

## **From Public Ownership to Joint Venture Privatisation of Parastatals: A History of the Tanzania-China Friendship Textile Mill, 1968-2020**

Bungaya Dughangw Mayo  
Mkwawa University College of Education, Tanzania

### **Abstract**

*In 1968, the Tanzanian government inaugurated the Tanzania-China Friendship Textile Mill (FTM) which was built by using a Chinese interest-free loan. Built in the context of import substitution industrial strategy and the policy of socialism and self-reliance embodied in the Arusha Declaration of 1967, the FTM recorded a high productivity in the 1970s and declined in the 1980s. After the adoption of neo-liberal policies in the 1990s, the FTM was privatised to a Chinese company through a joint-venture contract (JVC) and it was renamed Tanzania-China Friendship Textile Company (FTC). In the early 2000s, FTC recovered shortly before it started to decline again until it stopped production in 2018. The extant literature fails to acknowledge interplay of both internal and external forces in FTM decline and they have not assessed the efficacy of joint venture privatisation. In addressing this lacuna, this paper argues that while the failure of government policies coupled with the impact of the global economic crisis of the 1980s to bring the textile industry to stand still in the 1990s, negative impact of economic liberalisation and the investor's deleterious practices after privatisation were the final nails in the coffin.*

**Key Words:** Textile Industry, Socialist Industrialisation, Neoliberalism, Joint-Venture Privatisation, Tanzania-China, Friendship Textile Company.

## **1.0 Introduction**

On July 6, 1968, the Tanzania-China Friendship Textile Mill (FTM), the first large textile mill in Tanzania was opened in the commercial city of Dar es Salaam as a result of diplomatic ties between Tanzania and China. With the promulgation of the Arusha Declaration in 1967 and emphasis on state-led import substitution industrialisation strategy, the textile industry in general and FTM in particular performed well in the first decade. However, this trend was revised in the 1980s as the textile industry declined and by September 1994, the National Textile Corporation (TEXCO) its group companies were liquidated except FTM. Following the economic crisis of the 1980s, Tanzania adopted trade liberalisation as part of economic reforms particularly the Structural Adjustment Programmes (SAPs). In 1996 Tanzania inaugurated *the Sustainable Industrial Development Policy (SIDP-1996-2020)* and hence the country's industrial policy changed from import substitution industrialisation strategy to market-driven export-oriented industrialisation led by the private sector. In line with the *Tanzania Development Vision 2025*, it was anticipated that Tanzania would revive the

manufacturing sector and achieve the status of a middle-income country by 2025 with a semi-industrial economy.<sup>1</sup>

The FTM was privatised to Chinese investor through a joint venture contract (JVC) in 1996 and its name changed to Tanzania-China Friendship Textile Company (FTC). From 1996 onwards, the Tanzanian textile industry in general experienced a recovery as production increased by 78 per cent from 31.614 million square metres recorded in 1995 to 146.600 million square metres in 2006. The FTC recovered by 98 per cent from 0.281 million square metre in 1996 to 16.604 million square metres in 2006. But this trend was reversed again as country's textile production decreased by 47.8 per cent from 146.600 million square metres in 2006 to 76.436 million square metres in 2016. At FTC, production declined by 75 per cent from 16.604 million square metres in 2006 to 3.486 million square metres in 2017.<sup>2</sup> This paper documents a history of FTM in two main phases; first, from 1968 to 1995 when the company was under public ownership and management and; second, from 1996 to 2020 when the company operated under joint venture privatisation. It

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<sup>1</sup> United Republic of Tanzania, hereafter URT, *Tanzania Development Vision 2025*, 13; Edson Mwabukojo, "Mapping the Development Progress in Tanzania Since Independence", *MPRA Paper*, University of Bucharest, 2019, 38; Andrew Coulson, "Cotton and Textile Industries in Tanzania: The Failure of Liberalisation", *Review of African Political Economy*, 43, No. 51, (2016), 48; Jagadeesan Vasinathan, "Future of Textile Industry", *Daily News*, September 6, 1996, p. 6

<sup>2</sup> Jamhuri ya Muungano wa Tanzania, hereafter JMT, *Hali ya Uchumi wa Taifa* (Dar es Salaam, 2005)177; *idem* (2010), 209; *idem* (2016), 206

focuses on how interplay of both internal and external forces shaped the company over time.

## **2.0 Conceptual discussion**

### **2.1 Public Ownership of Parastatals**

Public ownership of parastatals can be understood as possession of parastatal or an enterprise by the government on behalf of the people.<sup>3</sup> It was the main feature of most Sub-Saharan African countries between the 1960s and 1980s.<sup>4</sup> In Tanzania, the expansion of the public sector took place in two main ways after the Arusha Declaration in 1967. First, it was through establishment of new parastatals under the Companies Ordinance Act, Cap 212 of 1932 which was amended in 1964 and 1967. All the textile companies which were established between 1967 and 1980s were created under this act. The second approach was through nationalisation which put all major means of production under public ownership. For purposes of identifying enterprises eligible for nationalization, all sectors of the economy were classified into three main groups. The first consisted of banking, insurance, major import-export houses and major grain milling organisation all of which were to be wholly owned by the state. The second category was comprised of such sectors as land, forests, mineral resources, water, oil, electricity, communication, transport, whole sale business, steel, machine tools, arms, motorcar, cement, fertiliser factories

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<sup>3</sup> [PUBLIC OWNERSHIP | English Meaning - Cambridge Dictionary](#)

<sup>4</sup> Tony Killick, *Development Economics in Action: A Study of Economic Policies in Ghana*, 2<sup>nd</sup> Edn (London: Routledge, 2010)

and manufacturing industries. These would not be wholly owned by the government. Instead, the government would control them through majority shareholding.<sup>5</sup> Integrated textile mills fell into the latter category. Although the public sector performed well in the 1970s, it collapsed in the 1980s and 1990s. The adoption of Structural Adjustment Programmes (SAPs) under the guardianship of the World Bank and the International Monetary Fund (IMF) marked the rise of neo-liberalism.

## 2.2 Neo-liberalism and Joint Venture Privatisation

With adoption of SAPs and neo-liberal policies the significance of market forces and the primacy of the private sector as opposed to state controlled economies became dominant feature of development discourses.<sup>6</sup> As defined by David Harvey neo-liberalism refer to a political and economic theory which proposes that human well-being can be advanced by maximisation of entrepreneurial freedom characterised by private property rights, individual liberty, free markets and free trade.<sup>7</sup> Raewyn Connell<sup>8</sup> also provided

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<sup>5</sup> United Republic of Tanzania, hereafter URT, The National Development Corporation (NDC) Annual Report and Accounts for the Year 1967, 9.

<sup>6</sup> Peter Osimiri, "An Ethical Critique of Neo-Liberal Development in Africa", *Covenant Journal of Politics and International Affairs* (CUJPIA) 1, No. 1 (2013), 62

<sup>7</sup> David Harvey, "Neo-Liberalism as Creative Destruction", *Geographical Annals*, 88 B (2) 2006, 145.

<sup>8</sup> Raewyn Connell, "Understanding Neoliberalism" In *Neoliberalism and Everyday Life*, edited by S. Braedley & M. Luxton (Montreal: McGill-Queen's University Press, 2010), 22-23.

relatively similar definition but added the aspect of social transformation under the umbrella of free market that has come to dominate global politics. Neo-liberalism is built in the conviction that unconstrained market forces will naturally bring prosperity, liberty, democracy and peace to the society.<sup>9</sup> To the above definitions, Herod & Aguiar<sup>10</sup> added the aspect of privatisation of state-owned assets. From these definitions, the main features of neo-liberalism are, among others, the supremacy of free market forces, removal of government constraints on movement of goods and capital, rolling back the state, privatisation and trade liberalisation.<sup>11</sup>

In industrialisation, neo-liberalism assumed that with adoption of market approach, minimal government interventions and the government setting favourable environments for the private investments to take place, foreign direct investments would flow into various industrial sectors.<sup>12</sup> However, the main weakness of the neo-liberal perspective is that it over emphasize the role of internal forces particularly industrial policies and their

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<sup>9</sup> Jan Scholte, *Globalisation: A Critical Introduction*, 2<sup>nd</sup> Edition, (New York: Palgrave Macmillan, 2005), 38.

<sup>10</sup> Andrew Herod & Luis Aguiar, "Introduction: Geographies of Neoliberalism", *Antipode* 38, no. 3 (2006), 436-437

<sup>11</sup> Ray Kiely, *Clash of Globalisations: Neo-Liberalism, the Third Way and Anti-Globalisation* (Boston: Brill, 2005), 63.

<sup>12</sup> Cosmas Masanja, "The Extent to Which Foreign Direct Investment (FDI) Contribute to the Growth of Host Economies: Evidence from Tanzania", *University of Dar es Salaam Journals* 21, no. 1 (2018), 4-5.

implementation while denying the role of the external environment in explaining the failure of African industrialisation and the diminution of the role of the state in orchestrating industrial development.<sup>13</sup> Furthermore, neo-liberalism has been viewed as hegemonic weapon which aims to concentrate power and wealth into the hands of Multinational and Trans-National Corporations (MNCs and TNCs).<sup>14</sup> In this regard, neo-liberal practices such as privatisation of manufacturing firms in Africa are viewed as hegemonic forces because instead of developing the domestic industries they contributed to their collapse.<sup>15</sup>

Joint venture privatisation is the type of privatisation in which the public and private sector partners accept the idea of shared risk and reward.<sup>16</sup> As Harrigan puts it, joint venture approach is used as a way of diversifying and entering new markets, introducing new products and acquiring

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<sup>13</sup> Charles Soludo, "Industrialisation and Growth in Sub-Saharan Africa: Is the Asian Experience Useful?" In *African Voices to Structural Adjustment Programme: A Companion to Our Continent, Our Future* edited by Thandika Mkandawire & Charles Soludo, (Asmara: Africa World Press, 2003), 104.

