

Sub-Saharan Report

Sub-Saharan Africa is one of the focal regions of Global Challenge 2015.

These reports are by Mr. Kenshi Tsunemine, an expatriate employee working in Johannesburg with a view across the region.

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Mambo! (Note 1)

Did you know the East African country of Tanzania is actually a united republic (United Republic of Tanzania) formed from the Republic of Tanganyika and the Republic of Zanzibar, therefore Tanzania (Tan from Tanganyika and Zan from Zanzibar)

This time I am introducing the United Republic of Tanzania, with its wealth of tourist attractions including Africa's tallest mountain, Kilimanjaro, the Serengeti National Park and the beach resorts of Zanzibar among others.



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In order for the Marubeni Research Institute to acquire live information from the field and contribute to the Company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

Table 1: Tanzania Country Information

Basic Data (2015)	
Population	47.7million
Land Area	945 thousand km ²
Nominal GDP	\$44.9 billion
Per Capita GDP	\$942
Official Language	English, Swahili

Source: IMF

Tanzania, as mentioned, is an East African country with the former country of Tanganyika making up its mainland land mass facing the Indian Ocean in the east, and surrounded by Kenya and Uganda in the north, Rwanda, Burundi and the Democratic Republic of the Congo in the west and Zambia, Malawi and Mozambique in the south. The former country of Zanzibar is an archipelago found off Tanzania's coast in the Indian Ocean with its main islands being Pemba Island and Zanzibar Island, which is about 80 kilometers north of Tanzania's largest city and port, Dar es Salaam (note 2).

Some parts of the center of the country have a steppe-like climate, while most of the rest of Tanzania's mainland has a savannah-type climate. Temperatures in the inland plateau region vary with an annual average of around 20 degrees centigrade, while in the coastal region, where Dar es Salaam is found, the average yearly temperature is around 30 degrees, but may seem higher due to the greater humidity along the coast. Tanzania is made up of 130 different ethnic groups with the Sakuma and the Makonde the leading groups. In terms of official languages Swahili (mambo is a Swahili greeting) and English are used.

In terms of staple foods, one dish is ugali, which is a type of paste kneaded from maize and is very common in east Africa. It often accompanies chicken and freshwater fish stews. Other staples include bananas and rice (pictures 1, 2 and 3).



Picture 1: Stew with red peppers, ugali and beans



Picture 2: Grilled chicken, which actually has a thick, boiled taste that goes well with ugali



Picture 3: A cafeteria-type eating place in the middle of town.

In talking about Tanzania, as already mentioned, it is home to the famous Mt. Kilimanjaro (5,895 meters). As Africa’s highest mountain, climbers come from around the world. Uhuru Peak, as it is known, is the highest peak and summit of Mt. Kilimanjaro and there is a 10-day tour from Japan for climbers wanting to climb the summit (5 night and 6 days of climbing).

Kilimanjaro is said to be the highest mountain that can be climbed without being a veteran climber. It would be nice if I could someday to travel to Kilimanjaro and be able to sip a steaming cup of Kilimanjaro coffee while looking over Africa with a birds-eye view from its highest peak.

In addition, Tanzania’s Serengeti National Park is said to be Africa’s most famous nature reserve and safari park and of course is a very popular tourist destination with more than 1.5 million wild animals, including over 200,000 zebras and 500,000 Thomson gazelles in this area. Furthermore, Serengeti is adjacent to Kenya’s Masai Mara wildlife reserve (see sub-Saharan report vol. 5) and one of the grandest spectacles is to view the massive herds of animals moving across these vast landscapes in search of fresh grass during the changing of the seasons.

Also, Tanzania’s Zanzibar beach resorts are some of the most popular in Africa along with those in Mauritius and the Seychelles. My individual impression though is that the Zanzibar beach resorts are much more pristine than the beach resorts of the other two, and I would certainly recommend them to those who prefer a little more solitude free from the effects of (over) development (picture 4)



Picture 4: A Zanzibar beach

The large Ngorongoro Conservation Area, which is also home to the Masai tribe, and the Stone Town of Zanzibar are World Heritage Sites, and two more features of Tanzania’s abundant tourist resources

Tanzania gained its independence in 1961 as the Republic of Tanganyika under the auspices of the Tanganyika African National Union (TANU) after having been a German territory and then ruled under a British mandate. Its full transition as a republic was made in 1962 with Julius Nyerere, the leader of TANU, appointed as the country’s first president. In 1963, Zanzibar became independent from British rule as the Sultanate of Zanzibar. However, following the Zanzibar Revolution in 1964, which led to the overthrowing of the sultanate, Zanzibar merged with mainland Tanganyika to become the United

Republic of Tanzania.

