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AD HOC CONSULTATIONS BETWEEN INDIVIDUAL LEAST DEVELOPED COUNTRIES AND THEIR TRADING PARTNERS

Submission by the United Republic of Tanzania

Addendum

The following information has been received from the Government of the United Republic of Tanzania as part of its submission for the ad hoc consultations with its principal trading partners. It should be read in conjunction with document COM.TD/LLDC/W/18.

COUNTRY SUBMISSION FOR GATT AD HOC CONSULTATIONS BETWEEN TANZANIA AND HER PRINCIPAL TRADING PARTNERS 18-19 OCTOBER, 1984

1. General economic situation

The United Republic of Tanzania with a total area of some 945,100 sq. km. has a total population of around 19.2 million (1982 estimates) growing by 3.4 per cent per annum. The urban population accounts for about 13 per cent of the total population. The gross national product (GNP) for mainland was estimated as US\$5,260 million (1981) and \$5,096 million (1982); and the per capita GNP was \$280 (1981) and \$260 (1982).

2. Tanzania remains an agriculturally based economy with agriculture playing a major role (accounting for about 40 per cent of GNP and 85 per cent of the country's labour force is engaged in agriculture). The manufacturing sector plays a fairly important role in the economy of Tanzania. Including handicrafts this sector contributes about 9 per cent of the GDP; contribute quite substantially to the employment of labour and accounts on the average for about 19 per cent of total exports.

3. The basic tenet of Tanzania's socio-economic development has been founded on the Arusha Declaration of 1967 whose main elements are the pursuit of policies designed to promote socialism and self-reliance, in other words of policies which recognized the need for avoiding excessive and undue exploitation of the people, and the need for economic independence in order to harness the country's political independence. In agriculture and rural development the policy called for the settling of people in "Ujamaa" villages; and in industry it has meant public ownership and participation in the commanding heights of the economy.

4. In efforts aimed at achieving economic growth and development Tanzania has undertaken and involved herself in important activities both at the domestic and international scene. In the year 1982/1983 Tanzania launched a Structural Adjustment Programme (SAP) with the intention of redressing the economy in face of the worsening internal and international environment. The SAP which entails institutional reforms will be implemented in a span of three years (1982/1983-1984/1985). Internationally, Tanzania has participated in meetings aimed at creating a New International Economic Order (NIEO); it is a member of the Lome (ACP-EEC) Convention; belongs to the Southern African Development Coordination Conference (SADCC); and supports measures to enhance South-South co-operation including those in the field of trade.

5. The principal trading partners of Tanzania since independence in 1961 have been those countries of the European Economic Community especially the United Kingdom. This trend was set during the pre-independence period. It has been the objective of the government to diversify the direction and composition of trade in line with its development objectives as details below will reveal.

6. When we look at the trend and trade structure of exports, it is revealed that the Tanzanian economy still remains heavily dependent on exports of agricultural primary products. Cotton, coffee, sisal (the major export item in the 1960s), and tea accounted for about 50-60 per cent of total export earnings in mid-1970s. The main non-agricultural export of the country is diamonds; the proportion of which has fallen from the 9 per cent (1962) through 7 per cent (1973) to 4 per cent (1977) in the overall export earnings. The above figures are from the 1973/74 and 1977/78 economic surveys and Table I below.

Table I

Principal exports of Tanzania (expressed in millions of shillings)

<u>Item</u>	<u>YEAR</u>			
	<u>1966</u>	<u>1976</u>	<u>1980</u>	<u>1982</u>
Raw coffee	301	1,283	1,165	1,298
Raw cotton	350	613	399	379
Sisal	235	226	251	202
Raw cashewnuts	100	131	60	118
Cloves	74	260	568	360
Tea	45	134	182	110
Diamonds	186	159	362	201
Others	-	1,009	1,200	1,532
	-	3,815	4,187	4,200

Sources: Economic Survey, Tanzania (1982) Table 10; and 13.