<sup>14</sup> Niels Hahn, "Neo-liberal Imperialism and Pan African Resistance", *Journal of World System research*, XIII, 2 (2008), 144

<sup>15</sup> Murtala Muhammad, *et al.*, "The Impact of Chinese Textile Imperialism on Nigeria's Textile Industry and Trade, 1960-2015", *Review of African Political Economy*, (Routledge: Taylor & Francis, 2017), 6-7.

<sup>16</sup> Elizabeth Bennett, *et al.*, "Joint Venture Public-Private Partnership for Urban Environmental Services", *Working Paper Series*, Vol.2 (New York: Yale University, 2000), 10.

technology.<sup>17</sup> While joint ventures are in most cases expected to benefit both parties, Hyder and Ghauri show that they face a high failure rate for three main reasons. First, resources are brought in by partners with different organisational, social and cultural backgrounds which do not necessarily fit to the project. Second, the environments in which joint venture operates are in most cases unknown to the foreign partner. Third, the multinational firms fail to understand the dynamism in inter organisational relationships.<sup>18</sup> In Tanzania, the implementation of neo-liberal policies in the 1980s and 1990s went hand in hand with change of country's industrial policy from a state led import substitution industrialisation strategy to an export-oriented strategy driven by the private sector.<sup>19</sup>

Public enterprises were privatised in an attempt to increase efficiency, achieve international competitiveness and economic self-reliance. The government implemented massive restructuring of the economy, privatised the parastatal sectors and provided incentive packages to attract foreign direct investments (FDI) through Tanzania

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<sup>17</sup> Kathryn Harrigan, *Managing for Joint Venture Success*, (New York: Macmillan, 1986), 1.

<sup>18</sup> Akmal Hyder & Pervez Ghauri, "Managing International Joint Venture Relations: A Longitudinal Perspective", *Industrial Marketing Management* 29, no. 3 (2000), 206.

<sup>19</sup> Jamal Msami & Samuel Wangwe, "Industrial Development in Tanzania", in *Manufacturing Transformation: Comparative Studies of Industrial Development in Africa and Emerging Asia*, edited by Carol Newman, et al., (Oxford: Oxford University Press, 2016), 165.



Investment Centre (TIC).<sup>20</sup> If industrialisation failed in the 1980s due to poor government policies as reiterated by the Bretton Woods Institutions (BWIs), one could expect their booming in the 2000s following their privatisation from 1995 onwards. However, scrutiny of the available literature<sup>21</sup> on the textile industry both in Tanzania and other African countries indicate that although privatisation has brought relatively positive improvements in the manufacturing sector, yet sectoral analysis shows that such economic growth was insignificant and that the growth has been skewed towards extractive, tertiary (service) and food and beverage sectors only. Although the textile industry recovered in the early 2000s, it has since then continued to decline and lag behind both in terms of performance and in attracting foreign direct investments (FDI). The fact that 35 out of 37 textile establishments were closed down in Tanzania after liberalisation<sup>22</sup> and the few which remained in

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<sup>20</sup> Masanja, "The Extent to Which FDI Contribute to the Growth of Host Economies: Evidence from Tanzania", 4-5

<sup>21</sup> Wumi Olayiwola & Johansein Rutaihwa, "Trade Liberalisation and Employment Performance of Textile and Clothing Industry in Tanzania", *International Business Research* 3, No. 3 (2010), 52; Godius Kahyarara, "Market Competition and Performance of Tanzanian Manufacturing", *Journal of business and Economics* 4, No. 1 (2013), 49; Hazel Gray, "Industrial Policy and Political Settlement in Tanzania: Aspects of Continuity and Change Since Independence", *Review of African Political Economy* 40, No. 136 (2013), 186.

<sup>22</sup> Samuel Wangwe, "Economic Reforms, Industrialisation and Technological Capabilities in Tanzanian Industry", in *The Industrial Experience of Tanzania*, edited by Adam Szirmai and Paul Lapperre (London: Palgrave Macmillan, 2001), 364; Steve Onyeiwu, "The Modern

production downsized their operations is a clear indication that the efficacy of privatisation in general and the joint venture privatisation in particular was highly questionable. Similar trends were notable throughout the continent as textile production dropped by 50 per cent while employment went down by 80 per cent due to job losses caused by retrenchment and capacity utilisation was as low as 30 per cent.<sup>23</sup>

A study by Rutaihwa and Olayiwola<sup>24</sup> indicates that trade liberalisation caused decline of employment in the Tanzanian textile industry. Another study which challenged privatisation in the Tanzanian textile industry was made by Damian Gabagambi<sup>25</sup> who studied the nature of privatisation in the Tanzanian textile industry. He found that in contrast with Vietnam which cautiously and strategically privatised their textile industries, Tanzania embarked on privatisation

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Textile Industry in Nigeria: History, Structural Change and Recent Developments”, *Textile History* 28, no. 2 (1997) 244; Olayiwola & Rutaihwa, “Trade Liberalisation and Employment Performance,” 52

<sup>23</sup> Herbert Jauch & R. Traub-Merz (Eds), *The Future of the Textile and Clothing Industry in Sub-Saharan Africa*, (Bonn: Friedrich-Ebert-Stiftung, 2006), 17; S. Akinrinade & O. Ogen, Globalisation and De-Industrialisation: South-South Neo-Liberalism and the Collapse of the Nigerian Textile Industry, *The Global South, Vol. 2, No. 2,* (2008), pp. 164-165; Muhammad *et al*, The Impact of Chinese Textile Imperialism on Nigeria’s Textile Industry and Trade, 1960-2015”, 17

<sup>24</sup> Olayiwola & Rutaihwa, “Trade Liberalisation and Employment Performance,” 47-49.

<sup>25</sup> Damian Gabagambi, “Post Liberalisation Paradox in Textile Industry: A Comparative Study of Vietnam and Tanzania”, *International Journal of Business and Social Sciences* 4, No. 8 (2013), 194.

more abruptly and haphazardly. Such unplanned privatisation led to poor performance while other factories were turned into go-downs by the investors. A study by Andrew Coulson<sup>26</sup> attributes the continued failure of textile industry in Tanzania to the failure of liberalisation. Another study by Keregero Moses<sup>27</sup> indicate that with trade liberalisation and increased importation of second-hand clothing, domestic textile industries are collapsing and investors are quitting the sector. Although these studies are significant in understanding the nature of the textile industry in the aftermath of liberalisation, there is a paucity of studies which examines the ways in which changes of government policies from state-led import substitution to an export-oriented industrialisation strategy under the private sector have affected the performance of the textile industry. Furthermore, the extant literature has just managed to show that the textile industry continued to lag behind after privatisation, but failed to make an investigation of the ways in which investors practices contributes to the collapse of the textile industry after privatisation.

In an attempt to fill this gap, this paper used information collected from archives, newspapers, official government reports and from oral interviews to examine the impact of changing policies and their implementation on the

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<sup>26</sup> Coulson, "Cotton and Textile Industries in Tanzania", 54

<sup>27</sup> Chirongo Moses, "A Study on the Performance of Textile Sector in Tanzania: Challenges and Ways Forward" *Multidisciplinary International Academic Research Conference*, (2016), 51-64.

Tanzanian textile industry by using the case study of Tanzania-China Friendship Textile Company. Archival information was collected from the University of Dar es Salaam Main Library, Tanzania National Archives in Dar es Salaam, Dodoma Record Centre, the Treasury Register Office in Dar es Salaam and the Tanzania-China Friendship Textile Company (FTC). From these centres, materials such as government reports, policy documents, circulars, official correspondence, parliamentary Hansard and newspapers were surveyed. Oral testimonies were collected from employees and management of Tanzania-China Friendship Textile Company (FTC) and retired ex-officials who had worked at the mill, Tanzania Textile Corporation (TEXCO) and other textile companies.

The paper is divided into even main chronological sections. The next section provides a conceptual discussion on public ownership, neo-liberalism and joint venture privatisation. The third section historicises diplomatic and friendly relationships that were developed between Tanzania and China which led to the establishment of Tanzania-China Friendship Textiles Mills (FTM). It also elucidates the performance of the FTM up to 1976, just one year after the departure of Chinese expatriates and one year before the implementation of expansion programme which started in 1976. The fourth section documents the outcomes of expansion programme and economic crisis of the 1980s to the performance of FTM. In section five, I look at the rehabilitation programme that was conducted between 1990

and 1995. Section six discusses the impact of implementation of neo-liberal policies through joint venture privatisation of the Tanzania-China Friendship Textile Mill (FTM) which was accompanied by a change of name to Friendship Textile Company (FTC). Section seven concludes the paper. This paper examines ways in which a change of industrial policy from state led import substitution industrialisation to export oriented private sector led industrialisation strategy affected the performance of the present-day Tanzania-China Friendship Textile Company (FTC) between 1968 and 2020.<sup>28</sup>

### **3.0 The Tanzania-China Friendship and the Friendship Textile Mill (FTM), 1960s-1976**

Although trade and investment relations between China and African countries can be traced back to the ancient times, the first formal diplomatic relations started with Egypt in 1956 and from then onwards other countries joined.<sup>29</sup> In the present-day Tanzania, the formal political and diplomatic ties with China started on December 9, 1961. Such a friendship was developed in the context of cold war and the anti-Western sentiments, being united by common ideology

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<sup>28</sup>This name started after the joint venture privatization of the former Tanzania-China Friendship Textile Mill (FTM) in 1996.

