

# Domestic economy still reels under market distortions

By Moris Lymo

A SENIOR researcher of the Fair Competition Commission (FCC) states that Tanzania's economy is still highly regulated at the sectoral level, despite having graduated from two decades of frantic market liberalisation.

The expert, Shadrack Nkelebe, made these remarks last week at a discussion event which was organised by Economic and Social Research Foundation (ESRF). He fervently argued that the presence of numerous marketing boards for most of the commercial crops alone smack of market distortions.

In addition, he said, Tanzania still harbours endless economic and technical regulations, while natural monopolies in water, electricity, communication and transport sector still exist.

He lamented that even in a sensitive sector like petroleum sector where private firms are now allowed to enter and compete freely, consumers are yet to enjoy fair price because very few companies are so far engaged in that business.

Industry analysts have occasionally expressed fears that the few petroleum

firms might be colluding, a thing which is definitely illegal, to fix retail market price for the petroleum products.

At another level, the economy is also failed by structural weaknesses, most visibly seen in transportation sub-sector which is unluckily poorly developed, in part making transport costs relatively high for the economy. Besides, business information network is not well developed, he claimed.

Some of the key sectors which are still under the wrath of state regulation, according to the expert, include sugar industry, fixed line telephone system, commercial crops for which minimum prices are fixed by crop authorities like coffee, cotton, cashew and tobacco.

"There are sectors which are under legal monopoly, clearly so in all utilities such as water supply and sewerage services and electricity, contrary to the broad objective of the Competition Act which is to promote efficiency in the economy and enhance the welfare of the people of Tanzania as a whole," he said.

However, he conceded that since the introduction of the economic reforms many programs have been undertaken towards developing a market-led economy, and the legal framework for protecting and promoting competition is

sufficient as evidenced by the wide mandate contained in the functions of the FCC.

Trade liberalisation in Tanzania has forged ahead, in the process registering winners and losers. For instance, manufacturing industries previously enjoying protection from competitive imports have failed to exist, while manufacturers of non-traditional exports have triumphed.

Discussants identified textiles and fisheries sub-sectors as being the major losers and winners respectively. While the fishing industry, especially the one based on Lake Victoria resources has expanded noticeably, output of textiles has substantially declined particularly from mid 1990s due to cheaper imports, much so coming from the second hand clothes.

Fronting some of the significant challenges facing Tanzania's competition league, he mentioned lack of requisite knowledge and expertise. Likewise, reference was made to widespread misconception about the beneficiaries of competition, on which vested interest groups capitalise by marshalling fears of unemployment and need for supporting national champions, he said.