7. In addition to the picture revealed above for 1960s and 1970s it is evident from Table I that even in the early 1980s the domination of the few agricultural primary products was still prevalent. In 1982 for

instance coffee accounted for about 30 per cent of total export earnings, while cotton (9 per cent); cloves (8 per cent); sisal (4.8 per cent) and cashewnuts (2.8 per cent) were still important items in this period. The picture remains similar in 1983 and 1984.

8. As regards the direction of exports it is also a fact that the trend existing at independence (that is domination by a few countries particularly those of the European Economic Community) remains to be reversed. The principal export destinations are thus the United Kingdom; other countries of the European Economic Community such as West Germany and France. Exports also have secured markets in Japan, socialist countries, and neighbouring countries as indicated in Table II below.

TABLE II
Destination of domestic exports (million shillings)

<u>Destination</u>	<u>YEAR</u>		
	<u>1978</u>	<u>1980</u>	<u>1982</u>
African countries	244	709	533
- Kenya	1	1	1
- Uganda	1	119	105
Commonwealth countries	1,124	1,242	1,260
- United Kingdom	757	838	613
- Canada	39	30	25
- India	141	72	281
EEC countries	1,055	1,208	1,205
CMEA countries	49	148	113
United States	404	169	147
Sweden	44	53	46
Japan	93	214	118
China	102	21	17
Hong Kong	154	153	139
	<u>3,632</u>	<u>4,700</u>	<u>4,200</u>

Source: Economy Survey: op.cit; Table 13

9. From the above table it is evident that between 1978 and 1982, for example, the EEC continued to be the principal destination of Tanzania's exports accounting for a share of about 49 per cent (UK - 20 per cent) in 1978; 41 per cent (UK - 17 per cent) in 1980 and 45 per cent (UK - 14 per cent) in 1982. It is worth noting that recently some absolute and relative increases have been recorded in exports to Japan, Socialist countries (such as Bulgaria and Yugoslavia), Angola, Algeria and neighbouring countries like Mozambique, Zambia, Uganda, Burundi, Rwanda and Zimbabwe. The above is one of the main explanations for the slight decline of the EEC export share in 1978-82. The trend of domination by the EEC market is also evident on the import side (with imports mainly composed of SITC items 5, 6 and 7).

2. Tanzania's export regime

Export controls and regulations

10. Almost all export trade is confined to para-statal organizations. The extent of confinement is more pronounced under agriculture where commodity authorities have been established to carry out procurement, processing and export marketing of the commodity under their auspices. All exports have to be made on licence. Under Government supervision some licensed public para-statals are authorized to issue permits to locally-based agencies. Manufacturing firms are issued with export licences annually or on consignment basis depending on the frequency and size of consignment. Export restriction is sometimes made by Government in case of an acute shortage of sensitive commodities.

11. All major exports of Zanzibar are exported by the Zanzibar State Trading Corporation. However, in recent times some larger private enterprises are being allowed to organize their own marketing.

Export taxation

12. Export taxes are levied on a few export products such as beeswax and cardamom. Taxes formerly levied on coffee, sisal, tea, cashew nuts have now been abolished as part of an overall cost reduction process on exports.

Export promotion

13. In 1978 the Board of External Trade (BET) was established as an export promotion agency charged with creating the necessary co-ordination between markets abroad and Tanzanian exporters. It is charged with the duty of collecting, assembling and disseminating all information related to external trade; organizing, supervising and co-ordinating Tanzania's participation in international trade fairs and carrying out export promotion activities. It also plays an advisory role to the Government and the business community in the areas of export product development, local financing, transportation and documentation.

