

Nationalization And Socialist Economic Planning In Africa: The Tanzanian Experience (1967 -1977)

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I

The policy of nationalization is one that has been frequently and widely used by many post-colonial governments motivated by diverse economic and political objectives. At a purely ideological level, the policy of nationalization is often articulated as part of a broad socialist strategy adopted in the interest of the peasants and workers. It is seen as a policy which helps determine the political direction of the state by changing ownership structures and in some cases, production relation.

In 1967, Tanzania opted for the socialist path to economic development. An integral part of the socialist strategy adopted by Tanzania was the nationalization of the "commanding heights" of the domestic economic. In the following years after these nationalizations, Tanzania was to witness an interesting variety of economic developments such that have become the object of focus and scholarly debates. These developments examined from a distinctly historical perspective form the hub of this article.

II

Like most other African States, Tanzania at independence in 1961 was saddled with a variety of political, social and economic difficulties. The colonial era had left a stamp on the economic structure of the country - one which was not immediately erased with the attainment of independence. Besides being import rather than export oriented, the inherited colonial economy was such that could hardly sustain the scope and pace of development envisaged in the new nation. At independence for instance, Tanzania's entire industrial base comprised only six major companies - East African Tobacco Company, East African Breweries, the coca cola plant, Metal Box Company, Tanganyika Packers and Bata shoes.

Added to the weak industrial base was the poor state of agricultural development. In the years immediately preceding independence, agriculture which was the main-

stay of the colonial economy would appear to have been going through a period of crises due largely to the deliberate colonial policy of emphasizing the production of export crops to the detriment of food crops for domestic consumption. This situation served to intensify the dire predicament of the post-independence economic situation.

Against the background of these harsh economic realities, the Nyerere administration in 1964, opted for a comprehensive economic programme towards solving the twin problems of underdevelopment and gaping manpower shortages. This programme was contained in the First Tanzania Five Year Development Plan of 1964 which was expected to guide developmental policies and operations till 1969. The plan sought to *inter alia*, change the structure of Tanzania's economy away from excessive dependence upon agricultural exports which an earlier World Bank initiated plan tended to emphasize.

By 1965 however, there were still noticeable gaps between plan targets and performance. In the manufacturing, agricultural and service sectors, private investments remained dismally low. Agricultural production targets were similarly un-attained. It was thus, both as a political response to the range of economic problems which became apparent in the years of the First Five Year Development Plan and the subsequent realization of the need for a more inward-oriented policy towards national economic development, that the Arusha Declaration which spelt out among others, the policy of nationalization, was enunciated.

III

The Arusha Declaration of 1967 was essentially a political response to Tanzania's economic crisis. It was based on a draft submitted to the National Executive Committee of the ruling National Party TANU, by President Nyerere. The Declaration is significant because it marked a turning point in Tanzania's political economy. In specific relation to the strategies for economic development, the Declaration and the various policy statements which flowed from it emphasized five overlapping themes. These were public control over the economy, development through self-reliance, rural development, social equality and rural socialism.

Most important of these provisions however was the policy of government control over the economy. The declaration held in categorical terms that "the principal aim and objective of TANU shall be to see that ... Government itself directly participates in the economic development of the country". This was expected to involve public control of all financial institutions, large industrial and commercial concerns and major share in estate agriculture. In this way, peasant and workers' control of the

major means of production and distribution was to be ensured. This, the Declaration further stated, is fundamental to the building of socialism.

On a more empirical level, the policy of nationalization as enshrined in the Arusha Declaration sought the utilization of part of the means of production in the interest of the society. It was also intended to involve not only a change of attitude towards the inherited socio-economic structures but also a conscious effort at establishing a largely indigenous economic base. The question of how exactly, "The peasant and workers" were to be assured of the control of the means of production was not addressed by the Declaration. The assumption was that government or party control of the economy equates to peasant control. It must be argued however that this assumption is rather presumptive for the role of the peasants and workers under a state controlled economy often remains as marginal as it is under private entrepreneurial control.