<sup>29</sup> Abel Kinyondo, "Is China Recolonising Africa? Some Views from Tanzania", *World Affairs* 182, no.2 (2019), 3; Abdul Sheriff, "The East African Coast and Its Role in Maritime Trade" in *Ancient Civilisation of Africa*, General History of Africa, Vol. II, ed. G. Mokhtar, (California: UNESCO, 1981), 551-554; Maho Fujita, "Chinese Involvement in Tanzania and its Local Impacts", Honour's Thesis, (Bucknell University, 2017), 12.

of socialism.<sup>30</sup> After the army mutiny and the union between Tanganyika and Zanzibar in 1964, Tanzania strengthened her relations with China by signing the treaty of friendship in 1965.<sup>31</sup> Among others, the treaty “conformed to the fundamental interests of the people of the two countries, helps promote the solidarity between them as well as among Asian and African people and the common struggle against imperialism, and conduces to peace in Asia, Africa and the World.”<sup>32</sup> From then onwards, Tanzania received grants and loans from China to facilitate the construction of Tanzania-Zambia railway line (TAZARA), Tanzania- China Friendship Textile Mill (FTM), Police College training at Moshi, Ubungo farm implements factory, Ruvu state farm, a joint Sino-Tanzania shipping line, medical services and military training just few to mention.<sup>33</sup>

The Tanzania-China Friendship Textile Mill (FTM) was established by using an interest-free loan of 50 million shillings from the Government of the People’s Republic of China and an equity capital of 10 million shillings which was

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<sup>30</sup> Jean-Pierre Cabestan & Jean-Raphaél Chaponnière, “Tanzania-China All Weather Friendship from Socialism to Globalisation: A Case of Relative Decline”, *Discussion Paper* No. 1, (2016), 6

<sup>31</sup> Huruma Sigalla, “Changing Trends in Tanzania-China Relationships: A Sociological Inquiry into the Mixed Perceptions of the Tanzania-China Relationships on the Eve of Globalisation, *Österreich Z Soziol* 39 (2014), 62

<sup>32</sup> *Peking Review*, No. 9, February 26, 1965, 9, quoted in Fujita, 2017, 17

<sup>33</sup> Martin Bailey, “China and Tanzania: A Friendship between Most Unequal Equals” *Millennium, Journal of International Studies* 2, no.1 (1973), 17-31.

provided by the government of Tanzania through the National Development Corporation (NDC). The foundation stone for the construction of FTM was laid by the country's first President Julius K. Nyerere on July 29, 1966 and the construction of the building and erection of the machinery was completed within eighteen months. On July 6, 1968 the mill went into commercial production with an annual production capacity of 24 million square metres and 1,000 tonnes of yarn.<sup>34</sup> With the trade mark of "Urafiki" and freedom torch on manufactured clothes, the Tanzania-China Friendship Textile Mill (FTM) was named to symbolise the friendship between the two countries.<sup>35</sup> During the FTM's opening ceremony, Nyerere congratulated the Chinese government in general and their experts in particular for their painstaking efforts and called for Tanzanians to follow the example of the Chinese hard working spirit towards self-reliance as he said:

Our meeting here to open this textile mill is a matter of great pleasure and pride. This ceremony represents another example of our progress towards self-reliance; in addition, it illustrates that we are prepared to accept assistance which aids our development from other

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<sup>34</sup> URT, *Tanzania Trade and Industry*, No. 17, July-September, 1966, 16; see also URT, NDC Annual Report and Accounts, 1968, 52 and 1969, 60

<sup>35</sup> 'Urafiki' is a *Swahili* meaning of the word "friendship". The names such as Urafiki Police Station or Urafiki bus stop drew from the presence of FTM.

countries. ... such assistance will enable us to be more self-reliant eventually.<sup>36</sup>

Nyerere's speech focused on clarifying two main issues. First, between 1964 and 1967 there were series of foreign companies from Europe, America and Asia which had shown interest to invest in the Tanzanian textile industry.<sup>37</sup> One of these companies was the American based Riegel Textile Company had requested to establish a textile factory in Tanzania.<sup>38</sup> But Nyerere declined the request by Riegel's as well as other companies from Hong Kong, India and other countries. Instead, he went for Chinese loan because it had the potential to help Tanzania own its textile industry on the basis of self-reliance instead of being locked into an industrial development strategy that relied on foreign direct investment by capitalist companies. Although it was difficult to establish the terms of Riegel's investment proposal from the archival sources at hand, the report of the Principal Secretary, Ministry of Mines and Power on President Nyerere's decision to decline Riegel's request indicated that they had more difficult terms.<sup>39</sup> Thus Nyerere's speech on

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<sup>36</sup> URT, "Friendship Textile Industry: A Symbol of Friendship", *Tanzania Trade and Industry*, No. 23, (December, 1968), 10

<sup>37</sup> TNA, Acc. 596: D3210-1-A, Textile General, Ref. no. CIC-61/033/24, June 23, 1965

<sup>38</sup> TNA, ACC. 469: CIC 5/49/0113 (B) Textile Industry, Scheuer & Co., Ltd., 1963-64, From PS, Ministry of Mines and Power to PS Treasury, August 14, 1964.

<sup>39</sup> TNA, ACC. 469: CIC 5/49/0113 (B) Textile Industry, Scheuer & Co., Ltd., 1963-64, From PS, Ministry of Mines and Power to PS Treasury, August 14, 1964.



the inauguration of FTM was an attempt to send a clear message to the world, of the desire by Tanzania to be self-reliant and on socialist basis. The second major issue was that the principles of socialism and self-reliance embodied in the Arusha Declaration were not yet understood not only by foreign countries, but also by Tanzanians themselves including officials in the ruling party, Tanganyika African National Union (TANU). Some of officials seemed to have misunderstood the notion of self-reliance to mean rejection of foreign assistances. When he was addressing the members of TANU in 1967, Nyerere clarified the position of Tanzania and the philosophy of socialism and self-reliance in relation to foreign assistance:

For the Arusha Declaration does not say that Tanzania refuses outside aid or that there is something wrong in receiving it... We are not saying that we will not accept or even that we shall not look for money from other countries for our development... but if we get assistance to carry out our purposes decided by us, then we shall welcome that assistance.<sup>40</sup>

It was therefore imperative to be cautious and selective in picking up foreign assistance as well as foreign investments. By looking at the terms of the agreements signed in January, 1965, the Chinese loan on FTM was economically appealing to the best choice because loan was interest free and was to

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<sup>40</sup> Julius Nyerere, "After Arusha Declaration", Presidential Address to the TANU National Conference held in Mwanza, October, 1967, 3

be paid within a period of ten years, after a grace period of ten years.<sup>41</sup> In the first seven years since its inauguration in 1968, FTM was managed by Chinese expatriates until 1974 when the management of the mills was handed over to the local management team.

In The first ten years FTM's production increased by 31.6 per cent from 9.9 million square metres to 31.6 million square metres.<sup>42</sup> At the national level, textile production increased by 30 per cent from 28.87 million square metres in 1968 to 96.13 million square metres in 1981 while the number of textile establishments increased from nine in 1966 to thirty-seven in the 1985. At its peak in the early 1980s, the contribution of the textile industry to manufacturing output and provision of employment opportunities in the manufacturing sector had reached 25 per cent while providing employment to about 50,000 people.<sup>43</sup> As indicated in table 1, FTM contributed between 27 and 35 per cent of total textile production in the country and produced about one third of all textile products in the country and achieved its production target by a range of between 91 and 107 per cent.<sup>44</sup> Although this seems to be higher achievement, the reality was that production was increasing

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<sup>41</sup> Peter Matutu, "An Analysis of Labour Productivity Trends in Selected Textile Firms in Tanzania, 1976-1988", M.A. Dissertation, UDSM, 1991, 10; URT, NDC Annual Report and Account for the year 1966, 51

<sup>42</sup> For detailed citations see table 1 and Table 3 in this paper.

<sup>43</sup> Vasinathan, "Future of Textile Industry", *Daily News*, September 6, 1996, 6

<sup>44</sup> FTM Company's Production Report, 1

at a decreasing rate as the company had reached the peak of its installed capacity. This is indicated by a sharp decline of production percentage changes as shown in table 1.

**Table 1: Contribution of FTM to Total Textile Production, 1968-1976.**

| Year | Total National Production ('000 sqm) | FTM Production ('000 sqm) | % of FTM to Total Production | % Change of FTM Production |
|------|--------------------------------------|---------------------------|------------------------------|----------------------------|
| 1968 | 28,871                               | 9,991                     | 34.3                         | -                          |
| 1969 | 46,260                               | 15,391                    | 33.2                         | 54                         |
| 1970 | 58,119                               | 15,690                    | 27                           | 1.9                        |
| 1971 | 67,010                               | 19,779                    | 29.5                         | 26                         |
| 1972 | 74,136                               | 21,461                    | 28.9                         | 8.5                        |
| 1973 | 80,764                               | 24,219                    | 29.9                         | 12.9                       |
| 1974 | 86,399                               | 24,815                    | 28.7                         | 2.5                        |
| 1975 | 87,435                               | 24,022                    | 27.4                         | -3                         |
| 1976 | 82,716                               | 28,905                    | 35                           | 20.3                       |

Source: Company Production Records

Furthermore, there was a steady growth in the rate of employment which started with about 2000 in 1968 and by 1976 it had reached 5,185 workers. As compared to the rest of the mills, the per cent of FTM's contribution to total employment in the textile industry was between 19.7 and 21.4

respectively, or about one-fifth of all workers in the textile industry. Also, as indicated in table 2, the increase in the levels of employment at FTM did not result in an increase in the percentage of total employment in the textile industry attributable to employment at FTM because other textile establishments were also increasing their levels of employment.

