question are short in supply at home, export is restricted.

Other goods require no permission for export.

(2) Foreign Exchange Control.

a. Trade and Invisible Outgoings.

The settlement of the values for imports made on SL and on OGL is made through an authorized exchange bank.

Freedom in payment for invisible trade to Kenya and Uganda is secured, but payment to other countries is placed under control. An authorized exchange bank is allowed to approve payments in specified fields within certain limits. Payments beyond those limits and other payments require, in principle, permission of the central bank. In this case, those payments are permitted on the condition that they do not form illegal capital outflow. In the case of remittance by a non-resident of returns on investiment, if the amount is more than 500,000 shillings, the remittance must have the approval of the Finance Minister.

Residents of Tanzania are, in principle, free to enter into contract for service which may cause the need for payment. The exchange control authorities approve payment in foreign currency of the value for the service offered by a non-resident to a resident only when the service in question is not obtainable at home. It is therefore convenient, except in cases of emergency, for a resident to obtain, in advance, prior approval by the exchange control authorities for his payment liabilities in foreign currency which may arise as the value for service offered him by a non-resident.

b. Trade and Invisible Incomings.

The value for exports should be collected within 6 months of the day when the export takes place.

Visible or invisible incomings in a specified currency must be centralised immediately after their collection.

c. Capital Movements.

Movements of capital into countries other than Kenya and Uganda must obtain permission individually. This system is operated under considerable restrictions in most cases. Specified capital movements must obtain approval by the exchange control authosities only within specified limits. Movements of capital, when exceeding 200,000 shillings, must obtain permission of the Finance Minister in addition.

Chapter 3. Favorable Treatment for Foreign Capital. and Problem of Nationalization.

In accordance with the Arusha Declaration made in February, 1967, the Government of Tanzania decided to nationalize vital industries, starting with banking business. In September, 1967, the Ministry of Commerce and Industry issued a statement, clarifying the fundamental attitude that "in the industrial fields not intended for nationalization, private investment will be welcome as before".

As early as June, 1962, the Ministry of Commerce and Industry pointed out in a statement that direct investment of private capital would be welcome "in so far as it makes financial sources create conditions which lead to productive development". This government attitude developed into the enactment of "The Law of Foreign Investment Protection" in September, 1963. Of foreign capital investment made in accordance with this law, that portion made in the field of manufacturing industries was highly rated not only as conforming to the Government's policy for national production but also aiding progress. The Government gave positive introduction to such foreign capital, giving preferential treatment to it in terms of Customs duties, and giving assurance for remittance abroad of the capital invested and interes on it. That the Law of Foreign Investment Protection has no provisions restricting the ratio of goreign capital or the ratio of the foreigners on the management staff, may be taken as an expression of the Government's positive attitude.

While continuing to encourage private investment, the Government officially announced that twenty-one types of manufacturing industry, such as textile, lumber, chemicals, rubber goods, machinery, etc. would be open to the private investment. By this it was intended to realize coexistence of two contradictory factors nationalization of enterprises and eoncouragement of foreign capital investment ---- by drawing a line between public investment and the private investment. And herein lay the significance of the Government's announcement. Generally speaking, those which belong to the key industries are to be nationalized, leaving the rest to private management.

Chapter 4. Financing and capital procurement.

1. Economic Development Agency and Development Financing Agency.

It was quite recently that an agency to execute measures for economic development and an agency to finance the development were systematically established in line with the economic development policy of the Tanzanian Government ---- , it was only after the establishment of the National Development Corporation (NDC) in January, 1965, as an agency to step up the 5-year Economic Development Plan programmes which were put into operation in July, 1964. Up until then, three British commercial banks which had long been established in Tanzania had been furnishing long-term funds by establishing their own development financing company, and the Commonwealth Development Corporation (CDC) established in 1948 had been making investments mainly in agricultural industry. In the 1960s two development corporations under the direct control of the Government the Tanganyika Development Corporation (TDC) and the Tanganyika Agricultural Corporation (TAC) were established and in operation. But the 5-year Plan, which aimed at a very rapid and high economic growth of an annual average of 6.7%, was too heavy a burden for both of them to bear, both qualitatively and quantitatively. What was called for was the existence of an agency to push forward the plan ; meaning that the 5-year plan proved to be a momentum which called for systematization. This necessity gave birth to the reorganization of the TDC into the NDC in December, 1964. The NDC, immediately, took over the business of TAC and is now the core of the economic development organization in Tanzania. NDC established subsidiary or joint companies on its own or jointly with foreign or local capital, and has since been assisting them financially to aid them in grow the and development, fulfilling there by its duty as the responsivle organization for the enforcement of the 5-year Plan. The joint enterprise with foreign capital, in view of the indisputable shortage of capital, technical experts, and qualified managing personnel at home, make it imperative to depend upon foreign countries for them, and in the firctioh of collecting domestic capital to make the most effective use of it, NDC has enthusiastically been making efforts. In this case, NDC, in principle, owns more than 50% of the shares of a joint enterprise if it has been judged as belonging to a vital industry from a national point of view.