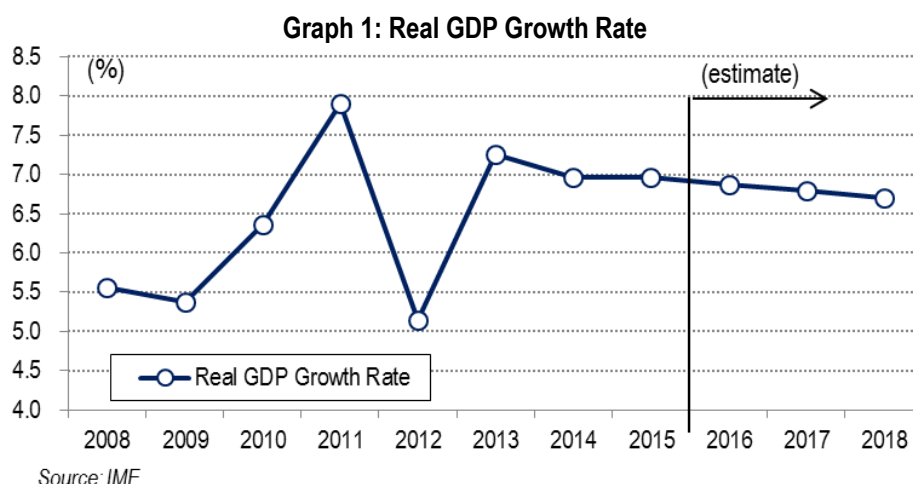
Tanzania, especially under the leadership of President Nyerere did not experience any major civil wars, both before and after independence, and other than the Uganda-Tanzania war of 1978 (note 3) has not been involved in any major confrontations with other nations, mostly due to its policy of non-alignment. As such, Tanzania has been governed under relatively peaceful circumstances compared to neighboring countries.

On the other hand, in terms of the economy Tanzania adopted socialist policies after independence aimed at creating economic growth that was not reliant on the UK. The backbone of these socialist policies was the nationalization of key industries and companies. However, this led to inefficiency and corruption throughout the economy and combined with the war with Uganda the country's economy entered a state of crisis entering the 1980s. To take responsibility for this economic state of affairs Mr. Nyerere resigned as president in 1985 with the vice-president, Mr. Ali Hassan Mwinyi, assuming the post as the new president.

After President Mwinyi took office (under the successor party to TANU, the Tanzania Revolutionary Party or CCM), Tanzania began to move away from their socialist economy and promoted economic liberalism with the support of such international institutions as the World Bank and the IMF. President Mwinyi also introduced a multi-party system in 1992 during his second term before retiring from office in 1995. In Tanzania's first multi-party election in 1995, Mr. Benjamin William Mkapa was elected president and the CCM (originally TANU) continued to hold the reins of government. Mr. Mwinyi served two terms as president until 2005, bowing out in accordance with the constitution's three-term prohibition, at which time Mr. Jakaya Kikwete, also of the ruling party, was elected president. President Kikwete also served two terms until 2015, when Mr. John Magufuli of the CCM won the October 2015 presidential election. In this way you can see that Tanzania's many elections have traditionally been carried out relatively peacefully with the stability of its government being one of its major attractions (note 4).

Although he was not a leading candidate for the presidency even within his own ruling party early on, since taking office President Magufuli has been aggressive in fighting corruption and has greatly improved the tax collection rate which has led to a very high degree of domestic public support for him. Compared to his predecessor Mr. Kikwete, who was very active on the diplomatic front which included serving as president of the African Union General Assembly, President Magufuli is more focused on domestic affairs such as the promotion of industrialization and the expansion of employment.