By 1973 FTM production had reached the peak of its installed capacity. At the national level, the total textiles' installed capacity was 90 million square metres in 1976 while domestic demand for textiles was 120 million square metres and total production stood at 82 million square metres. Such a demand was projected to increase further to 160 million square metres by 1980 and 196 million square metres by 1985.<sup>45</sup> In order to meet such a demand the government was compelled to undertake expansion programme in order to expand the mill's production capacity by installing more machinery and employing more people. The following section focuses on the efficacy of expansion programme

**Table 2. Contribution of FTM to Total Employment in the Textile Industry**

| Year | Total Employment in The Textile | FTM Employment | % of FTM to Total Employment in the Textile | % Change FTM Employment |
|------|---------------------------------|----------------|---|-------------------------|
|------|---------------------------------|----------------|---|-------------------------|

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<sup>45</sup> JMT, Taarifa Rasmi za Bunge, (Hansard), Mkutano wa 7, Sehemu ya 2, Juni 29, 1977, 815

|      | Industry |       | Industry |      |
|------|----------|-------|----------|------|
| 1969 |          | 2,711 |          |      |
| 1970 | 15,460   | 3052  | 19.7     | 12.6 |
| 1971 | 16,845   | 3,303 | 19.6     | 8.2  |
| 1972 | 16,898   | 3,623 | 21.4     | 9.7  |
| 1973 | 19,520   | 3,846 | 19.7     | 6.1  |
| 1974 | 22,303   | 4,815 | 21.6     | 25.2 |
| 1975 | 24,200   | 4,905 | 20.2     | 0.02 |
| 1976 | 26,350   | 5,185 | 19.6     | 5.7  |

Sources: Company Production Records and NDC Annual Reports; Nyoni, p. 38 & 49

#### **4.0 FTM Expansion Programme and Economic Crisis, 1976-1989**

Between 1976 and 1980 Tanzania embarked on a textile expansion programme which was implemented in two ways. First was through expansion of the capacity of the existing four mills namely FTM, Mwatex, Kiltex and Sunguratex. The second approach was through establishment of new mills such as Mbeya Textiles, Musoma Textiles and Morogoro Polyester which were opened in the 1980s. As stated earlier, some of the establishments like FTM had reached the peak of their installed capacities. Furthermore, with increased population, increased exports and restricted imports in the early 1970s, both local and export demands for textiles were projected to exceed production capacities.<sup>46</sup> This would result in domestic shortages, missed export opportunities

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<sup>46</sup> JMT, Hansard, Mkutano wa 7, Sehemu ya 2, Juni 29, 1977, 815

and increased imports. It was also noted by the government that while Tanzania produced more than 450,000 bales of cotton annually, only about 20 per cent was utilised locally.<sup>47</sup> Thus there was a need to convert locally produced cotton into finished yarn, fabrics and manufacture cloth and bags in order to promote a dynamic garment industry.

The need to address those challenges compelled the National Development Corporation (NDC) to contract Kurt Salmon and Associates, Inc. (KSA) to conduct a long-term textile rationalisation study in order to develop an overall expansion plan, which was then translated into the plans of the individual mills. The NDC used the KSA rationalisation study report to plan for the future expansion possibilities, work out cost estimates and the timing of each mill.<sup>48</sup> Also, with realisation of the need to expand the textile industry, the government through the Presidential order of 1973 established the National Textile Corporation (TEXCO) in January, 1974.<sup>49</sup> TEXCO was formed as an independent parastatal organisation whose aim was to promote, manage and supervise all sectoral activities of its group companies

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<sup>47</sup> *Daily News*, Tuesday, October 18, 1977, 5; *Daily News*, Tuesday, October 25, 1977, 5

<sup>48</sup> TNA, Acc. 596, File No. D/3210/2/1, Textile Rationalisation General Correspondence, 1972, From AG Director of Operation (NDC) to Exchange Controller (BOT), October 2, 1972.

<sup>49</sup> Lazaro Swai, 'Public Enterprises' Board of Directors and Performance: The Case of Zana za Kilimo (ZZK) Ltd. Mbeya, National Development Corporation (NDC) and Textile Corporation (TEXCO)', (M.A. Dissertation, University of Dar es Salaam, 995), 136

such as production distribution, marketing, pricing, exports and imports. These functions were previously handled by NDC. After the KSA rationalisation study, the government through the TEXCO appointed Gherzi Textile Organisation (GTO) of Zurich, Switzerland to carry out investigation on a market and marketing of textiles both in Tanzania and other neighbouring African countries and Europe as the basis for future textile projects in the country.<sup>50</sup>

Main problems associated with appointment of Gherzi have been well documented by Rugumamu<sup>51</sup> in that their appointment to undertake the study as well as implementation of their recommendations which resulted in the expansion programme was highly controversial. First, the programme was implemented at a wrong time when economic crisis was just beginning. Second, the World Bank and Multinational Corporations were behind the programme, thus driving force behind the project was more of their profitability instead of interests of Tanzanian textile industry. Third, their recommendations failed to address the high costs of production and overvalued currency which negatively affected the competitiveness of the mills.<sup>52</sup> The fourth problem was that the report failed to address the

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<sup>50</sup> URT, Market, Marketing and Feasibility study for Tanzania's Textile Industry, TEXCO, November, 1976, p. 1;

<sup>51</sup> Severine Rugumamu, "The Textile Industry in Tanzania", *Review of Radical Political Economics* 21, No.4, (1989), 64-68.

<sup>52</sup> Rugumamu, "The Textile Industry in Tanzania", 65

financial and manpower supply constraints which hindered local textile mills as Rugumamu further points out that:

... all the existing textile mills were run by foreign management companies and no comprehensive training programmes were in place.... By the early 1970s, several loan repayments were rescheduled because of poor production performances.... Given the above factors, and all other things being equal, the expansion and export recommendations of the Gherzi report were, to say the least, prescriptions of disaster.<sup>53</sup>

Although the expansion programme was important, it was not an outcome of the development of domestic textile industry as the local conditions in which the programme was to be implemented were downplayed. Rather, it was an outcome of ambitious politically driven government plans which merged with the motives of the World Bank and textile transnationals Corporations who dictated the details of how, when, where as well as the financing of the programme.<sup>54</sup> After the expansion programme the textile industry's installed capacity increased from 90 million square metres between 1976 and 1979 to 200 million square metres in 1980 and then to 252.1 million square metres from 1985 onwards. It should be noted that the expansion programme was implemented at the time when the existing mills were already operating below their installed capacities. Therefore, expansion programme just increased the installed capacities

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<sup>53</sup> *Ibid*, 66

<sup>54</sup> *Ibid*, 64



but not the actual production which by then had started to decline.

The FTM expansion programme started in 1976 and was completed in 1977. It involved an instalment of an additional 216 looms and a modern printing machine.<sup>55</sup> After the implementation of expansion programme it was anticipated that the mill would increase production from 26 to more than 35 million square metres per year and textile production at the national level production would reach 105 million square metres in 1978.<sup>56</sup> However, as indicated in table 3, the country's textile production in 1978 was only 69 per cent of the installed capacity. Actually, from 1978 onwards, while the installed capacity increased as a result of the implementation of the expansion programme, total textile production in the country including at FTM was declining subsequently. At the FTM, production declined by 99 per cent from the highest score of 31.614 million square metres in 1978 to 0.281 million square metres in 1996.

**Table 3: Comparative Figures on Installed Capacity and Production Levels at FTM and the Textile Industry as a Whole, 1977-1995**

| Year | Total Production ('000 sqm) | Total Capacity (Million m <sup>2</sup> ) | FTM Capacity (Million m <sup>2</sup> ) | FTM Production ('000 m <sup>2</sup> ) | % of FTM to total Production | % Change of FTM Production |
|------|-----------------------------|--|--|---------------------------------------|------------------------------|----------------------------|
| 1977 | 78,869                      | 90                                       | 35                                     | 26,169                                | 33.2                         |                            |

<sup>55</sup> "Industries Supplement: The Textile Sector", *Daily News*, October 25, 1977, 5

<sup>56</sup> JMT, *Majadiliano ya Bunge (Hansard)*, Juni 29, 1977, 824.

|      |        |       |    |        |      |       |
|------|--------|-------|----|--------|------|-------|
| 1978 | 72,932 | 90    | 35 | 31,614 | 43.3 | 20.8  |
| 1979 | 85,070 | 90    | 35 | 30,251 | 35.5 | -4.3  |
| 1980 | 93,123 | 200   | 35 | 29,748 | 31.9 | -1.7  |
| 1981 | 96,133 | 200   | 35 | 27,015 | 28.1 | -9.2  |
| 1982 | 86,275 | 200   | 35 | 24,179 | 28.0 | -10.5 |
| 1983 | 59,656 | 200   | 35 | 19,654 | 32.9 | -18.7 |
| 1984 | 57,300 | 200   | 35 | 19,525 | 34.1 | -0.7  |
| 1985 | 63,069 | 252.1 | 35 | 17,087 | 27.1 | -12.4 |
| 1986 | 61,883 | 252.1 | 35 | 14,553 | 25.4 | -14.8 |
| 1987 | 66,600 | 252.1 | 35 | 17,292 | 26   | 18.8  |
| 1988 | 57,100 | 252.1 | 35 | 14,552 | 25.4 | -15.8 |
| 1989 | 70,897 | 252.1 | 35 | 13,816 | 19.5 | -5.1  |
| 1990 | 63,279 | 252.1 | 35 | 14,795 | 23.4 | 7.1   |
| 1991 | 62,820 | 252.1 | 35 | 13,662 | 21.7 | -7.6  |
| 1992 | 73,195 | 252.1 | 35 | 11,681 | 15.9 | -14.5 |
| 1993 | 60,316 | 252.1 | 35 | 11,532 | 19.1 | -1.3  |
| 1994 | 51,357 | 252.1 | 35 | 7,472  | 14.5 | -35.2 |
| 1995 | 31,201 | 252.1 | 35 | 1,904  | 6.1  | -74.5 |
| 1996 | 33,178 | 252.1 | 35 | 281    | 0.8  | -85.2 |

Sources: Company Production Records. See also, Peter Matutu, 1991, p. 15; URT *Statistical Abstracts* for the Respective Years; URT: *Economic Surveys* for Respective Years

At the national level production declined by 67 per cent from its highest production of 96.133 million square metres in 1981 to 31.201 million square metres in 1995.<sup>57</sup> From the late 1970s, several forces were at play in hampering the development of manufacturing firms and the textile industry in particular.