Under NDC is the Tanganyika Development Finance Co., Ltd. (TDFL), which is jointly managed by Britain, West Germany and the Netherlands. It also has an interest, though nominal , in the East African Industrial Promotion Service (IPS) , a company with capital invested by a Pakistans Foundation known as Aga Kahn Ismaili. As an international move, the decision was made that the East African Development Bank should be established based on the New Cooperative Community Treaty signed in June, 1967.

2. Raising Funds.

NDC's capital participation is also desired by the private investment sector. NDC's capital participation is of two types. One is in key and vital industries, in which case the NDC is extremely active; the other takes place upon request and is passive. The former is NDC's investment activity in line with the national policy aiming at holding more than 50% of the shares at all times, which the latter is active on a commercial base is making much of profits, and the NDC wishes, in this case, to secure 20 to 30 per cent. of the shares.

Chapter 5. Five-Year Economic Development project.

Having finished the 3-year Economic Development Plan by the end of 1963, Tanzania is now on a Five-Year Economic Development Plan which is to last from July, 1964, to June 1969.

The present plan is a stage in a long-term plan that will end in 1980, to be followed by the second and the third plans.

These consistent plans are intended to realize, as the ultimate objective, Tanzania's independence, which has been won politically, and its economic independence. With this in view, proverty is to be overcome,. technicians are to be educated, and the average living standard of the nation is to be improved. Reasonably enough, investment is outstanding in those sections which constitute the economic and social foundation, such as transport and communication, education, agriculture, electric power, and housing. In terms of economic policy, with a view of having the economic structure balance, agricultural production is to be increased to make agriculture into a profitable economy and at the same time, imports of industrial manufactures are to be cut (by promoting domestic manufacturing industry) so as to rebuild the economic structure which has been solely dependent upon imports.

The specific feature of the 5-Year Economic Development Plan lies, first of all, in its ambitious desire to raise the national income of the population per pusor (whihc was £19.6 in 1961) to £45.1 as in the year 1980, the last year of the long-term development plan, and to realize this target, to attain an annual 6.7% growth rate in national gross product (that is, 14.8% in the mining and manufacturing industry sector, 8% in the commercial sector, and 7.5% in the agricultural sector).

In the manufacturing industry sector, the growth of industries which turn out import-substitutive manufactures and expansion of processing industries are to be striven for. Domestic manufacturing industries, including joint enterprises, and, moreover, measures to protect them are to be taken, such as withdrawd of import duties on raw materials and preferential taxation. For processing industries, a public corporation with capital invested by NDC up to 80% constructs flats-cum-workshops to be settled with cottage industries.

The types of industries in which the Government is especially interested in the 5-year Plan are cotton textile, hosiery, motor-car assemblage, motor-car tires and tubes, paper manufacture, soap and cleaning material, bags and the like, sacks, radio-set assemblage, and sewing machines. Some of them have been put into production and some plants are being built by Japanese enterprisers independently or jointly.

Enthusiasim is shown by the Government for processing domestic primary products.

Manufacture of ropes and wine out of sisal hemp is an example. In addition, construction of plants for continuous operation of cotton spinning, manufacture of instant coffee, processing of cashew nuts, sugar refining, manufacture of starch, manufacture of tinned beans are now being planned.

In the agricultural sector, emphasis is placed on expansion of agricultural production and on the role to be played by agricultural cooperative associations. With a view of processing primary products to be carried on by the cooperative associations at their attached plants, therby increasing their value, the Government is eager to encourage the establishment of associations and to bring up their attached plants. In order to realize increased agricultural production, the Government is, planning exploitation work, to be completed by 1980, in the basin of the River Pangani, Kilombero and Wami for as many as 5, 000 persons to settle. This is in addition to the present main arable land around the foot of Mt. Kilimanjaro and the basin of Lake Victoria.

In the sector of commerce, a highway system is to be established, thereby bringing about active movement of commodities, and at the same time an expansion plan for cooperative associations is looked upon as important in the phase of the distribution of primary products and retail trade.