Since 2001, Tanzania's economy has been on a high growth track with an average annual economic growth rate of 6.5%. Even with the slumping resource prices and downturn in the emerging country economies led by China putting downward pressure on many African economies, Tanzania's economy is still expected to show fairly strong growth in the upper 6% range from 2016 onward (graph 1).



We often hear the question, “In which African countries can growth be expected despite the adverse headwinds?” The answer is in Tanzania and most East African countries (table 2)

Table 2: 2016-2021 Average Annual Growth Rates in High Growth African Countries (forecast)

	2016	2017	2018	2019	2020	2021	Average
Mozambique	6.0	6.8	7.9	7.6	7.5	38.9	12.5
Ivory Coast	8.5	8.0	7.6	7.3	7.1	6.8	7.6
Rwanda	6.3	6.7	6.8	7.0	7.5	7.5	7.0
Senegal	6.6	6.8	7.0	7.1	7.1	7.0	6.9
Ethiopia	4.5	7.0	7.5	7.5	7.5	7.3	6.9
Tanzania	6.9	6.8	6.7	6.7	6.6	6.5	6.7
Niger	4.9	6.9	7.8	6.6	7.6	5.4	6.5
Kenya	6.0	6.1	6.5	6.5	6.5	6.5	6.3
Uganda	5.3	5.7	5.9	6.1	6.3	6.4	5.9
Burkina Faso	5.0	5.7	6.0	6.0	6.0	6.0	5.8
Ghana	4.5	7.7	5.9	6.2	5.4	4.6	5.7
Guinea	4.1	5.4	5.8	6.6	6.3	6.0	5.7
Democratic Republic of the Congo	4.9	5.1	5.6	6.6	5.9	5.7	5.6
São Tomé and Príncipe	5.0	5.5	5.5	5.5	6.0	6.0	5.6
Liberia	2.5	4.7	5.4	6.0	8.1	6.4	5.5

Source: IMF World Economic Outlook, April 2016

The basic reason is that most East African countries are not natural resource exporters, so there is only a minor effect on their economies when commodity prices slump, and a fall in crude oil price has a positive effect on consumption in petroleum product importing countries.

Also, given the fact that these countries are still developing countries (low income levels), it is mostly inevitable that they would realize high growth rates at some time. For Tanzania to become a middle-income country though, it will have to maintain high growth rates over the mid to long-term. To do this it is imperative they improve the state of their industries as described below.

Currently, agriculture is the main industry making up 20% of Tanzania’s GDP and employing 80% of the workforce. The main crops grown are such food staples as rice and corn, and such commodity crops as coffee, tea, cashew nuts and tobacco, among others. The Arabica type of Kilimanjaro coffee is a very popular brand of coffee with a high level of recognition. While its share of world coffee production is not very high, it is still one of Tanzania’s most important export items. Other exports include gold, diamonds, tanzanite and some other metals and minerals, which make the mining industry another important industry for Tanzania. On the other hand the manufacturing industry has not really been fostered. For example, cashew nuts are exported to India where they are processed and then re-imported into Tanzania to be sold. So, developing the manufacturing and processing industry has become a very important issue for Tanzania.

The development of the manufacturing industry in African countries is a common challenge and has been difficult to attain, however Tanzania has several advantages that could give its manufacturing industry a boost. The first is, as I’ve already mentioned, Tanzania’s political stability. The presidency of Tanzania has regularly exchanged hands peacefully according to term limits and the country is less susceptible to civil war and terrorism, especially in comparison to neighboring countries. This is considered a positive factor for industrial development.

Another advantage is that it has a coastline. While Dar es Saalam’s port is still smaller in scale than that of Mombasa’s in Kenya, it is connected to a number of landlocked countries, including such resource rich countries as Zambia, which means it could act as an important gateway or conduit for these countries (table 3). In this regard, Tanzania’s importance will only increase as the Central Corridor, Mtwara Corridor and Tazara Corridor development plans progress.

The third advantage is the large presence of natural gas. Natural gas was first discovered on Songosongo Island in 1974, and natural gas production advanced somewhat, however, since 2010 large-scale deep sea gas fields were discovered off Tanzania and such neighboring countries as Mozambique, and more recently natural gas reserves have been found on the mainland as well, with total proven reserves now estimated at between 55 and 75 trillion cubic feet.