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<sup>57</sup> These statistics are well presented in tables 3 & 4 in this paper.

The crisis was manifested in extreme shortages of commodities, crippling shortage of foreign exchange and low-capacity utilisation and low productivity of the public firms.<sup>58</sup>

The collapse of the manufacturing sector in general and the textile industry in particular has been attributed to several factors. According to the World Bank Report<sup>59</sup> the failure of government policies which were characterised by excessive state interventions, overprotective industrial policies, poor management of exchange rates and delays in making macro-economic adjustments were the main reasons for the decline of industrial sector in Tanzania.<sup>60</sup> These explanations came with the proposed alternative measures which called for implementation of economic reforms which among others it included the adoption of market driven economy as the best approach to economic prosperity. Countries which were regarded as bad performers were blamed for failing to adapt to the demands of globalisation as they were regarded as

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<sup>58</sup> Brian Van Arkadie, "Economic Strategy and Structural Adjustment in Tanzania", *World Bank PSD Occasional Paper* No. 18, (1995), 3; Samuel Wangwe & Haji Semboja, "Impact of Structural Adjustment on Industrialisation and Technology in Africa", In *African Voices on Structural Adjustment: A Companion to Our Continent, Our Future*, edited by Thandika Mkandawire & Charles Soludo (Ottawa: Africa World Press, Inc., 2003), 163

<sup>59</sup> *World Bank*, "Tanzania: An Agenda for Industrial Recovery June 30, (1987), 15-16

<sup>60</sup> *World Bank*, "Tanzania: An Agenda for Industrial Recovery", 15-16

pursuing bad policies.<sup>61</sup> In putting an emphasis on the failure of government policy, Samuel Wangwe cites:

Inward looking import substitution industrialisation policies shielded firms from competitive pressure. Investors were securing niches and preventing rivals from entering domestic or regional markets. ... Profitability was assured irrespective of the level of efficiency... The exchange rate was overvalued, rendering imports cheaper than under free market conditions... Resource allocation favoured expansion rather than efficient utilisation of the capacities which had already been created.<sup>62</sup>

Apart from policy issues, other factors which constrained the development of industrialisation in Africa were the impact of global oil crisis, impact of Kagera war, collapse of East African Community, inadequate institutional capacities, weak linkages between an industry and other sectors, inadequate infrastructure, low levels of human developments and low investments in technology and technology learning.<sup>63</sup> Other forces were unreliable power,

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<sup>61</sup> Kiely, *Clash of Globalisation*, 2; Soludo, "Industrialisation and Growth in Sub-Saharan Africa: Is the Asian Experience Useful?" 103

<sup>62</sup> Wangwe, "Economic Reforms, Industrialisation and Technological Capabilities", 357-358.

<sup>63</sup> URT, National Economic Survival Programme, 1981/82, p. 1; George Kahama, *et al. The Challenge for Tanzania's Economy*, (London: James Currey, 1986), P. 95; Coulson, *Tanzania* (2013), 354; *World Bank*, "Tanzania: An Agenda for Industrial Recovery, 15-16; Gray, "Industrial Policy and the Political Settlement in Tanzania, 190; Msami & Wangwe, "Industrial Development in Tanzania" 2016, p. 170; Benno Ndulu, "Stabilisation and Adjustment Policies and Programmes: Country Study,

communication systems, workers with inadequate education and health protection and arbitrary regulations and judicial systems.<sup>64</sup> Scrutiny of these factors suggests that in comparison with other parts of the world, Africa faced difficulties in attracting investment in manufacturing sector.

The global economic crisis resulted in shortage of spare parts, chemicals, raw materials and financial resources. During the crisis, the textile establishments faced the problem of high financial charges caused by two major issues. First, the mill paid high interest rates for its bank overdrafts and other loans at the same time as production was already declining. The company's cash flow and profitability were thus gravely undermined. Second, the payment of fines to the government due to delayed payments of sales tax, also due to liquidity constraints, was another setback. For example, between 1989 and 1991 the Company paid TAS 203.9 million to the government as a penalty for non-payment of sales tax.<sup>65</sup> Apart from the impact of the crisis, FTM was faced with the problem of

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Tanzania", *World Institute for Development and Research* 1987, 11; Wangwe, "Economic Reforms, Industrialisation and Technological Capabilities in Tanzanian Industry", 2001, 358-363.

<sup>64</sup> Fredrick Cooper, *Africa since 1940: The Past of the Present*, (Cambridge: Cambridge University Press, 2002), 102.

<sup>65</sup> Dodoma Record Centre, WVB/I.20/6 Tanzania-China Friendship Company Ltd., A Speech by FTM GM to CCM General Secretary and Minister H. Kolimba, dated June 17<sup>th</sup>, 1992, 4

outdate machinery which needed major rehabilitation.<sup>66</sup> However, for the period between 1977 and 1984, FTM's production accounted for more than one-third of the total textile production in the country. This meant that although there was a downward trend in production, still the mill was doing better than the other mills for two main reasons. First, the technology and machinery of FTM was friendlier than those of other mills such as Mwatex. As pointed out by Coulson, although FTM machinery was much more labour intensive than that of Mwatex which was more capital intensive the former produced more efficiently and at low cost than the latter.<sup>67</sup> Second, because FTM was fully owned and managed by the state, it was likely to have received more government intervention than the rest of the mills in the country.

Another impact of the crisis was the hiking prices of power. Just to cite one case, the price of electricity bills increased from 12.6 million shillings per month in July 1992 to over 43.0 million shillings per month in July 1993.<sup>68</sup> This means that the price increased by 342 per cent, while the selling price of the produced textiles remained unchanged. The FTM General Manager had the view that increasing the prices of

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<sup>66</sup> Dodoma Record Centre, WVB/B.10/7, Economic Recovery Programme (ERP), 1988-1993, External Recurrent Requirement, Ministry of Finance, Economic Affairs and Planning, May, 1986, 11

<sup>67</sup> Coulson, *Tanzania* (2013), 330.

<sup>68</sup> Dodoma Record Centre, WVB/20/6, Tanzania-China Friendship textile Company, A Correspondence from FTM General Manager to Principal Secretary, Ministry of Industry and Trade, August 11, 1993.

textiles could not help rescue the situation because of importation of second-hand clothing which had already started following the implementation of trade liberalisation. The situation was the same with the case of water supply interruptions.

Furthermore, the crisis led to increased indebtedness from various sources which paralysed company's operations. As indicated in table 5, by the end of December, 1992, the FTM had a total outstanding debt of Tanzanian shillings 3.2 billion owed to various creditors. Because of devaluation of the local currency against dollar and other major currencies, debt servicing was inflated, making it difficult for the company to pay foreign loans. Instead, the FTM and several other textile establishments were forced to reschedule debts on the basis of the exchange rate ruling. Although the management of TEXCO had called for government intervention to carry the burden of paying the additional debts which arose from the devaluation of currencies, the government was also unable to repay.<sup>69</sup>

**Table 5: Friendship Textile Mills Indebtedness as of 31 Dec. 1992**

| S/N | Debt Item                     | Debt (Tshs) |
|-----|-------------------------------|-------------|
| 1   | Creditors and current account | 673,801,789 |
| 2   | Sales Tax recoveries          | 879,420,564 |

<sup>69</sup> "TEXCO Companies' Foreign Debt is 50bn/- Report", *Daily News*, September 27, 1989, 3

|    |                                    |                      |
|----|------------------------------------|----------------------|
| 3  | Interests on loans                 | 174,091,439          |
| 4  | Sales tax penalties                | 582,488,294          |
| 5  | Moller fund                        | 86,508,650           |
| 6  | Bulgarian fund                     | 82,680,000           |
| 7  | Current maturity of long-term loan | 230,840,123          |
| 8  | Treasury (short term loan)         | 25,950,000           |
| 9  | Long term loan (TIB)               | 159,016,820          |
| 10 | Bank overdraft                     | 320,344,972          |
|    | <b>Total</b>                       | <b>3,215,142,651</b> |

**Source:** National Textile Corporation: Input to Textile Policy Paper, 1994, Annexure C

The FTM responded to the crisis through retrenchment of workers from 5,671 employment level in 1978 to 3,863 in 1990 and to further 2000 workers in 1996 in an attempt to minimise operational costs of the company.<sup>70</sup> The impacts of retrenchment were two folds. First, some of the retrenched workers resorted to use legal measures to demand for their rights.<sup>71</sup> Second, those who remained on employment had irregular payment of salaries which resulted in frequent industrial riots. One remarkable incidence was that of

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<sup>70</sup> "Urafiki Saved um Through Redundancy", *Daily News*, May 15, 1985, 3; *Daily News*, April 26, 1985, 3

<sup>71</sup> "Urafiki Officials Testify on Redundancy", *Daily News*, April 26, 1985, 3; "Urafiki Redundancy Dispute, PLT Winds Inquiry", *Daily News*, May 22, 1985, 3



November 22, 1991 when workers rioted against delayed salaries. The attempt by the factory's management, the police and the District Commissioner to reconcile them failed. They initially mobbed the gate to block the management from leaving the premises. When the police tried to threaten them by using dogs and firing the bullets the workers responded by throwing stones which hit vehicles and broke windows of some of the factory buildings.<sup>72</sup> The existing archival evidence indicates that whenever workers-management conflict arose, the general impression of the workers was that the mill was being sabotaged by the management team who were conducting a series of unproductive meetings in which they get paid allowances which costs the mill.<sup>73</sup>