The Arusha Declaration was also silent on what specific organisational forms that were to be employed in the nationalized sectors of the economy to allow for the envisaged socialist reproduction. Here again, the presumption was that the nationalization of the major means of production, distribution and exchange is tantamount to the emergence of a socialist economy. This is hardly acceptable. Quite on the contrary, it is known that nationalization has sometimes served as a means of rescuing moribund monopoly capitalism and in some cases even furthered the marginalization of workers and peasants in the production process. It is perhaps on this score that Issa Shivji has argued that the nationalization clause in the Arusha Declaration was no more than "an open attempt on the part of the bureaucratic sector of the petty bourgeois to carve out an economic base for itself"

What appears evident from all these is that the nationalization clause in the Arusha Declaration was fraught with a number of inadequacies. Many of these centre on the fact that too many broad presumptions were made while scant effort was made to spell out the specific operational modalities for ensuring that nationalization ensured the wider goal of entrenching a socialist and self-reliant economy. Thus, the nationalization clause was little more than "a grand declaration of intent" which though central to the building of a socialist economy was in the case of the Arusha Declaration rendered largely impotent by its inadequate operational explanation.

IV

Following the promulgation of the Arusha Declaration in 1967, the Tanzanian government of Julius Nyerere grouped National economic activities into three broad categories for the purpose of nationalization. These include;

- (1) Those restricted exclusively to state ownership,
- (2) Those in which the State has a major share and controlling power,
- (3) Those in which private firms may invest, with or without state participation.

Thereafter, government announced the total nationalization of all Banks and large industrial enterprises including large scale agricultural processing industries. Also announced were the nationalization of part of the international trade sector and 60 per cent nationalization of the Sisal industry. The National Insurance Corporation (NIC) in which government previously had a majority share holding was completely nationalized and mandated to handle exclusively, all new life Insurance business in the country.

By late 1967, certain firms engaged in external and wholesale trade were nationalized and transformed into the nucleus State Trading Corporation (STC)- the new public body authorised with import and export trade. Following negotiations between them and the government, compensation was paid to the former owners of these enterprises. Indeed by the end of 1968, the "commanding heights" of the economy had come under direct control of the state, although the nationalization process was still in progress.

During the financial year, which ended in June, 1970, government further acquired interests in certain major established enterprises including the Dar-es-Salaam Motor Company, AGIP and Tanganyika Standard Newspaper. Government also announced the complete nationalization of the Tanzania Investment Bank (TIB), National Agricultural Corporation (NAFCO), Tanzania Tourist Corporation (TTC) and the University of Dar-es-Salaam among others.

Both within the domestic and foreign communities, the first reaction to these efforts at nationalization was one of amazement. Many observers expressed great surprise and grave concern over the wisdom of this strategy. Criticism centered on three themes. First, the nationalization was said to be random and unplanned both economically and technically. Secondly, the desirability of radical changes to an economy which had achieved an appreciable monetary economic growth rate since 1961 was queried. Finally, the very limited cadres of Tanzanian and expatriate administrative and managerial staff was cited as a reason why the nationalized sectors could not be expected to operate satisfactorily.

Hostility was quick to manifest itself. Three large British banks - Barclays, Standard and National and Grindleys - adopted a strategy of non-cooperation aimed at ensuring that the public sector banking in Tanzania failed. Rapid withdrawal of personnel, instruction to staff to "work to rule" and highly polemical statements followed in quick succession. Their concern was to prevent the spread of bank

nationalizations in Africa, a spread which they justifiably feared would be inevitable if Tanzania's nationalized banking sector turned out a success.