And even though it is unlikely the development of offshore gas fields could easily proceed given current market conditions, the large presence of natural gas in Tanzania is still a major strength, especially in terms of the future. If offshore natural gas development does proceed well, it would not only cover

Table 3: Number of Containers Handled in Africa’s Main Ports (2013)

		COUNTRY	TEUS	World Ranking
1	East Port Said Port	Egypt	2,946,560	45
2	Durban	South Africa	2,641,096	53
3	Tanger	Morocco	2,492,977	56
4	Alexandria and El-Dekheila	Egypt	1,519,193	81
5	Port Said (West)	Egypt	920,442	106
6	Mombasa	Kenya	899,628	111
7	Apapa	Nigeria	853,399	114
8	Cape Town	South Africa	853,388	115
9	Casablanca	Morocco	822,867	121
10	Damietta	Egypt	822,131	122
11	Tema	Ghana	818,819	123
12	Djibouti	Djibouti	769,431	128
13	Tin Can Island	Nigeria	678,262	134
14	Luanda	Angola	633,917	139
15	Abidjan	Ivory Coast	632,601	140
16	Ngqura	South Africa	564,857	152
17	Dar es Salaam	Tanzania	500,288	163
18	Port Louis	Mauritius	416,572	177
19	Dakar	Senegal	398,228	181
20	El Sokhna	Egypt	394,083	182
21	Rades	Tunisia	391,657	183
22	Port Sudan	Sudan	386,283	184
23	Douala	Cameroon	338,405	192
24	Cotonou	Benin	332,195	194
25	Lome	Togo	273,190	201
26	Port Elizabeth	South Africa	245,329	212
27	Walvis Bay	Namibia	231,826	218
28	Port Réunion	Réunion	218,844	223
29	Beira	Mozambique	166,009	244
30	Takoradi	Ghana	57,673	287
31	East London	South Africa	51,008	290
32	Richards Bay	South Africa	29,838	313

Source: World Shipping Council, 2013

domestic consumption, but could also be exported as LNG and act as a catalyst to accelerate the Tanzanian economy in the future.

Tanzania is still a developing country though. However, by combining the three advantages of “peace”, “gateway” and “natural gas” there is a great deal of growth potential in the country. And although Tanzania has ranked high as a tourist destination up until now, I think attention will be increasingly focused on business other than tourism in the country.

Anyway, why not visit Tanzania to look at the potential of its natural gas development while also taking in some of its tourist attractions (pictures 4 and 5)? Exotic street scenes welcome you with the energy of an emerging economy country.



Picture 5: A rush of construction and traffic congestion stand out in the city of Dar es Saalam.



Picture 6: Tanzania's exotic Stone Town with its European and Arabian cultural influences.

Note 1: “Mambo” is a greeting in Swahili which is close to “how are you” in English. It is used much more frequently than the more familiar Swahili term known by Japanese “jambo”. Swahili is also spoken in Kenya, Uganda and South Sudan among other East African countries and is said to be the official language of East Africa.

Note 2: Zanzibar is about 30 minutes by plane from Dar es Salaam. It was once the capital of the Oman Empire and was where Muslim merchants gathered and flourished as the center of the spice and slave trade. For this reason the relationship between Tanganyika and the Zanzibar has been complex. Although, I have given some historical background on Zanzibar, for most people their image of Tanzania is that of the Tanganyika mainland, and this time, for the most part, unless specifically mentioned, I have referred to the mainland.

Note 3: Uganda, led by their president Idi Amin, invaded Tanzania, but the attack was repelled by Tanzania's People's Defense Forces led by President Nyerere. The forces were helped by Ugandan anti-Amin factions located in Tanzania which went on to invade Uganda's capital of Kampala setting the stage for Idi Amin's eventual downfall.

Note 4: Zanzibar has been given a wide range of autonomy within the republic with its own president and legislative council. Zanzibar held its own elections at the same time of the Tanzanian general elections in October of 2015. However, the ruling party of Tanzania declared the elections in the Zanzibar autonomous region null and void due to fraud in the electoral process. New elections were carried out in March of this year, but were heavily boycotted by the opposition party leading to the ruling party declaring a landslide victory.

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