**Table 4: FTM Employment Compared to Total Employment in the Textile Industry, 1977-1989**

| Year | Total Employment | FTM Employment | % of FTM to total Employment |
|------|------------------|----------------|------------------------------|
| 1977 | 28,500           | 5,268          | 18.4                         |

<sup>72</sup> "Urafiki Riot Over Pay", *Daily News*, Saturday, November 23, 1991, 1

<sup>73</sup> "Wafanyakazi Wadai Uongozi Uondolewe", *Uhuru*, Tuesday, September 13, 1994, 1 & 7.

|      |        |       |      |
|------|--------|-------|------|
| 1978 | 30,697 | 5,671 | 18.4 |
| 1979 | 30,962 | 5,383 | 17.3 |
| 1980 | 32,977 | 5,383 | 16.3 |
| 1985 | 32,789 | 4,243 | 12.9 |
| 1986 | 35,907 | 4,221 | 11.7 |
| 1987 | 39,505 | 4,264 | 10.8 |
| 1988 | 32,503 | 4,029 | 12.3 |
| 1989 | 30,649 | 3,859 | 12.6 |
| 1990 | 31,668 | 3,863 | 12.2 |

**Source:** FTM Company Employment Records; Peter Matutu, 12;  
Timothy Nyoni, 49

### 5.0 FTM Rehabilitation Programme, 1990-1995.

One of the policy responses of the post-1986 economic reforms was the need to improve the utilisation of the existing industrial capacities instead of creating new ones. This policy was implemented through financing of rehabilitation of the machinery and infrastructures of the respective state owned industries including the textile industry.<sup>74</sup> It was in this context that on June 21<sup>st</sup>, 1990, Tanzania and China signed an agreement on Economic and technical cooperation in Peking in which China agreed to provide an interest-free loan of RMB Yuan 50,000,000 (equivalent to \$8.5 million) to FTM for a rehabilitation programme within five years from 1<sup>st</sup> July, 1990 to 30<sup>th</sup> June,

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<sup>74</sup> Humphrey Mushi, "The Impact of Reforms in Tanzania: The Case of Privatised Manufacturing Industries" In *The Industrial Experience of Tanzania*, edited by Adam Szirmai and Paul Lapperre, (New York: Palgrave, 2001), 343

1995.<sup>75</sup> The rehabilitation was an outcome of consultations between the two countries on best approach to modernise the mill.<sup>76</sup> In this agreement, the government of China agreed to help the government of the United Republic of Tanzania rehabilitate the equipment of the Friendship Textile Mill. According to the agreement, the rehabilitation was expected to cover three main areas. In the first place, it covered replacement of equipment for twenty thousand spindles in the spinning section. Second, it was aimed to provide spare parts for overall repair of the spinning, weaving and printing-dyeing equipment, and appropriate maintenance of the public utilities of boilers, refrigeration and air conditioning. Furthermore, it aimed to supply the maintenance equipment and tools to raise the capacity of maintenance.<sup>77</sup>

According to the implementation contract signed on 8<sup>th</sup> March, 1992, the loan was not supposed to be provided in monetary form, but rather in the form of machineries, spare parts and expatriates technical personnel. Regarding the latter, the Chinese government was obliged to dispatch fifty

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<sup>75</sup> Dodoma Record Centre, WVB/C/20/6, Tanzania-China Friendship Co. Ltd, Correspondence from Ps. Ministry of Finance to GM- FTM, "Protocol Between Tanzania and China", Ref. No. TYC/450/2, September 23, 1990.

<sup>76</sup> JMT, Hansard, Agosti 17, 1993, 4565; "Urafiki Gears Up for Competition", *Daily News*, Wednesday, July 7, 1993, 5

<sup>77</sup>Dodoma Record Centre, WVB/C/20/6, Tanzania-China Friendship Co. Ltd, Protocol between URT and the Government of the People's Republic of China on Provision of Equipment and Spare Parts for the Rehabilitation of FTM, Article I, P. 1.

engineering and technical personnel to come to Tanzania to organise the implementation of the project.<sup>78</sup> On its part, the Tanzanian government was responsible for completion of the formalities of customs declaration, clearance, duty-free status, store keeping and claiming of goods after their arrival at Dar es Salaam port. The government was further obliged to aid in purchasing local materials, fuel, free water, electricity, as well as housing and utilities.

Both oral testimony and archival sources shows that rehabilitation of FTM was implemented under a very difficult situation because of inadequate funding from the government. Since the government was responsible for financing local procurement, implementation of this commitment was constrained by the economic crisis of the time which faced the country. In the government budget for the financial year 1993/1994, phase one of the project was allocated TAS 542 million, but during implementation the government manage to disburse only 150 million shillings.<sup>79</sup> The FTM management resorted to using its own funds to fill the gap, with expectation that the government would refund

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<sup>78</sup> Dodoma Record Centre, WVB/C/20/6, Tanzania-China Friendship Co. Ltd, Protocol Between URT and the Government of the People's Republic of China on Provision of Equipment and Spare Parts for the Rehabilitation of FTM, Implementation Agreement

<sup>79</sup> Dodoma Record Centre, WVB/F.40/7; TEXCO Finance, Correspondence from TEXCO Management to Permanent Secretary, Ministry of Industry and Trade, dated 24<sup>th</sup> August, 1994; Also a correspondence from PS, Ministry of Industry and Trade to Executive Secretary, Planning Commission, dated 12<sup>th</sup> September, 1994.

the money within a short time.<sup>80</sup> Thus, the first phase ended with a total local expenditure of TAS 409, 328, 902 shillings. But the government was not in a position to provide the funds as expected. By 30<sup>th</sup> June, 1994, the first phase of the rehabilitation which involved installation of the spinning and weaving machines on mill number one was completed as planned. However, since the management had reallocated the working capital to finance rehabilitation which the government failed to refund, they failed even to buy cotton worth 285 million shillings. This led to a delay of commissioning of the mill number. The outcome of such decisions was that while mill number one was closed for eleven months for rehabilitation, mill number two failed to operate because of liquidity problems. All these problems led to a drop of production by about 40 per cent.<sup>81</sup>

Phase two of the rehabilitation programme involved mill number two which was also for spinning and weaving. The total cost for this phase was 629 million shillings, out of which the government allocated only 100 million shillings which was used to purchase cotton. This amount could not take the programme anywhere. When a Parliamentary committee visited the mill in June, 1994, the General

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<sup>80</sup> Dodoma Record Centre, WVB/C/20/6, Correspondence from FTM GM to Director, TEXCO, dated November 4, 1993

<sup>81</sup> Dodoma Record Centre, WVB/F.40/7; TEXCO Finance, Correspondence from TEXCO Management to Permanent Secretary, Ministry of Industry and Trade, dated 24<sup>th</sup> August, 1994; Also, a correspondence from PS, Ministry of Industry and Trade to Executive Secretary, Planning Commission, dated 12<sup>th</sup> September, 1994

Manager pleaded for the disbursement of 600 million shillings to complete rehabilitation:

We call for urgent disposal of funds to run the industry, short of which we will be forced to close down. ... The working capital is still very low, and we are put off from seeking loans from banks because the interest rates have escalated.<sup>82</sup>

The General Manager's request came at the time when the entire textile industry in the country was on the verge of collapse. Within one month since the visit of the Parliamentary Committee to FTM, the National Textile Corporation (TEXCO), together with other textile establishments such as Mwatex, Mutex, Kiltex and Sunguratex were placed under receivership by Loans and Advances Realisation Trust (LART). All the management and technical services hitherto offered by TEXCO to its group companies ceased effectively from July 21<sup>st</sup> 1994.<sup>83</sup> The liquidation of TEXCO and its group companies was disastrous to FTM because it was at this time that the latter needed financial and administrative support to accomplish rehabilitation. It can be argued therefore that rehabilitation was completed under a difficult condition.

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<sup>82</sup> "The Mill Needs 600/-m", *Daily News*, Monday, June 20, 1994, 3

<sup>83</sup> Dodoma Record Centre, WVB/I. 20/6, Tanzania-China Friendship Textile Company Ltd., 1989-1999, Correspondence from E. Banduka (TEXCO) to FTM General Manager, September 15<sup>th</sup> 1994.

Towards the end of the rehabilitation, the management of FTM was optimistic that production and profitability of the mill would increase from the annual rate of 15 million square metres during the late 1980s to 27.5 million square metres.<sup>84</sup> However, throughout the period of rehabilitation there was no sign of recovery. One of the reasons which were put forward by the Chinese Ambassador during the handing over ceremony after the completion of rehabilitation programme was that between 1990 and 1995 some of the machines which were not involved in the rehabilitation did not operate and hence caused a great loss.<sup>85</sup> If this argument was to be acceptable, then one could expect FTM to recover immediately after completion of rehabilitation. In contrast, production declined sharply from 7.472 million square metres in 1994 to 1.9 million square metres in 1995 and further to 0.281 million square metres in 1996.<sup>86</sup> Furthermore, contribution of FTM to the total textile production in the country declined from 14.5 per cent in 1994 to 0.8 per cent in 1996, while the rate of decline rose from negative 35 per cent in 1994 to negative 85 per cent in 1996.