In the social sector, in order to replace foreigners, on whom Tanzania now has to depend for management in all fields, with natives, education and various necessary training are to be stepped up. At the same time, medical facilities are to be replenished with priority to raise the average life of the nation.

Chapter 6. Basis of industries such as electric power, transportation, and wark flats.

1. Electric Power and Transport Facilities as Industrial Foundations.

Electric power supply is available in abundance in developed city areas and their vicinities and the areas specified by the Government for construction work. Power rates differ according to the wattage used, ranging between 5 and 10 yen per 1KW/h. No shortage is felt by the enterprises. Heave oil is quoted at about 47 yen per gallon. Developed areas have water supply. Water charges differ from place to place, but no shortage is felt.

Land for industrial use is obtainable very cheaply in the area specified for construction work, reflecting the Government policy of encouraging construction work. To give an example, in the vicinity of Dar es Salaam, a certain enterpriser holds a piece of land of 6, 500m^2 on lease for 99 years at an annual rent of 250, 000 yen. Another enterpriser, being a recent comer, holds a piece of land of 9, 900m^2 on lease with an annual rent of 550, 000 yen, which is a little higher.

No enterprise is allowed to acquire the right of ownership of the land, but as the lease term is long (for 99 years) and no suitable land is obtainable anywhere outside the specified area, almost all plants concentrate in the specified areas.

Facing the Indian Ocean on the east and bordering on Lake Victoria, Tanzania is conveniently situated in terms of communication, but transport facilities connecting interior districts with ports leave much to be desired. There are three railways, but it is difficult to tramsport primary products to get to the railway. Building of roads and railways is looked upon as a matter of consequence. Between major cities which provide suitable industrial locations, roads and highways, railway and air service and telephone service are in a fairly good order.

2. Flat-cum-workshop.

Tanzania has a plan, known as the Social Pilot Plan, in the interest of fragmental manufacturers of a smaller scale than the minor enterprises. This plan is designed to promote cottage industry and to run a training center for handicraft enterprises. It was instituted in 1966 by the Government of Tanzania with the cooperation of an Indian Investigation Team sent by the Indian Government.

By this plan the Government of Tanzania built a flat-cum-workshop, which is now in operation, in the suburbs of Dar es Salaam. Its direct management is in the hands of the National Small Scale Industry Corporation (in which NDC has an 80% share) and the Workers'

Development Corporation (WPC) a 20% share. There are 140 units of this kind now, each being rented for 30 shillings a month. Some 80 families are working there now, making buckets, sieves, lamps, and articles of furniture. These handicraft families lived in commercial quaters in cities before, proving a hindrance (by the noise) to those around them.

NSIC builds such buildings and lets them at a low cost, providing a public bath-house and lavatory, and helps dwellers make joint purchases of materials.

In addition to the above flat-cum-workshops, the said plan plans to construct land for industrial use and has already secured 14 acres of land in the vicinity of Dar es Salaam. On this land, NSIC is to run common facilities such as service plants, offices, lavatories, etc. The Government is now planning to develop, in the future, land for industrial use in Mousi, Arusha and Tanga.

Chapter 7. Labor and Employment

The number of the employed in Tanzania totalled 336,497 in 1966. Although most of them are employed in the agricultural sector, rapid increases have been seen in the manufacturing, commercial, and transport and communication sectors.

Labour legislation is well established. The employment contract, working hours, wages and allowances, holidays, social insurance and so forth, are laid down by law as in advanced countries, and most companies have shop regulations.

As for working hours, an 8-hour day, or a 48-hour week is adopted, but the lunch hour is short, most companies allow 20 to 30 minutes' recess. Many shops adopt a 2-shift or 3-shift system. Overtime work rarely takes place, because allowances are high at 50% for week days and 100% on Sundays and national holidays and workmen themselves have little inclination to work overtime.

As to wages, an investigation made of the enterprises in that area shows that starting wages are around 10,000 yen. The starting wages are laid down for each type of industry by the Minimum Wages Law, ranging from 6,000 to 8,000 yen. Actually higher starting wages and raises in wages are agreed upon in the negotiations with NUTA, a trade union.

Social insurance is established by law. Contributions are 10% of an employee's wages, 5% of which is made by his employer and the balance 5% by himself.

Chapter 8. Related industries, equipment, and machinery, and prowrement of raw materials and parts.

In seems difficult for the existing plants in Tanzania to obtain machines and parts locally. The plants which turn out the same kind of goods and are consequently competitive with one another never use the same kind of machines and machine parts, because they owe their establishment either to Britain, the United States, West Germany, Italy or Japan. As a result, there is almost no machine manufacturing, to say nothing of machine parts because it is not a profitable business. Most of the machines and parts are imported. With no restrictions on their import. This has never proved an interference with their opration.