Export incentive measures

14. A suitable strategy and adequate incentives for the promotion of (non-traditional) exports can help to overcome some of the most serious problems of LDCs. Export incentive schemes are constrained by budget levels and can focus on a number of objectives. It may offset the effects of protection of the inputs used in the production of exported goods (when destined for the domestic market) and the high costs per unit due to a low rate of utilization which is beyond the industries control. In monopolistic or oligopolistic international markets it might neutralise adverse effects encountered by its exporters (terms of trade). The inception of the export incentive schemes in Tanzania are all based on the above outlined reasons and backgrounds. A reduction in tariff and non-tariff barriers maintained by its trading partners would boost foreign trade of Tanzania and reduce the budgets allocated for export trade incentives. The establishment of new barriers or the imposition of compensatory duties by developed countries would definitely impede North-South trade and put extra burdens on the export incentive schemes of developing countries.

15. A number of export incentives have been introduced under the BET. An export rebate scheme was introduced in 1981 to assist non-traditional

exporters. A Presidential Export Award has also been introduced since 1982 with a view to rewarding exemplary exporters with performance certificates for different groups dealing with certain related commodities.

16. Efforts are being made to implement a government resolution whereby certain leading exporters, especially para-statal are allowed to retain a specified proportion of their export proceeds in order to encourage production for exports by importing vital inputs including raw materials and spare parts. Separate arrangements are being made to establish a foreign exchange Revolving Fund for export production and market development.

17. Careful consideration is being made to expand the number of export commodities under a differential export duty scheme which allows exporters to buy certain domestic commodities at prices net of sales tax as well as export duties.

18. Other measures being pursued to encourage the exportation of non-traditional exports include:

- (i) Trade facilitation by simplification and centralization under BET of export clearing procedures,
- (ii) Priority allocation of import licences and foreign exchange to non-traditional exporters with high value added content and high net foreign exchange gain through the use of clearer criteria and procedures.
- (iii) The establishment of an Export Credit guarantee scheme to cover exporters risks in the export business.
- (iv) Measures by the government to strengthen BET institutionally and operationally to enable it to carry out its duties under the SAP.

19. It is worth noting here that in spite of these efforts in export promotion and country's performance in export earnings and development still leaves room for a better performance which can be achieved through the improvement of domestic and international factors impeding that performance. The question of reduction in tariff and non-tariff barriers for exports fall under international factors which can lead to the objective of improved performance.

3. Requests of the United Republic of Tanzania

20. As stated above, in Tanzania the production of export crops and the manufacturing of (semi-) processed products have not yet reached satisfactory levels. This is partly due to internal factors and partly to the external environment. In today's world LDCs have to cope with a number of unsurmountable problems. Without having adequate economic power, their economies remain considerably vulnerable to all kinds of market forces, trade measures and other factors which are beyond their control.

21. The market share of LDCs for manufactures export products is (very) limited or negligible. The traditional Tanzanian exports (coffee, sisal, cotton, cashewnuts, tea etc.) still cover up to 80% of her present exports. World market prices are in most cases not the outcome

of the LDCs market position or behaviour. The economic position of LDCs is recognised by many developed countries as being seriously affected. LDCs were given free access for a number of their export products, as well as other preferential treatment. However, notwithstanding the inception of many trade preferences schemes, the terms of trade, the balance of trade with developed countries as well as the tariff barriers and especially the non-tariff measures have become worse. With increasing debt-service ratios, outstanding debts and highly overvalued currencies, many LDCs will lose the freedom for developing their own economies. Therefore, a special treatment for the processed export products of the major crops is requested. The emergence of tied aid, and the indebtedness to commercial banks are factors which also hinder a positive development of the export sector in many LDCs.

22. The local packaging industries in Tanzania are able to produce convenient packages for a wide range of products. However, due to the unnecessarily high standards for packaging and labelling in developed countries these measures are de-facto non-tariff barriers.

23. For a number of products (fruit, vegetables, meat etc.) special documents and certifications are required. Some of the specifications are not relevant or could be made easier without affecting the content. Tanzania requests the developed countries for a relaxation of required documents and certificates for fresh fruits and vegetables, meat-products, fishery products and processed products thereof.

24. In the document COM.TD/LLDC/W/18 we outlined the requests of the United Republic of Tanzania to many developed countries for a reduction and, preferably, an abolition of tariff and non-tariff measures. Some special issues, partly not covered in the document will be discussed hereafter.