Thus, despite the implementation of rehabilitation programme, the company failed miserably due to aged machinery, liquidity problems, indebtedness, utility

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<sup>84</sup> "Uzalishaji Urafiki Kuongezeka" *Uhuru*, Ijumaa, October 7, 1994, 5

<sup>85</sup> "Urafiki Kuingia Ubia na Wachina", *Uhuru*, Jumamosi, Septemba 2, 1995, 3

<sup>86</sup> See table 3.

problems, lack of spare parts and chemicals.<sup>87</sup> At this juncture, it is worth noting that rehabilitation programme had nothing to do in improve performance of FTM but had subjected the government to non-payable foreign loan. Tanzanian government was expected to make repayment of the loan in ten equal annual instalments over a period of ten years, from 1<sup>st</sup> July, 2000 to 30<sup>th</sup> June, 2010.<sup>88</sup> However, oral sources from the mill indicate that out of the ten instalments, it was only one or two instalments that were made by the Tanzania government. The rest of the loan reportedly remained unpaid to date.<sup>89</sup>

After the completion of rehabilitation programme, the FTM's annual installed capacity had reached 28 million square metres. But the company failed to perform well due to liquidity problem. Thus, completion of rehabilitation programme in 1995 marked a turning point in the history of FTM as the government started negotiations with Chinese government on its privatisation. As a result, the company was privatised on a joint venture basis in 1996 to a Chinese based Company. The next section examines the impact of

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<sup>87</sup> URT PSRC Research Study on Privatisation Impact, 2004, 2

<sup>88</sup> Dodoma Record Centre, WVB/C/20/6, Tanzania-China Friendship Co. Ltd, Protocol between URT and the Government of the People's Republic of China on Provision of Equipment and Spare Parts for the Rehabilitation of FTM. Agreement on Economic and Technical Cooperation between the Government of the URT and the Government of the People's Republic of China, Article 1-3

<sup>89</sup> Interview with Thomas Mushi, at Friendship Textile Company, May 28<sup>th</sup>, 2021.



implementation of neo-liberal policy, particularly the joint venture privatisation on FTM between 1996 and 2020.

### **6.0 Friendship Textile Company (FTC) after Joint Venture Privatisation, 1996-2020**

Politically, the year 1995 was an important landmark in understanding privatisation policies in Tanzania. The year was marked by Benjamin William Mkapa coming into power as President of Tanzania. In contrast with his predecessor, Mkapa was well renowned for promoting and pushing privatisation agenda. Within one year of his presidency, Tanzania inaugurated the *Sustainable Industrial Development Policy* (SIDP-1996-2020) which was followed by the *Tanzania Development Vision 2025* in 1998. These policy documents changed the country's trajectory of industrial policy by putting an emphasis on private sector led export-oriented industrialisation. The SIDP came in as a successor to Basic Industrialisation Strategy (BIS-1974-1994) which had failed miserably. Thus from 1996 onwards Tanzania implemented privatisation policy more vigorously.

At the FTM, the completion of rehabilitation programme marked the beginning of new era. During the handing over ceremony after rehabilitation, the Chinese ambassador convincingly declared that joint venture privatisation would change FTM from loss making to high productivity and give rise to production of quality goods that would attract

customers and hence make profit.<sup>90</sup> Thus privatisation of FTM through a joint venture was made in anticipation of improved production, rise in employment, provision of training and development of human resources, rehabilitation of the factory, increased government revenue, improved technology and a boost of the company's profitability. However, despite expectations for recovery, the FTC continued to make losses throughout the period of its privatisation and hence failed to discharge the national economic reform objectives as well as the Company objectives for which the joint venture contract (JVC) was signed. In the following paragraphs I examine each of the joint venture agreement and assess whether its implementation was successful or not.

The first objective of the JVC was to increase employment opportunities and the training and development of human resources whereby retrenchment was regarded temporary phenomenon. It was expected that more workers would be employed after taking serious rehabilitation measures and making appropriate investments. Before privatisation, FTC had a labour force of about 2,800 workers out of which 1,250 workers were on work while 1530 were on leave without pay.<sup>91</sup> However, in the first ten years of JVC, FTC remained with only 1,250 workers, the number which represents the

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<sup>90</sup> "Urafiki Kuingia Ubia na Wachina", *Uhuru*, Jumamosi, Septemba 2, 1995, 3

<sup>91</sup> URT, Presidential Parastatal Sector Reform Commission (PSRC) Report on Privatisation Impact Study, 2004, Pp. 40-42

inherited at the time of the contract. Although statistics on table 6 shows that by 2004 there were 1,533 workers, which contradicts with the 2004 PSRC report which indicate 1,250 workers, oral sources indicate that statistics of manpower displayed in the reports includes casual workers<sup>92</sup> while the PSRC report excluded the casual workers. This means that those who were on leave without pay were declared redundant and were never recruited again. From then onwards the number continued to decrease and by 2018 the company had below 500 workers.<sup>93</sup> Furthermore, because there was no new technology that was acquired, there was also no training of employees and the existing infrastructure for training was closed.<sup>94</sup>

The second objective in the JVC was to increase production and profitability. The Company's production records indicate that in the first ten years of privatisation, production increased by 98 per cent from 0.281 million square metres in 1996 to 16.604 million square metres in 2006. However, the trend was reversed as production declined by 79 per cent from 16.604 million square metres in 2006 to 3.486 million square metres in 2017. As shown in table 6, yarn production in the spinning department increased from 1,393,000 kilograms in 1997 to 1,863,000 kilograms in 2004 but from

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<sup>92</sup> An interview with Thomas Mushi, FTC, 15<sup>th</sup> September, 2021

<sup>93</sup>URT Presidential Parastatal Sector Reform Commission (PSRC) Report on privatisation Impact Study (2004). Phillip & Co.

<sup>94</sup> URT, Proposal for Divestiture of Friendship Textile Company Ltd., 2018, p.4

then onwards it declined to 795,000 kilograms in 2017. In the weaving department production increased from by 47 per cent from 7 million metres in 1997 to 13 million metres in 2004 and from then onwards it declined sharply by 75 per cent to 3 million square metres in 2017. The decline in production correlates with decline in profitability as between 1996 and 2017 the Company made accumulated losses of TAS 33 billion in twenty years from 1997 to 2017.

Furthermore, this study found that using production figures as a benchmark for examining performance of FTC would lead to wrong conclusion because instead of producing grey fabrics locally, the Company imported grey fabrics which were used in the finishing stage.<sup>95</sup> By 2016 the FTC had closed its production processes<sup>96</sup> except for the finishing section which continued to operate until 2017 by using fabrics imported from China. In the finishing stage, the fabrics undergo design, colouring and printing to suit customers' preferences.<sup>97</sup> Importation of fabrics is not only an FTC case, but both a national and an African phenomenon as reiterated by Siraju Kaboyonga, the Member of the Parliament (MP) in 2007 when contributing on the budget speech for the Ministry of Industry and Trade:

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<sup>95</sup> URT, Proposal for Divestiture of Friendship Textile Company Ltd., 2018, p. 6

<sup>96</sup> URT, National Five-Year Development Plan, 2016/2017-2020/2021, June 2016, P.30

<sup>97</sup> Interview with Thomas Mushi, Ludovick Moshi and Mariam Machemba at Friendship Textile Company, Dar es Salaam, April 23, 2021.

. . . *tunacho kiwanda kimoja kinaitwa Karibu Textiles hapa Tanzania. Kweli kinatengeneza khanga na vitenge, lakini suala la kujiuliza wanatengeneza khanga na vitenge kutokana na grey cloth gani? Ukweli ni kwamba wanatengeneza khanga na vitenge kwa grey cloth ambayo imeagizwa Kutoka nje... na huko nje wametumia cotton iliyotoka Tanzania... halafu sisi tunasema tunatengeneza khanga na vitenge.*<sup>98</sup>

The English translation of this phrase is as shown below.<sup>99</sup>

. . . we have one industry called *Karibu Textiles* here in Tanzania. It is true that it produces khanga and vitenge, but a question to ask ourselves is that they produce khanga and vitenge by using which grey cloth? The truth is that they produce khanga and vitenge by using imported grey cloth... and at abroad they make grey cloth by using cotton from Tanzania, and we say we are producing khanga and vitenge.

The argument here is that one may proudly use production statistics to show that the factory is working in the general picture of an integrated textile mill which in actual sense it is not. An integrated textile mill is the one which spins cotton to produce yarn, and weave yarn to produce grey fabrics and finally the fabrics is used to produce textile materials such as khanga, vitenge or any other type of cloth.<sup>100</sup> As pointed by

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<sup>98</sup> JMT, Majadiliano ya Bunge (Hansard), Mkutano wa 8, Kikao cha 33, July 27, 2007, 115-116.

<sup>99</sup> Researchers own translation

<sup>100</sup> URT, Bureau of Statistics, 1965, p. 7

Tang Xiaoyang, majority of cotton in Africa is exported to Asia while the apparel sector imports all its fabrics from Asia.<sup>101</sup> This practice is more or less similar with the famous statement used to describe colonial economy in Africa that *we produce what we don't consume and consume what we don't produce.*

What the investors do after privatisation is only the last phase of production which does not fit to be regarded as integrated textile mill and may partly explain the failure of the mill. From 2018 to the present, the FTC has ceased production in all three departments of spinning, weaving and finishing. All employees were sent home except for the heads of departments and some few assistants. Oral informants at the mill pointed out that instead of being retrenched, those who were on permanent employment contracts continued to be paid their salaries even when they did not work. This was due to fear by the management that workers had to be paid terminal benefits if they get retrenched, a decision which could not be afforded by the Company.<sup>102</sup> Instead the company has to wait until an employee reaches retirement age. One of the officials at FTC pointed out that retirement of an FTC worker is a relief to the company because we do not employ new workers.”<sup>103</sup>

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<sup>101</sup> Tang Xiaoyang, “The Impact of Asian Investment on Africa’s Textile Industries”, *Carnegie-Tsinghua Centre for Global Policy*, August, 2014, 25

<sup>102</sup> Interview with Thomas Mushi, at Friendship Textile Company (FTC), 16<sup>th</sup> March, 2022.