Materials can also be imported freely. Very few instances have been known where operation had to be suspended through the failure to obtain foreign currency allocations for imports of materials.

Chapter 9. Present State of Industrialization.

In In 1965, enterprises with more than ten employees totalled 569. Of these, spinning and weaving accounted for 28%, the highest, followed by foodstuff (mainly processing) with 22%, wooden products (mainly plywood and including furniture) 16% and motor cars (mainly repair work) 13%. The number of the employees was 45,523 in total, of which 48% were accounted for by spinning and weaving, 20% by foodstuff, 9% by wooden products (including furniture) and 6% by motor cars (mainly repair work).

Net products in 1966 amounted to 271 million shillings (or $39 million). Total shipments made by the enterprises with more than 10 employees amounted to 1,331 million shillings (or $190 million). Seen by types of manufactures, spinning and weaving accounted for 40%, foodstuff for 30%, chemical products for 5% and metal and metal wares for 5%.

Of enterprises with more than 10 employees, the distribution by a scale of the number of employees was as follows : enterprises with more than 500 employees number 7, accounting for something over 1%, most of them belonging in the category of Japan's minor enterprises. Of the seven enterprises with over 500 employees, foodstuff accounted for two, tobacco for one, spinning and weaving for three and shirts and other textile products for 1.

With regard to inanguration of enterprises with more than 10 employees, 30 to 40 of them have been built every year since 1961, showing that slow but steady progress has been made in industrialization.

Viewed in the light of the progress of production of major industries and their detailed results of production in 1965, remarkable increases were seen in the production of beer, texile, paint, plywood, and sisal ropes, all recording production growth rates of 30 to 150 % for 1965 1966.

From what has been described thus far, it is gathered that processing of agricultural products occupies the greater part of the industries in Tanzania, and that the manufacturing industry has just made its start. In 1965, the enterprises with over 10 employees had a combined capacity of receiving electric power of 110KW.

Distribution of these enterprises by area shows that Dar es Salaam is highest accounting for 31%, followed by the Tanga area with 20%, the Mwanza-Mara-Shinyanga area with 14%, the Arusha-Kilimanjaro area with 13%, the Morogoro area with 11%. These areas include large enterprises in terms of the size of employees.

The Government is ambitious in industrial development and is thinking of increasing industrial production by two to three times in the economic development plan. To that end, it is planned that NDC (National Development Corporation) and other Governmental agencies should be ready to make investments and play an important role, and with respect to vital industries, in particular, a policy has been established so that governmental agencies are to hold more than 50% of the shares of each enterprise in line with the policy of nationalization of vital industries. It is also desired that outside the vital industries, the Governmental agencies should try to hold 20 to 30% of the shares. This is not to be branded as a socialistic policy. What is planned is, to aid the gowth of native enterprisers in order to remedy the 100% control by foreign management personnel.

Chapter 10. Status of the advancement of foreign enterprises.

While adopting the policy of the nationalization of vital industries, as described before, the Government of Tanzania is willing to admit foreign enterprises. To adjust preferential treatment of foreign enterprises to the nationalization policy, it is so designed that NDC and other governmental financial organizations are to hold part of the shares of foreign enterprises.

In so far as vital enterprises are concerned, foreign enterprises with cooperative relation with NDC are mostly British. Japanese enterprises in Tanzania are five in all, namely, Maruki Shoten (cotton blanket), Hirata Boseki (fishing nets), Marubeni-Yamayo-Mofu (cotton blanket), Iwai-sangyo (shirts and other knit-wear) and Matsushita Denki (dry batteries).

Chapter 11. Small scale Industries whose establishment are requested in Tanzania.

Talks with the Commerce and Industry Ministry and the Economic Planning Board of Tanzania revealed that the following types were those which Tanzania was desirous of establishing :

PVC electric wire (cord)
*Buckets
*Steel tubes and pipes
*Electric bulbs
Carbide
Carbon paper
PVC tiles
PVC films
Urea resin
Bicycle tyres and tubes
*Small-scaled paper mill
*Manufacture of paper from waste paper
Manufacture of hard board from bagasse
*Dyestuff
*Fish meal
*Ice making and refrigeration
*Starch
"Cellotape" or plastic adhesive tape
*Pencils
Buttons
Umbrellas
*Tiles
Floor tiles
Thermos
*Asbestos cement
*Plaster board
*Asphalt
Welding equipment

Note : Those marked with asterisks are of higher priority.