On an inter-governmental level, the governments of Kenya and Uganda with their decidedly capitalist oriented economies hastily affirmed that they had no intention of adopting such nationalization policies but that Tanzania had every right to take steps she had chosen. In Tanzania however, mass euphoria and jubilation greeted the announcements of nationalization since many saw it as positive step towards the quest for economic independence and self-reliance. Alternative managerial and administrative structures were put in place among which was the National Development Corporation (NDC). With forty-five associate and subsidiary Companies at the time of nationalization, the NDC had by 1971, extended its control over sixty-nine Companies and increased its total investments from Shs.24 million in 1965 to Shs.330 million in 1971.

Interestingly however, despite the policy of nationalization, the NDC went into partnership with a number of foreign firms like the Associated Portland Cement Company, the Metal Box Company, British-American Tobacco Company and Hallmark Hotels Overseas, all of the United Kingdom. Many of these companies were in fact, the original owners of the companies that had been nationalized. It is partly for this reason that it can be argued, and has indeed been argued that in spite of the nationalizations, control over Tanzania's most important decisions was still in the hands of foreigners who had obvious advantages over their Tanzanian counterparts. As has been incisively argued elsewhere, the process of nationalization neither really gave the Tanzanian government a complete control over the "commanding heights" of the economy nor did it successfully exclude the continued penetration of foreign capital into Tanzania's political economy. In fact, as the following table shows, while ownership nominally rested with the Tanzanian government, foreign capital was still very involved in industrial economic development.

TABLE 1: Share Capital Base of NDC Subsidiaries in Proportion to those of Foreign Partners (As at 1968).

NDC Subsidiaries or Associate Companies	NDC Holdings	Foreign Partner Manager	Foreign Partner's Holding
Williamson Diamond Cement Co. Ltd	50%	Willcrest Company (Bermuda)	50%
Portland Cement Co. Ltd	50%	Cemental Hodge Zurich in association with Portland Cement	50%
Metal Box. Co. of Tanzania Ltd.	50%	Metal Box Company, U.K	50%
Tanzania Breweries	51%	Allied Breweries, U.K.	49%
Tanganyika Parkers	51%	Brooke Bond Liebig Group Ltd.	49%
B.A.T. Tanzania Ltd.	60%	British American Tobacco Ltd.	40%
Tanzania Publishing House	50%	Macmillan and Co., U.K.	50%

SOURCE: Issa G. Shivji, Tanzania, *The Silent Class Struggle*, Dar-es-Salaam, 1974

Evident from the figures in Table 1 is that nationalization measures, at least up to 1968, did not deter capitalist penetration of Tanzania's industrial sector and did not achieve levels of ownership and control commensurate with a socialist oriented economic programme. Criticism and the pressure of popular opinion compelled the government to initiate a process of re-examining the whole question of nationalization. This was with a view to further reduce foreign influence and increase the effectiveness of national control over the economy. By 1973, five of the seven firms listed in Table 1 - Tanzania Publishing House, Portland Cement, Williamson Diamonds, Tanganyika Packers and B.A.T. Tanzania - had become 100 per cent owned by Tanzania. In fact, there was observed, a growing pattern of government share capital in nationalized companies from 1967 when government owned about 50 per cent shares to 1974 when government owned majority shares.¹⁶

Evidently, the earlier arrangements with foreign firms had been concluded in a hurry and at a time when the dominant concern was nationalization. Consequently, there had been very little preparation to negotiate effectively with the foreign partners and provide for the administration of the new state enterprises, particularly in view of the shortage of adequate manpower.

V

The early indication from the operation of the newly nationalized sectors of the economy were quite impressive. One of the objectives of nationalization was to ensure that the capital generated by the economy was available for use in the country, and thus reduce by a considerable fraction, the total amount of capital previously exported from the country. This objective would appear to have been achieved, at least within the first five years of nationalization. Not only was there progressively less dependence of the Tanzanian monetary system on that of the Western metropole, financial capital outflow from the economy actually reduced. In fact, by the end of 1967, the Bank of Tanzania had so successfully diversified the country's foreign reserves away from the British pound sterling that it was able to avoid a devaluation of the Tanzanian Shilling in the wake of the British devaluation of the Pound Sterling in November, 1967.¹⁷ This would have been inconceivable prior to nationalization.