<sup>103</sup> *Ibid.*

The Third objective was rehabilitation and expansion of the factory. It was initially agreed that all 162 machines in the spinning Mill II to be removed and disposed in the year 2006 and to install new modern machines. However, that plan has never been implemented and the place has been turned into a go-down. On November 1, 2011, members of the Parliamentary Committee on trade and Industry toured FTC and described what they saw as “deliberate sabotage”.<sup>104</sup> The investor was allegedly reported to be dismantling the machinery and was selling it as a scrap metal. It further pointed out that the management had failed to explain how it spent the \$27 million that was advanced by the government to renovate the factory. After touring the factory premises, one of the MPs, Ms Chiku Abwao said, “from what we have observed, the current investor has invested nothing. A select committee should be formed to investigate the matter.”<sup>105</sup> Another MP, Hamoud Abuu Juma remarked, “you can tell from the workers faces and how they are dressed that things are not well.” When it reached the time to ask workers, one of them disclosed information that the factory had been dormant and that what the management did on a particular visit by MPs was to make a show off by calling engineers to resumed operations to hoodwink the MPs.<sup>106</sup> Hoodwinking tendencies are not uncommon in public projects. For example, in one incidence, the Prime Minister

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<sup>104</sup> “Ailing Urafiki Baffles MPs”, *Daily News*, November 2, 2011, 1

<sup>105</sup> *Ibid.* 3

<sup>106</sup> *Daily News*, *Ibid.*

went to launch water project in Hedaru in 2019 but just to find that water was not flowing from the pipe.<sup>107</sup> In another case, an electricity project that was launched by the Minister for energy in Uyui District in 2015 during election campaigns did not continue after the contractor left after election.<sup>108</sup> Turning back to the case of FTC, it can be argued that the investor had no intentions and was not prepared to rehabilitate the factory.

**Table 6. Friendship Textile Company (FTC) Manpower and Production Trend, 1997-2017**

| Year | National Textile Production<br>ooo m <sup>2</sup> | FTC Manpower | FTC Production Department |                    |                       |
|------|---|--------------|---------------------------|--------------------|-----------------------|
|      |   |              | Spinning<br>ooo kgs       | Weaving<br>ooo Mts | Processing<br>ooo Mts |
| 1997 | 41,706  | 2,000        | 1,393                     | 7,063              | 6,928                 |
| 1998 | 45,546  | 1,943        | 1,310                     | 6,817              | 7,089                 |
| 1999 | 49,757 <sup>109</sup>                             | 1,763        | 1,232                     | 7,380              | 6,975                 |
| 2000 | 73,566  | 1,624        | 1,135                     | 7,809              | 8,361                 |
| 2001 | 84,325  | 1,345        | 1,249                     | 7,990              | 9,808                 |
| 2002 | 106,305   | 1,294        | 1,513                     | 10,586             | 11,600                |
| 2003 | 116,714   | 1,410        | 1,471                     | 10,187             | 12,129                |
| 2004 | 111,637   | 1,533        | 1,863                     | 13,532             | 14,472                |
| 2005 | 102,532   | 1,514        | 1,699                     | 12,400             | 15,133                |

<sup>107</sup> [Waziri Mkuu, Kassim Majaliwa amsimamisha kazi Mhandisi wa Maji Wilaya ya Same | JamiiForums](#)

<sup>108</sup> [www.parliament.go.tz/polis/members/636/supp-answers](http://www.parliament.go.tz/polis/members/636/supp-answers). Accessed on 28<sup>th</sup> October, 2022

<sup>109</sup> JMT, *Hali ya Uchumi wa Taifa, Mwaka 2005*, 177



|      |                        |       |       |        |        |
|------|------------------------|-------|-------|--------|--------|
| 2006 | 146,600 <sup>110</sup> | 1,576 | 1,766 | 12,481 | 16,604 |
| 2007 | 139,000                | 1,512 | 1,681 | 12,031 | 13,538 |
| 2008 | 140,000                | 1,142 | 997   | 6,812  | 10,709 |
| 2009 | 91,501                 | 1,132 | 1,130 | 7,310  | 8,000  |
| 2010 | 120,000                | 1,086 | 1,130 | 8,076  | 8,549  |
| 2011 | 101,820 <sup>111</sup> | 656   | 268   | 1,809  | 1,915  |
| 2012 | 81,437                 | 694   | 615   | 3,888  | 3,599  |
| 2013 | 97,522                 | 818   | 730   | 4,733  | 5,301  |
| 2014 | 119,458                | 913   | 603   | 4,787  | 4,886  |
| 2015 | 100,491                | 861   | 687   | 4,723  | 4,974  |
| 2016 | 76,436                 | 826   | 635   | 4,043  | 4,150  |
| 2017 |                        | 795   | 546   | 3,391  | 3,486  |

**Source:** URT, Proposal for Divestiture of Tanzania-China Friendship Textile Company (FTC), 2018, pp.8-9; Hali ya Uchumi wa Taifa, 2005, p. 177; 2010, p. 209; 2016, p. 206.

The fourth objective of the JVC was to enhance transfer of technology and management skills from Chinese experts to Tanzanian nationals but this objective was never implemented. While the world has moved from using shuttle-looms technology to shuttle-less technology for weaving, FTC was still using shuttle looms. Instead, FTC continued with out-dated technology. Furthermore, the Chinese management was supposed to hold the top positions but, as part of the succession plan and be deputized by Tanzanians. However, for more than 20 years of the company's operation, this objective has not been effectively

<sup>110</sup> JMT, *Hali ya Uchumi wa Taifa, Mwaka 2010*, 209

<sup>111</sup> JMT, *Hali ya Uchumi wa Taifa. Mwaka 2016*, 206

implemented.<sup>112</sup> Also, the joint venture aimed to maximize government revenue through taxes and dividends. However, because of low production, losses and retrenchment of workers no dividends have been paid to the government. Surprisingly, the audit report for 2015 indicates that the Chinese shareholder received dividends during the second year of investment without knowledge of those concerned on the Tanzanian side.<sup>113</sup>

Furthermore, although the joint venture was intended to promote environmentally friendly production facilities and to bring effluent treatment and waste disposal to internationally accepted levels by preventing spillage and ensuring conservation of natural resources, this objective was not implemented since effluent treatment ponds were not constructed.<sup>114</sup> Furthermore, the investor compromised the dimensions of *Khanga* and *Vitenge* fabrics by reducing their dimensions from 116 to 107 centimetres which made customers complain about their small size. They also bypassed necessary procedures during processing of finished products which led to poor quality. For example, they were not using steam in desizing which resulted in poor dye penetration.<sup>115</sup> The company was also faced with the lack of maintenance of machines and failure to acquire modern testing sets of equipment whose outcome was failure to

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<sup>112</sup> *Ibid.* 4-5

<sup>113</sup> URT, Proposal for the Divestiture of FTC, 5

<sup>114</sup> *Ibid.* 6

<sup>115</sup> *Ibid.*

properly test the quality of products to be exported and hence rejection by importing countries.<sup>116</sup>

Following these failures on the part of the investor, the Tanzanian government prepared a proposal in 2018 for the divestiture of FTC with three options. The first option was based on conversion of debt into equity. If implemented, the shareholding structure between Tanzania and the Chinese investor would have been 67% and 33% respectively. The second option was conversion of debt and accumulated losses in which Tanzania would have owned 73% of shares while Chinese investor would have remained with 27%. The Third option was to convert debt, accumulated losses and the additional loan of RMB Yuan 5 million received by Changzhou Office. If implemented, this approach would bring 72% of shares on the part of the government and 28 for Chinese investor.<sup>117</sup> In March 2019, the two parties held a meeting in Dodoma to discuss the government's proposal for the divestiture of FTC. The Tanzanian government pressed for removal of the Chinese investor, but the Chinese investor proposed replacement of the investor with another Chinese investor.<sup>118</sup> If this proposal were to be agreed upon, it would have been just like the replacement which was made in 2003 in which the Company remained in the hands of the Chinese but a new investor took over the company. The Dodoma

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<sup>116</sup> *Ibid*, 7

<sup>117</sup> *Ibid*, 10-11

<sup>118</sup> Interview with Adam Zuku, Dar es Salaam, November 10, 2021.; Thomas Mushi (FTC), Dar es Salaam, November 11, 2021.

meeting ended without a consensus. Oral sources indicate that since then no measures have been taken following the outbreak of covid-19 in 2020.

## **7.0 Conclusion**

This paper has documented a history of the Tanzania-China Friendship Textile mills from 1968 to 2020 in the context of changing policies and their implementation. Both archival and oral sources strongly indicate that FTM performed well between 1968 and 1980 despite some challenges which faced the country at the time. The good performance during this period can be partly attributed to government's provision of subsidies in an attempt to meet the objective of the Arusha declaration, to increase productivity and acquisition of services to the public. The expansion and rehabilitation programmes were implemented at the time when the country was facing economic crisis, hence instead of reviving the mill, they partly led to its failure. Because the programmes were implemented through foreign loans, the mill was unable not only to repay the loans, but also to cover its normal operation to the extent of depending on bank overdraft until it was no longer eligible. After implementation of neo-liberal policies and particularly the joint venture privatisation, the recovery was short-lived. On the one hand, the negative impact of globalisation such as importation of second-hand clothing as well as internal problems had a stake in causing the decline of FTC. However, on the other hand, the investor's deleterious practices of importing the ready-made fabrics which were

supposed to be made locally crippled the factory. These practices support Hyder and Ghauri's view that in most joint venture arrangements, foreign partners tend to expand their activities in local markets of the host country.<sup>119</sup> The implication of importation of fabrics is that FTC was no longer operating as integrated mill since the two initial stages of spinning and weaving were not conducted. This has resulted in unemployment and lack of value addition to locally produced cotton. As FTM has stopped production since 2018, its future is uncertain. Its revival will depend on the way the government will revisit her textile development policies under the prevailing globalisation and the hostile international competition.

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<sup>119</sup> Hyder and Ghauri, "Managing International Joint Venture Relations: A Longitudinal Perspective," 205