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Nationalisation in Tanzania: On the road towards socialism

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COMMENTS

Supplier's Credits

Dangerous Imbalance

In a study commissioned by UNCTAD, the World Bank is investigating the medium- and long-term indebtedness of developing countries based on supplier's credits. The volume of such credits has risen considerably over the last 15 years, due both to export competition between industrialised countries and to the desire of less developed countries for rapid economic growth. At end-1965, developing countries' debts for supplier's credits were estimated at about US \$ 7,000 million. This is equivalent to more than one sixth of their foreign debts and to a much higher proportion of their annual debt service.

This development points up a dangerous imbalance. Increased sales in developing countries are facilitated for Western industrial countries by often generous credits, based on carefully worked out systems of public export promotion. Developing countries have no equivalent system to set against such private—but statesupported—export drives. On the contrary, in their exports to industrialised countries, they come up against an equally carefully devised system of state restrictions upon imports. This is obviously absurd.

Supplier's credits are essential, particularly when doing business with developing countries which lack capital. But it should be recognised that there are always two sides to trade—selling and buying. If the second requirement is lacking, then it is a gift. In practice, industrialised countries receive claims for their goods which are worthless, because the borrowers have no chance of honouring them. The study deals with crises of indebtedness in developing countries. These can only be eliminated when imports from such debtor countries are also promoted. je.

EEC Associate States

Unsatisfactory Trade Expansion

At the Abidjan Conference, the 18 African states which are associate members of EEC once again expressed their disappointment over the development of their volume of trade with EEC members. Their trade statistics show clearly that one of the essential aims of this association — to increase trade — has not yet been realised. EEC imports from the associated

African states rose by only 28% between 1958 and 1964, whereas between 1964 and 1965 they even fell by 0.3%. On the other hand, the growth rate of EEC imports from the non-associated developing countries was about 44% over the same period. The growth rate 1964/65 in trade with Latin America alone was 150%, and 215% with the Near East. In order to increase their sales opportunities, therefore, the African EEC partners are asking for preferential tariffs, stable prices and the removal of certain consumption-inhibiting taxes upon tropical products, particularly bananas, cotton and oil plants.

However, these widely discussed preferential tariffs can only increase sales if the associated African countries' products are competitive on world markets. This means that prices must be competitive and the product quality acceptable, whilst deliveries of suitable quantities of goods must be regular and delivery conditions must be met. Most of the associated states are unable to fulfil these requirements. Of the desire for price stabilisation, it must be said that any diminution of the often very considerable short-term price fluctuations would be welcome. But EEC cannot change the mechanism of raw material prices which operates throughout the world unilaterally in favour of the African states.

Measures such as these, if taken alone, will not achieve the aim of expanding trade at this time. In order to do so, additional measures are required to improve the export efficiency of the economic sectors in young states. li.

Nationalisation in Tanzania

On the Road towards Socialism

Only a few days after President Nyerere's announcement on 6th February that all commercial banks in Tanzania would be nationalised, it was made known that all insurance firms and eight of the most important exporting firms would be nationalised. Also the sisal industry and seven other large industrial firms are to be nationalised. The private owners of these firms were assured of "full compensation". These measures are the first concrete consequences of the "Arusha Declaration", in which the executives of the ruling Tanzanian African National Union (TANU) demanded complete socialisation of the Tanzanian economy. Measures taken hitherto have been enthusiastically received both by the population and by a large number of African nationalists. For

instance, the leader of the left-wing opposition in Kenya, Oginga Odinga, immediately announced his support of the decision to nationalise.

But what will be the effects of these nationalisation measures upon the economy? Past experience in comparable countries shows that it is not possible to solve by such means the urgent economic problems of developing countries. It should also be obvious that this radically left-wing course will weigh even more heavily upon Tanzania's already tense relations with Western industrial countries. It is, therefore, doubtful whether private investors will still commit themselves in Tanzania in the future, although the President appears to take the discouragement of foreign investors calmly. He stated that Tanzania will take the "Socialist road, even if we are dubbed Communists. One day Tanzania will have a classless society where there will be no exploitation."

It will be interesting to see how and where the "Tanzanian road towards Socialism" will end. dw.

Power Policy

Outdated Security Argument

In discussing power policy, the security of the power supply is one of the most frequently raised arguments. It is widely felt that the Federal Republic's power policy, apart from other problems, is faced with the alternatives of a safe, but unfortunately expensive, supply of domestic coal, or of a cheap, but uncertain, supply of crude oil from abroad.

This view is based mainly on the idea that the Federal Republic obtains its crude oil chiefly from the Middle East, from countries where several factors might endanger the continuity of oil supplies. Struggles for political power, social unrest and—not least—the tensions between the Arab States and Israel are quoted as latent risks endangering crude oil deliveries from this area.

Until a few years ago, fears that crude oil deliveries might be interrupted—at least in the short term—were not unwarranted, since in 1960 the Federal Republic still imported about 80 % of its crude oil from the Middle East. Since then, however, the position has altered considerably. Over the last six years, the Continent of Africa has gradually assumed the role of a major supplier of oil to the Federal Republic. In 1963 already one quarter of crude oil imports came from this area, whereas in 1965 the proportion was exactly one half.

Imports from various African states, with Libya in the lead, from Middle Eastern countries and—although of less significance—imports from Venezuela now constitute the raw material basis of the German oil industry. Since this broader regional distribution of supply sources has considerably increased the secu-

rity of our oil supply, it would be better to avoid any too emphatic recourse to the security argument in discussing power policies. sto.

Development Policy

Two Conferences — No Results

From 16th to 20th January of this year two conferences were held—one in Africa and one in South America—dealing with the affairs of developing countries. Industrialists and banking representatives, mainly from industrial countries, met in Addis Ababa at the invitation of the Economic Commission for Africa (ECA). The general theme was the industrialisation of Africa by attracting entrepreneurial initiative from developed nations. The Secretary General of ECA submitted to the representatives of 14 countries of the East and the West investment projects which might have "banking appeal"; during the discussion it became apparent, however, that the development projects submitted were often merely lists of wishes and hopes and that many factors were present to discourage actual investment: On the one hand, risks directly connected with investment, such as the lack of qualified labour and management, distribution problems, transport problems due to a deficient infrastructure; on the other, "indirect" risks, in form of political instability, "inimical" legislation or insufficient health and welfare arrangements.

The second basic issue—foreign trade—was dealt with at the meeting of the GATT Trade and Development Committee in Punta del Este/Uruguay. The idea of this was to give developing countries—particularly Latin American countries—the opportunity, in view of the final Kennedy Round negotiations, to make known their wishes with regard to trade expansion to the almost 100 % represented industrialised countries. The young nations wanted more participation in world trade. They complained about the decline in prices of raw materials and demanded that goods, whose exports are interesting them should not be included into the lists of exception of the Kennedy Round. Finally they expressed their anticipation that the tariff walls for these goods would be abolished unilaterally in their favour, and to a larger extent than provided for—and that with one step, not in stages. However, no satisfactory conclusion was reached in Punta del Este either.

In juxtaposition, these two conferences demonstrate the basic dilemma of successful development policy: on the one hand, industrialisation is an essential condition for a propitious foreign trade structure; on the other hand, an improvement of infrastructure, which would lead to increased investment activity both by home and foreign investors, is to a great extent dependent upon funds deriving from improved foreign trade results. ehm.