Similarly, in less than two years after nationalization, the country's monetary system showed good signs of progress. The National Bank of Commerce which took over the activities of the former Commercial Banks, quickly consolidated its position in spite of covert efforts of the latter to sabotage its progress. The former British banks had blocked over Shs.40 million of depositor's money in London and had withdrawn over 60 of their senior staffers. However, by June, 1967, with the internal re-organisation of the banking system, the backlog of credit applications had been met and the new credit system was working efficiently well.¹⁸

Another index of the early gains of the nationalization policy was the increased mobilization of domestic resources. Whereas in 1964, fixed capital formation constituted about 15 per cent of the monetary GDP, in 1969, it had reduced 20 per cent and in 1970, moved up to 26 per cent. In the same vein, there were appreciable growth rates recorded in the industrial sector as well as an increase in the balance of payments position of the country from about Shs.81.9 million in 1967 to about Shs.134.5 million in 1968, a clear reflection of progress in internal resource mobilization.¹⁹

Despite these early gains however, basic contradictions in the implementation of the nationalization policy soon became evident. This was especially in the

management policies of the parastatal institutions where business ethics remained identical to those practiced in the private sector. At the inception of the nationalization process, the injunction was made to the NDC to "carry on business at a net profit above *all other considerations*" and to ensure capital creation.²⁰ Not only was this expectation subtly at variance with the envisaged goal of "developing a socialist path to an integrated economy", it also furthered the emergence of typically capitalist attitudes. For instance, there occurred a pervading tendency for the development of a privileged bureaucratic class which through policy decisions favourable of its class interest, exploited the production process to its advantage under the pretext of "generating capital". In fact in 1974, the Planning Ministry acknowledged that parastatals "remain so far, largely outside attempts at socialist planning of the economy; investment decisions are made in exactly the same way as in the private sector of an unplanned economy".²¹

Further, state control of the economy did not exactly appear to guarantee a more effective restructuring of the economy towards an internally oriented and self-reliant one. Prior to nationalization, the rhetoric has been the attainment of a self-reliant economy through nationalization. The goal was an economy based on production for mass needs; the movement towards indigenous manufacture of goods and the development of a locally based and wholly relevant technological capacity.²²

However, the directive to "carry on business at a profit above all other considerations", meant that investment in the nationalized firms were directed first towards such immediately profitable domestic spheres as luxury consumer goods and towards such immediately effective foreign exchange earners as tourism, rather than to "production for mass needs" and the actual structural transformation of the economy.

There were other manifest contradictions particularly in the agro-industrial sector. Bolten, in a comprehensive study of the nationalization of the Sisal industry in Tanzania, concluded that "the concept of nationalization as illustrated in the Sisal industry, played a dubious role in the transition programme to socialism and self-reliance". This was because, the nationalized Sisal industry did not have the capacity to dispose effectively and efficiently of "the means of production and its social product".²³ More so, structural changes like over bureaucratization and centralization effected by nationalization created opportunities for increased corruption, inefficiency and resource dissipation.

VI

By 1977, it had become clear to the Tanzanian Government that a development policy which begins and ends with nationalization could neither solve the problems

of underdevelopment nor for desirable and expedient paths to economic self-reliance. To be effectual, planned nationalization had to be a prelude to a more fundamental re-organisation of the existing economic structures particularly at the domestic level. In fact, as some Marxist scholars have postulated, what the Tanzanian policy of nationalization so effectively did, was to give rise to "State bureaucratic capitalism" - the use of State capital by a managerial elite class in a manner which entirely conforms to the ethos, values and dynamics of private capital.²⁴

In many respects, the above contention would appear valid. Indeed, for country which had just emerged from colonial domination and whose early post-independence economy was dominated by colonial structures, the attitude and interest of the emergent successor bureaucratic elite and those of foreign capital were not necessarily incompatible. The bureaucratic bourgeoisie was therefore not unlikely to effect such marginal reforms of the economy in order to avoid its stagnation, increase its benefits and improve its status position relatively to its foreign counterparts.