25. Tanzania is endowed with vast natural resources. Production and export of fruits and vegetables could be boosted (fresh and processed). Penetration of the international market is, however, very risky with volatile market prices, its sophisticated technology for distribution and marketing and potential losses for LDCs exporters which are almost unbearable. Exports of fruits and vegetables from Tanzania could therefore be promoted through assured assistance during the phase of the penetration of export markets. Furthermore, tariff and non-tariff measures should not be imposed on fruit and vegetables from LDCs - their market share is very small and consumers in developed countries could also benefit.

26. The development of the industrial sector in Tanzania like in other LDCs is in the initial stages and dependent to a considerable degree on imported parts. For certain inputs imports are still needed. With the existing foreign exchange constraints many industries in LDCs have to export whether profitable or not. Exports of (semi-)manufactures products from LDCs face tough competition - not only from developed countries but also other LDCs. Import-tariff structure in many developed countries is not conducive to the development of export markets. Most LDCs are not able to develop bilateral trade due to (a) foreign exchange constraints (b) the export product mix is more or less the same (c) tariff and non-tariff barriers present in these markets.

27. In the developed countries many industries are based on imports of raw materials from LDCs. The import-tariff structure and non-tariff

measures are more or less in line with the demand preferences of these industries. On a global level however, the developed countries have established preferential trade schemes to enhance LDCs development of exports. Whereas the results are not negligible, exports of non-traditional products from LDCs are not yet at a satisfactory level. Exports of raw hides and skins are for example duty free, whereas for (semi-)processed leather import duties are installed.

28. Present market forces and the industrial structures in developed countries and many developing countries are not conducive for the exports of semi-processed products from Tanzania. At present, world market prices for wet blue chrome leather products are well below the actual costs. Processing of raw hides into wet blue chrome at the prevailing world market prices, with the required import of chemicals etc. is not profitable, as considered on the basis of the net foreign exchange contributed. Encountered import tariffs on (semi-) processed leather are therefore an extra disadvantage.

29. The MFA is becoming more restrictive. On the other side only approximately 50 per cent of the quotas are used - in most cases less than 70 per cent filled. Tariffs on textiles and clothing in industrial countries are between two and three times higher than tariffs on manufactured goods as a whole. Moreover, the tariffs tend to be higher on more finished goods. Under special trade preference schemes LDCs do enjoy a duty-free access to develop world markets for unmanufactured products, but not for finished products.

30. The required foreign exchange for imports of the textile industries in LDCs could be earned if exports of finished goods to developed countries would be allowed. Under the present market structure, the import-tariff barriers and the present economic situation of Tanzania (foreign exchange constraints) it is unlikely that these industries will ever become viable. It even becomes cynical when the equipment for these industries in the LDCs is bought second-hand from developed countries.

31. Tanzania is producing a number of handicrafts. Export markets could be developed. Special treatment is requested. All these goods should (a) be treated as handicrafts with a duty free access or (b) should enjoy special treatment under a special CCCN-tariff line classification. The list of identified products and (CCCN) Headings is given below:

<u>CCCN</u>	<u>Description of CCCN-Tariff Heading</u>	<u>Tanzania Handicraft Product</u>
05.08 to 05.12	Bones and horn-cores, ivory, tortoiseshells, horns, antlers, hooves etc. and waste of these products	Seashells
42.02	Travel goods, handbags, wallets, purses, satchels, brief-cases, collar boxes, toilet bags, etc.	Leathercrafts

61.02	Women's, girls' and infants' outergarments not knitted.	Khangas and Kitenge's
-	-	Precious stones carvings etc.

32. Tanzania's economy and its present position in the world economy is far from satisfactory. Its range of export products is still limited, especially to developed countries. For most export products, Tanzania's market share is relatively small and therefore its impact on prices, market-structure etc. is quite limited. A duty-free access and abolition of non-tariff measures would be very important to boost exports, especially of processed products of major export crops (coffee, tea, sisal, cashew, cotton etc.).