This is however not to deny the fact that to a considerable extent, the policy of nationalization, at least in its conception was informed by a genuine commitment to radically transforming Tanzania's economic base. Why exactly, this aspiration was not achieved, remains a matter of conjecture. What is however not in dispute is that while nationalization provided opportunities for less dependence of the monetary sectors of the Tanzanian economy on external factors as well as ensuring an increase in internal capital mobilization, it did not serve the ultimate purpose of transforming Tanzania's economic base into the desired socialist and self-reliant one

NOTES

1. Dianne Bolton, *Nationalization: A Road to Socialism?* (London, 1985), p. 1
2. Tanzania had several official names in the course of her history. It was Tanganyika until April, 1964, when as a consequence of the Union with Zanzibar, it became the United Republic of Tanganyika and Zanzibar. A year later, it became the United Republic of Tanzania.
3. "World Bank: Help or Hindrance," in *New Africa*, No. 69, March, 1975.
4. *United Republic of Tanzania, First Five Years Plan, July 1964 - June, 1969: General Analysis*, (Dar-es-Salaam, 1969), pp. 6-15.
5. TANU - Tanganyikan) Later, Tanzanian) National Union.
6. "The Arusha Declaration: Socialism and Self-Reliance" in Nyerere, *Freedom and Socialism*, (Nairobi, 1973), *Passim*
7. *Ibid.*

- 75 A. B. Ibhawoh.*
8. K. Ngombala - Mwiru, "The Arusha Declaration on Ujamaa Kujitegemea and the Perspectives for Building Socialism in Tanzania", in L. Cliff and J. Saul (ed), *Socialism in Tanzania*, Vol.2, (Nairobi, 1973), p. 54.
9. Issa G. Shivji, *Class Struggle in Tanzania*, (London, 1976), p.74.
10. B. Van Arkadie, "Planning in Tanzania", in L. Cliff and J. Saul (ed), *Socialism in Tanzania* Vol.2, p. 37.
11. Okwudiba Nnoli, *Self-Reliance and Foreign Policy in Tanzania*.
12. A.De La Rue, "Ujamaa on the March", in L. Cliff and J. Saul (ed), *Socialism in Tanzania*, p. 40.
13. *Ibid* p. 41
14. For a Comprehensive list of NDC group of Companies and their respective activities, see NDC: *Sixth Annual Report* (Dar-es-Salaam, 1973).
15. The most trenchant of these criticisms are contained in Issa G. Shivji, *The Silent Class Struggle*, (Dar-es-Salaam, 1974).
16. Regional Green, "A Guide to Acquisition and Initial Operations: Reflections on the Tanzanian Experience 1967-74" in Julio Faundez and Sol Piccioltio (ed), *The Nationalization of Multinationals in Peripheral Economies*, (London, 1978). See pp. 50-71.
17. Okwudiba Nnoli, *Self-Reliance and Foreign Policy in Tanzania*, p. 213.
18. *Ibid*
19. *The United Republic of Tanzania, Economic Survey, 1970-71*, Dar-es-Salaam, 1970. Obtained from the Tanzanian High Commission, Lagos.
20. Presidential Circular, No.1 Dar-es-Salaam, 1969. Cited in Dianne Bolton, *Nationalization: A Road to Socialism?* p. 40.
21. *The Economic Survey and Annual Plan 1970-71* (Government Printer, Dar-es-Salaam, 1970).
22. J. Lovley and J. Saul, "Nationalizing the multinationals in Tanzania", *Review of African Political Economy*, (No.2, 1975), p. 59.
23. Dianne Bolton, *Nationalization: A Road to Socialism?*, p. 154
24. Okwudiba Nnoli and Issa Shivji, *Class Struggle in Tanzania*, (London, 1976), pp. 85-90.